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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 FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS	For the year ended 31 December		+ / (-)
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)	
<b>RESULTS</b>			
Revenue	<b>1,714,549</b>	1,469,237	16.7%
Gross profit	<b>489,064</b>	447,303	9.3%
Profit attributable to owners of the Company	<b>131,139</b>	123,991	5.8%
EBITDA	<b>248,716</b>	252,302	(1.4%)
<b>PER SHARE DATA</b>			
Earnings per share for profit attributable to owners of the Company			
— Basic (HK cents)	<b>14.67</b>	13.87	5.8%
— Diluted (HK cents)	<b>N/A</b>	N/A	N/A

## FINANCIAL RESULTS

The Board of Directors (the “**Board**”) of Ka Shui International Holdings Limited (the “**Company**” or “**Ka Shui**”) is pleased to announce the unaudited final results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2021, together with the audited comparative figures for the year ended 31 December 2020, which are derived from the unaudited consolidated management accounts of the Company. For the reasons explained in the paragraph headed “**Review of Unaudited Annual Results**” in this announcement, the auditing process for the annual results of the Group for the year ended 31 December 2021 has not been completed.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		For the year ended	
		31 December	
		2021	2020
	Note	HK\$'000	HK\$'000
		(unaudited)	(audited)
<b>Revenue</b>	4	1,714,549	1,469,237
Cost of sales		<u>(1,225,485)</u>	<u>(1,021,934)</u>
<b>Gross profit</b>		<b>489,064</b>	447,303
Other income	5	30,125	25,155
Reversals of impairment losses on trade receivables and contract assets/(impairment losses on trade receivables and contract assets)		242	(236)
Selling and distribution expenses		(33,116)	(27,119)
General and administrative expenses		(309,817)	(273,495)
Other operating expenses and income		<u>(22,612)</u>	<u>(10,205)</u>
<b>Profit from operations</b>		<b>153,886</b>	161,403
Finance costs	6	(3,259)	(6,840)
Loss on deregistration of a subsidiary		(100)	—
Gain on disposal of a subsidiary		—	9
Gain on disposal of associates		—	350
Share of profits/(losses) of an associate		<u>45</u>	<u>(872)</u>
<b>Profit before tax</b>		<b>150,572</b>	154,050
Income tax expense	7	<u>(22,835)</u>	<u>(31,295)</u>
<b>Profit for the year</b>		<b><u>127,737</u></b>	<b><u>122,755</u></b>
<b>Attributable to</b>			
Owners of the Company		131,139	123,991
Non-controlling interests		<u>(3,402)</u>	<u>(1,236)</u>
		<b><u>127,737</u></b>	<b><u>122,755</u></b>
<b>Earnings per share</b>	8		
— Basic (HK cents)		14.67	13.87
— Diluted (HK cents)		<u>N/A</u>	<u>N/A</u>

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

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Profit for the year</b>	<u><b>127,737</b></u>	<u>122,755</u>
<b>Other comprehensive income:</b>		
<i>Items that will not be reclassified to profit or loss</i>		
Surplus on revaluation of leasehold lands	<b>4,466</b>	15,080
Income tax on items that will not be reclassified to profit or loss	<u><b>(943)</b></u>	<u>11,491</u>
	<u><b>3,523</b></u>	<u>26,571</u>
<i>Items that may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	<u><b>17,421</b></u>	<u>48,840</u>
<b>Other comprehensive income for the year, net of tax</b>	<u><b>20,944</b></u>	<u>75,411</u>
<b>Total comprehensive income for the year</b>	<u><b>148,681</b></u>	<u>198,166</u>
<b>Attributable to</b>		
Owners of the Company	<b>151,839</b>	198,212
Non-controlling interests	<u><b>(3,158)</b></u>	<u>(46)</u>
	<u><b>148,681</b></u>	<u>198,166</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2021</b>	2020
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment		547,487	519,816
Right-of-use assets		244,968	248,214
Goodwill		2,654	—
Other intangible assets		3,835	—
Club membership		718	718
Investment in an associate		8,949	8,691
Deposits paid for acquisition of property, plant and equipment		13,411	18,464
Deferred tax assets		99	121
		<u>822,121</u>	<u>796,024</u>
<b>Current assets</b>			
Inventories		209,363	180,666
Right of return assets		54	90
Trade and bills receivables	9	453,082	394,276
Contract assets		14,132	12,598
Prepayments, deposits and other receivables		49,543	47,637
Due from an associate		212	259
Current tax assets		1,474	6,834
Restricted bank balances		2,029	1,975
Bank and cash balances		280,683	256,686
		<u>1,010,572</u>	<u>901,021</u>
<b>Current liabilities</b>			
Trade payables	10	209,935	189,319
Contract liabilities		7,854	14,031
Refund liabilities		241	240
Other payables and accruals		103,801	99,093
Due to an associate		121	—
Derivative financial instruments		3,486	1,341
Bank borrowings		132,858	106,958
Lease liabilities		8,894	9,033
Current tax liabilities		22,936	13,374
		<u>490,126</u>	<u>433,389</u>
<b>Net current assets</b>		<u>520,446</u>	<u>467,632</u>
<b>Total assets less current liabilities</b>		<u>1,342,567</u>	<u>1,263,656</u>

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current liabilities</b>		
Bank borrowings	<b>10,500</b>	46,500
Loan from non-controlling interests	<b>803</b>	—
Lease liabilities	<b>5,582</b>	9,045
Deferred tax liabilities	<b>31,280</b>	28,803
	<u><b>48,165</b></u>	<u>84,348</u>
<b>NET ASSETS</b>	<u><b>1,294,402</b></u>	<u>1,179,308</u>
<b>Capital and reserves</b>		
Share capital	<b>89,376</b>	89,376
Reserves	<b>1,190,703</b>	1,074,614
	<u><b>1,280,079</b></u>	<u>1,163,990</u>
Equity attributable to owners of the Company	<b>1,280,079</b>	1,163,990
Non-controlling interests	<b>14,323</b>	15,318
	<u><b>1,294,402</b></u>	<u>1,179,308</u>
<b>TOTAL EQUITY</b>	<u><b>1,294,402</b></u>	<u>1,179,308</u>

## 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 2021, Precise Full 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 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 Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

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 these consolidated financial statements.

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

#### (a) Application of new and 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, Interest Rate Benchmark Reform — Phase 2  
HKFRS 7, HKFRS 4 and HKFRS 16

Amendments to HKFRS 16 COVID-19 Related Rent Concessions

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

#### ***Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2***

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates (“**IBOR reform**”).

The Group had interest-bearing bank loan (the “**Loan**”) denominated in EURO dollars based on the Euro Interbank Offered Rate (“**EURIBOR**”) as at 31 December 2021. Since the interest rate of the Loan was not replaced by an alternative benchmark rate during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rate of the Loan is replaced by an alternative benchmark rate in a future period, the Group will apply this practical expedient upon the modification of the derivative financial liabilities provided that the “economically equivalent” criterion is met.

#### ***Amendment to HKFRS 16, COVID-19 Related Rent Concessions***

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“**COVID-19 Related Rent Concessions**”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The application of the amendments had no impact on the consolidated financial statements.

**(b) New and revised HKFRSs in issue but not yet effective**

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to HKFRS 16 Leases — COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to HKFRS 3 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018 — 2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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, production of smart home products and provision of new energy vehicle power systems.

For management purposes, the Group's operation is currently categorised into seven (2020: seven) operating divisions — zinc, magnesium and aluminium 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 profits/losses of associates, gain on disposal of a subsidiary, gain on disposal of associates, loss on deregistration of a subsidiary, net fair value loss on derivative financial instruments, corporate expenses, finance costs and income tax expense.

Information about the reportable segment profit or loss:

	Zinc alloy <i>HK\$'000</i> <i>(unaudited)</i>	Magnesium alloy <i>HK\$'000</i> <i>(unaudited)</i>	Aluminium alloy <i>HK\$'000</i> <i>(unaudited)</i>	Plastic <i>HK\$'000</i> <i>(unaudited)</i>	Others <i>HK\$'000</i> <i>(unaudited)</i>	Total <i>HK\$'000</i> <i>(unaudited)</i>
<b>Year ended 31 December 2021</b>						
Revenue from external customers	142,537	415,207	144,417	964,538	47,850	1,714,549
Segment profit/(loss)	7,684	41,647	8,457	112,655	(2,574)	167,869
Depreciation and amortisation	4,748	46,417	7,264	30,096	4,390	92,915
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	Zinc alloy <i>HK\$'000</i> <i>(audited)</i>	Magnesium alloy <i>HK\$'000</i> <i>(audited)</i>	Aluminium alloy <i>HK\$'000</i> <i>(audited)</i>	Plastic <i>HK\$'000</i> <i>(audited)</i>	Others <i>HK\$'000</i> <i>(audited)</i>	Total <i>HK\$'000</i> <i>(audited)</i>
<b>Year ended 31 December 2020</b>						
Revenue from external customers	111,498	417,495	112,859	783,500	43,885	1,469,237
Segment profit/(loss)	7,616	57,905	7,558	112,054	(13,697)	171,436
Depreciation and amortisation	9,981	25,845	5,442	43,406	4,424	89,098
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Reconciliation of reportable segment revenue, profit or loss:**

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
<b>Revenue</b>		
Total revenue of reportable segments	1,714,549	1,469,237
Unallocated amounts	—	—
Consolidated revenue	<u>1,714,549</u>	<u>1,469,237</u>
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
<b>Profit or loss</b>		
Total profit of reportable segments	167,869	171,436
Unallocated amounts:		
Share of profits/(losses) of an associate	45	(872)
Gain on disposal of a subsidiary	—	9
Gain on disposal of associates	—	350
Loss on deregistration of a subsidiary	(100)	—
Net fair value loss on derivative financial instruments	(3,665)	(2,128)
Interest income	1,042	816
Finance costs	(3,259)	(6,840)
Income tax expense	(22,835)	(31,295)
Corporate income	—	144
Corporate expenses	(11,360)	(8,865)
Consolidated profit for the year	<u>127,737</u>	<u>122,755</u>
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
<b>Other material items — depreciation and amortisation</b>		
Total depreciation and amortisation of reportable segments	92,915	89,098
Unallocated amounts:		
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets for corporate use	1,970	2,314
Consolidated depreciation and amortisation	<u>94,885</u>	<u>91,412</u>

**Geographical information:**

	Revenue	
	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Hong Kong	94,776	124,656
People's Republic of China (the "PRC"), except Hong Kong	710,434	611,992
Japan	1,566	8,763
USA	802,710	644,658
Others	105,063	79,168
Consolidated total	<u>1,714,549</u>	<u>1,469,237</u>

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 10% (2020: less than 10%) of the aggregate amount of all segments.

**Revenue from major customers:**

	2021	2020
	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
Zinc alloy segment		
Customer a	32,666	47,744
Customer b	48,894	48,913
Magnesium alloy segment		
Customer c	73,193	41,285
Customer e	197,993	271,510
Aluminium alloy segment		
Customer a	28,862	40,245
Customer c	3,004	81
Plastic segment		
Customer b	66,063	51,774
Customer d	733,600	637,751

## 5. OTHER INCOME

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Interest income on bank deposits	1,042	816
Rental income	1,111	586
Reimbursement from customers	6,231	4,898
Compensation from suppliers	1,361	—
Sales of scrap materials	7,748	2,401
Sales of raw materials	103	164
Government grants	9,863	13,596
Others	2,666	2,694
	<u>30,125</u>	<u>25,155</u>

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Interest expenses on lease liabilities	618	651
Interest expenses on bank borrowings	2,641	6,189
	<u>3,259</u>	<u>6,840</u>

## 7. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Current tax — Hong Kong Profits Tax		
Provision for the year	20,108	12,150
Over provision in prior years	(5,973)	(529)
Current tax — income tax outside Hong Kong		
Provision for the year	4,092	3,680
Under/(over) provision in prior years	1,150	(1,486)
Current tax — PRC dividend withholding tax for the year	227	5,796
Deferred tax	3,231	11,684
	<u>22,835</u>	<u>31,295</u>

Under the two-tiered profits tax regime, the first HK\$2 million of assessable profits of qualifying group entity established in Hong Kong is lowered to 8.25% (2020: 8.25%), and assessable profits above HK\$2 million will be subject to the tax rate of 16.5% (2020: 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% (2020: 25%).

Three (2020: Two) 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 Enterprises Income Tax 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.

## 8. EARNINGS PER SHARE

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

	<b>2021</b> <i>HK\$’000</i> <b>(unaudited)</b>	2020 <i>HK\$’000</i> (audited)
<b>Earnings</b>		
Profit attributable to owners of the Company, used in the basic earnings per share calculation	<u><b>131,139</b></u>	<u>123,991</u>
	<b>2021</b>	2020
<b>Number of shares</b>		
Weighted average number of ordinary shares used in basic earnings per share calculation	<u><b>893,761,400</b></u>	<u>893,761,400</u>

No diluted earnings per share are presented as the Company did not have any dilutive potential shares for the financial years ended 31 December 2021 and 2020.

## 9. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Trade receivables	445,961	390,881
Bills receivables	7,121	3,395
	<u>453,082</u>	<u>394,276</u>

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 30 to 120 days (2020: 30 to 120 days) after the end of the month in which the invoices have been issued. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The ageing analysis of trade receivables, based on the invoice date, and net of allowance, is stated as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
0 to 30 days	181,915	173,159
31 to 60 days	135,361	108,461
61 to 90 days	101,984	87,624
91 to 180 days	25,940	21,460
Over 180 days	1,114	767
	<u>446,314</u>	391,471
Less: Allowance for bad and doubtful debts	<u>(353)</u>	<u>(590)</u>
	<u>445,961</u>	<u>390,881</u>

As at 31 December 2021, total bills received amounted to approximately HK\$7,121,000 (unaudited) (2020: HK\$3,395,000 (audited)) 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 date of receipt of goods, is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
0 to 30 days	72,849	80,976
31 to 60 days	58,065	53,568
61 to 90 days	40,400	31,903
91 to 180 days	32,944	14,456
Over 180 days	5,677	8,416
	<u>209,935</u>	<u>189,319</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### (A) Financial Review

Despite the challenges and uncertainties brought by the continuing COVID-19 pandemic in 2021, the Group's overall revenue for the year ended 31 December 2021 (the "Year") recorded a year-on-year increase of approximately 16.7% to HK\$1,714,549,000 (unaudited) (2020: HK\$1,469,237,000 (audited)) mainly due to the satisfactory growth in the sales performance of plastic, zinc alloy and aluminium alloy business. As a result, the consolidated profit attributable to owners of the Company increased to approximately HK\$131,139,000 (unaudited) (2020: HK\$123,991,000 (audited)), representing a 5.8% growth when compared with that of last year. The Group's gross profit for the Year also increased by approximately 9.3% to HK\$489,064,000 (unaudited) (2020: HK\$447,303,000 (audited)) and gross profit margin was approximately 28.5% (unaudited) (2020: 30.4% (audited)).

The Group's EBITDA, computed as profit before tax, depreciation, amortisation and finance costs, amounted to approximately HK\$248,716,000 (unaudited) (2020: HK\$252,302,000 (audited)).

### (B) Business Review

#### *Plastic business*

As a result of continuing COVID-19 pandemic in the Year, the market demand for mobile devices and its accessories increased, which was driven by increasing popularity of remote working and learning in various countries. In this relation, the revenue of plastic business segment had grown by approximately 23.1% to HK\$964,538,000 (unaudited) (2020: HK\$783,500,000 (audited)), which accounted for approximately 56.3% (unaudited) (2020: 53.3% (audited)) of the Group's overall revenue. In order to maintain the growth in this business segment, the Group will continue to broaden the product offerings and solutions as well as optimize different applications of plastic material.

#### *Magnesium alloy business*

During the year under review, the revenue of the magnesium alloy business remained relatively steady at HK\$415,207,000 (unaudited) (2020: HK\$417,495,000 (audited)), accounting for approximately 24.2% (unaudited) of the Group's overall revenue (2020: 28.4% (audited)). The Group is actively exploring the application of magnesium alloy in new energy vehicles with a view to realizing the growth potential for this segment in the forthcoming future.

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

The revenue of the aluminium alloy business for the Year increased by approximately 28.0% to HK\$144,417,000 (unaudited) (2020: HK\$112,859,000 (audited)) when compared with that of the previous year. The increase is primarily attributable to the significant increase of sale of home improvement products made of aluminium alloy in the Year, with demand driven by longer hours spent by people at home during COVID-19 pandemic. The segment's contribution to the Group's overall revenue had also grown from approximately 7.7% (audited) in 2020 to approximately 8.4% (unaudited) in 2021.

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

Due to increase in the sales of household products, the revenue of the zinc alloy business for the year ended 31 December 2021 was approximately HK\$142,537,000 (unaudited) (2020: HK\$111,498,000 (audited)), representing an increase of approximately 27.8% when compared with that of 2020. This business segment accounted for approximately 8.3% (unaudited) of the Group's overall revenue (2020: 7.6% (audited)). It is expected that this segment will continue to act as a relatively stable revenue contributor for the Group in the coming year.

### ***Others***

The revenue of other businesses (trading of lighting products, production of smart home products and provision of new energy vehicle power systems) increased by approximately 9.0% to HK\$47,850,000 (unaudited) (2020: HK\$43,885,000 (audited)) when compared with that of the previous year.

## **(C) Prospects**

Heading into 2022, the evolving situation of COVID-19 variants continues in different parts of the world and the outbreak of Russia-Ukraine war have both put pressure on the recovery of the global economy. In face of a business environment that is full of challenges and rapid changes, Ka Shui will stay vigilant in the market and stay financially healthy, while at the same time will leverage on its expertise, innovations in new material and technology solutions and its extensive business network to expand its presence throughout the value chain and explore opportunities to diversify its product applications.

The National People's Congress and the Chinese People's Political Consultative Conference held in early March 2022 have reaffirmed PRC's commitment to reaching a peak in carbon dioxide emissions by 2030 and achieving carbon neutralization by 2060. In general, transport is responsible for around a quarter of carbon emissions from fuel combustion, with road vehicles being the largest emitters. Therefore, lightweight technology has become particularly important in the development of both traditional and new energy vehicles for them to be more energy-efficient and



environmentally friendly. The application of the Group's magnesium alloy materials to traditional vehicles would reduce carbon emissions whilst such application to new energy vehicles would help achieve lighter weights and longer travel distances. According to the China Association of Automobile Manufacturers, China's new energy vehicle sales reached 3.52 million units in 2021, representing a year-on-year increase by 1.6 times, and domestic new energy vehicle sales are expected to reach 5 million units in 2022. Considering the rapid growth of new energy vehicles and the increasing importance of lightweight parts for vehicles, the Group will continue to develop a wider range of modified alloy material solutions such as lightweight magnesium alloys and aluminium alloys, including high-strength, high-toughness and high-flow magnesium alloys and aluminium alloys for automotive dashboards, body structural parts, chassis parts and components of the three electrical systems (battery, electric machine and electrically control) to cater for market trends and the needs from vehicle manufacturers. With its large-scale die casting machines with different tonnage levels, the Group will continue to work with automobile brands to conduct product development for large scale magnesium and aluminium alloy components. Besides, the Group has also offered integrated moulding solutions for auto parts to customers to enhance one-stop services and to save cost and production time of customers. In addition, the Group has also begun to actively explore the application of lightweight magnesium and aluminium alloy in the construction industry to achieve weight reduction of cement formwork.

Ka Shui has always been committed to offering high-quality products for customers in different industries by extending its new material applications. Our self-developed high thermal conductivity magnesium alloy, which was developed through modification of the existing material and was initially designed for more efficient heat dissipation of notebook computer casings, has extended to its application to 5G base stations, auto parts in contemporary electric cars and smart vehicles, different smart devices and now large outdoor LED screens because of its high heat dissipation characteristic. With the rapid increase of application of 5G networks in commercial and industrial sectors, the Group, with its production capability of large-scale components for 5G base stations, will grasp this emerging business opportunity to capture a larger market share. In addition, the Group's biocide-free germ repellent plastic, which is developed based on an advanced material technology without using biocides, has been applied to personal hygiene, baby products and kitchenware, the products of which have been well received by the market since the outbreak of COVID-19 pandemic in early 2020. In view of the customers' demand and the changing consumption pattern to online shopping under the pandemic, the Group has set up an online sales platform specifically for our germ repellent plastic products in both Hong Kong and PRC, to promote our own product brand and increase the relevant sales revenue and quantity. The Group will further develop the different applications of germ repellent plastic such as food packaging, medical and healthcare fields with a view to broadening its product offerings.

Apart from innovation in new materials, the Group has also devoted efforts on technology innovation. The Group's patented Micro Arc Oxidation ("MAO") technology has also achieved its success in pilot production of magnesium alloy components for auto parts and notebook casings. This eco-friendly surface treatment technology has proven to be exceptionally corrosion resistant and has gained wide recognition from the market. Further applications of MAO to other materials will be tested and launched in the near future. Besides, in view of the significant time and cost savings that can be achieved on product development using 3D printing technology, the Group has already applied this technology to the development of auto and aviation components. The Group will continue to further explore other applications of this technology in various fields.

In terms of internal optimization, Ka Shui will further invest in its Industry 4.0 smart manufacturing systems, to enhance its efficiency in streamlining production process, minimizing waste and achieving data management, as well as facilitating real-time management decisions, which would further add value to the Group, its customer and shareholders.

Despite the challenging business environment, the Group will continue to pursue a prudent approach to explore various investment opportunities and new business lines that are in-line with our business model, bringing in synergy to the Group's operation and sustaining long-term business growth.

The Group will closely monitor the impact of and implement necessary measures to mitigate the effects of global political situation and COVID-19 pandemic to its business. Material and technological innovation and advancement will remain a vital focus of the Group's future development, as we strive to uphold our leading position as a solutions provider with expertise in metal alloy die casting, plastic injection and other related areas. On top of that, strong customer relationships, years of experiences in manufacturing along with sound business philosophy will all serve as pillars for a sustainable progression for the Group and create long term values for shareholders.

#### **(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 2021, the Group had restricted bank balances as well as bank and cash balances of approximately HK\$282,712,000 (unaudited) (2020: HK\$258,661,000 (audited)), 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 2021 were bank loans and loan from non-controlling interests with an aggregate amount of approximately HK\$144,161,000 (unaudited) (2020: HK\$153,458,000 (audited)). All of these borrowings were denominated in Hong Kong dollars and Euros (2020: 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 the fifth year without repayment on demand clause amounted to HK\$36,000,000 (unaudited), HK\$96,858,000 (unaudited) and HK\$11,303,000 (unaudited) respectively (2020: HK\$40,997,000 (audited), HK\$65,961,000 (audited) and HK\$46,500,000 (audited) respectively).

As at 31 December 2021, 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) of HK\$138,551,000 (unaudited) (2020: net cash of HK\$105,203,000 (audited)).

As at 31 December 2021, the net current assets of the Group were approximately HK\$520,446,000 (unaudited) (2020: HK\$467,632,000 (audited)), which consisted of current assets of approximately HK\$1,010,572,000 (unaudited) (2020: HK\$901,021,000 (audited)) and current liabilities of approximately HK\$490,126,000 (unaudited) (2020: HK\$433,389,000 (audited)), representing a current ratio of approximately 2.1 (unaudited) (2020: 2.1 (audited)).

#### **(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 2021, the Group had no material contingent liabilities.

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

As at 31 December 2021, none of the assets of the Group were pledged.

## **(H) Significant Investments, Acquisitions and Disposal**

For the year ended 31 December 2021, the Group did not have any significant investments, acquisitions or disposals.

## **(I) Human Resources**

As at 31 December 2021, the Group had approximately 4,200 full-time employees (31 December 2020: 4,400). 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 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.

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the listed securities of the Company.

## **CORPORATE GOVERNANCE**

During the year under review, the Company has complied with all the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") other than as mentioned below.

Pursuant to Code Provision C.2.1 (previously code provision A.2.1) of the CG Code, the roles of Chairman and Chief Executive Officer ("**CEO**") should be separate and should not be performed by the same individual. Mr. Lee Yuen Fat ("**Mr. Lee**"), the Chairman and an executive director of the Company, has temporarily taken up the duties of CEO after Mr. Leung King Kwok, Godfrey SBS has resigned from his position as CEO of the Company with effect from 31 December 2020 until a suitable candidate is appointed. After the appointment of Mr. Chu Weiman ("**Mr. Chu**") as the CEO of the Company with effect from 1 February 2021, Mr. Lee stepped down from his role as the CEO of the

Company on the same date but he remained as an executive director and the Chairman of the Board. Through Mr. Chu's appointment, the Company has recompiled with Code Provision C.2.1 (previously code provision A.2.1) of the CG Code. Mr. Lee, being the chairman of the Company, is responsible for the leadership and effective running of the Board while Mr. Chu, being the CEO of the Company, is responsible for the overall management and supervision of the execution of the overall business strategies of the Group.

## **AUDIT COMMITTEE**

The Company established the Audit Committee in June 2007. The primary duties of the Audit Committee are to review the Company's financial reports, make recommendations on the appointment, removal and remuneration of the independent auditor, approve audit and audit-related services, supervise the Company's internal financial reporting procedures and management policies and review the Company's risk management and internal control systems as well as the internal audit function. 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 on the appointment of directors to the Board 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. 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. The Chairman of the Remuneration Committee is Professor Sun Kai Lit, Cliff *BBS, JP*.

## **RISK MANAGEMENT COMMITTEE**

The Company has set up the Risk Management Committee with terms of reference in October 2020. The main responsibilities of the Risk Management Committee include monitoring and reviewing the process of the risk management and internal control, and advising the Board on the appropriateness, effectiveness of and the proposed improvements to be made to the existing risk management and internal control systems; providing recommendations to the management on risk management and internal control, and setting up procedures to unveil, assess and manage material risk factors and ensure 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 comprises the CEO of the Company (currently Mr. Chu) as its chairman, and Director of Manufacturing (namely Mr. Wong Wing Chuen), Director of Operations (namely Ms. Chan So Wah) and Director of Sales and Marketing as its members.

## **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 for the year ended 31 December 2021.

## **EVENTS AFTER REPORTING PERIOD**

With the evolving situation of COVID-19 variants continues in different parts of the world in the first quarter of 2022, particularly in Hong Kong where the Company's office is located, the office in Hong Kong was closed during the period from the end of February to middle of March 2022 as certain staff of the Company were tested positive for COVID-19. All staff in Hong Kong worked from home during the said period. Notwithstanding the above, in view of the fact that all of the Group's manufacturing sites are located in the PRC, the Directors consider that the overall operation of the Group is not materially affected as at the date of this announcement. Given that the evolving situation of COVID-19 in the PRC remains uncertain, the Group will closely monitor to the development of the novel coronavirus epidemic and evaluate its impact on the manufacturing, financial position and operating results of the Group and will take appropriate measures as necessary.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2021 of the Company has not been completed due to a number of factors, including (i) delays in receiving audit confirmations from the PRC and overseas banks, customers and suppliers resulting from delays in postal services within the PRC, Hong Kong and overseas areas and lockdown of several cities in the PRC since the middle of March 2022; and (ii) closure of the Company's office in Hong Kong during the period from the end of February to middle of March 2022 as staff of the Company (including staff of our finance department in charge of audit) and members of the Company's auditors were tested positive for COVID-19, which affected the access of underlying records required for the audit. As a result of the above, the Company's auditors are continuing with their auditing work as of the date of this announcement, and the unaudited annual results for the year ended 31 December 2021 contained herein have been reviewed by the Company's audit committee and approved for its publication herein, but have not yet been agreed with the Company's auditors as required under Rule 13.49(2) of the Listing Rules.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2021 as agreed with the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein; (ii) the proposed final dividend of the Company for the year ended 31 December 2021 (if any); (iii) the payment date of any proposed final dividend (if applicable); (iv) the proposed date on which the forthcoming annual general meeting will be held; (v) the period during which the register of members will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting; and (vi) the period during which the registers of members will be closed in order to determine entitlement to receive the proposed final dividend (if applicable). In addition, the Company will issue further announcement(s) as and when necessary, such as any material development in the auditing of the Company's financial information for the year ended 31 December 2021. The Company expects that the audited final results of the Group for the year ended 31 December 2021, which have been agreed with the Company's auditor, will be announced by the end of April 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 year.

**The financial information contained herein are derived from the consolidated management accounts of Group and have not been audited or agreed with the Company's auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

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

Hong Kong, 31 March 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.*