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# CHINA METAL INTERNATIONAL HOLDINGS INC.
# 勤美達國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

(Stock code: 319)

## FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

### ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of China Metal International Holdings Inc. (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015 together with the relevant comparative figures.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Expressed in United States dollars)*

| | *Note* | **2015** **\$'000** | 2014 \$'000 |
|---|---|---|---|
| **Revenue** | 2 | **309,506** | 346,855 |
| Cost of sales | | **(230,601)** | (260,839) |
| **Gross profit** | | **78,905** | 86,016 |
| Other revenue | 3(a) | **1,371** | 2,193 |
| Other net income/(loss) | 3(b) | **2,610** | (700) |
| Selling and distribution costs | | **(16,838)** | (18,939) |
| Administrative expenses | | **(17,404)** | (17,536) |
| **Profit from operations** | | **48,644** | 51,034 |
| Finance costs | 4(a) | **(853)** | (1,223) |
| **Profit before taxation** | 4 | **47,791** | 49,811 |
| Income tax | 5 | **(7,839)** | (8,777) |
| **Profit for the year** | | **39,952** | 41,034 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **39,952** | 41,034 |
| Non-controlling interests | | **–** | – |
| **Profit for the year** | | **39,952** | 41,034 |
| **Earnings per share** | 7 | | |
| Basic (cents) | | **3.97** | 4.08 |
| Diluted (cents) | | **3.97** | 4.08 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015**

*(Expressed in United States dollars)*

| | *Note* | **2015** **$'000** | 2014 *$'000* |
|---|---|---|---|
| **Profit for the year** | | **39,952** | 41,034 |
| **Other comprehensive income for the year (after tax and reclassification adjustment):** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of financial statements of subsidiaries in the People's Republic of China ("PRC") and in Hong Kong | | **(20,115)** | (2,362) |
| **Total comprehensive income for the year** | | **19,837** | 38,672 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **19,837** | 38,672 |
| Non-controlling interests | | **–** | – |
| **Total comprehensive income for the year** | | **19,837** | 38,672 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 31 DECEMBER 2015**
*(Expressed in United States dollars)*

| | Note | **2015** | 2014 |
|---|---|---|---|
| | *Note* | ***$'000*** | *$'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | | **191,119** | 214,378 |
| Lease prepayments | | **7,402** | 8,054 |
| Other financial assets | | **37** | 37 |
| | | **198,558** | 222,469 |
| **Current assets** | | | |
| Inventories | | **41,157** | 52,174 |
| Trade and other receivables | 8 | **145,492** | 147,452 |
| Amounts due from related companies | | **441** | 426 |
| Pledged bank deposits | 9 | **4,614** | 2,260 |
| Cash and cash equivalents | | **31,665** | 38,838 |
| Time deposits | | **–** | 2,942 |
| | | **223,369** | 244,092 |
| **Current liabilities** | | | |
| Trade and other payables | 9 | **53,555** | 60,370 |
| Bank loans | | **24,000** | 44,357 |
| Amounts due to related companies | | **172** | 1,236 |
| Current taxation | | **3,372** | 1,726 |
| | | **81,099** | 107,689 |
| **Net current assets** | | **142,270** | 136,403 |
| **Total assets less current liabilities** | | **340,828** | 358,872 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AT 31 DECEMBER 2015 (CONTINUED)**

*(Expressed in United States dollars)*

| | Note | **2015** | 2014 |
|---|---|---|---|
| | | ***$'000*** | *$'000* |
| **Non-current liabilities** | | | |
| Long-term loans | | **15,000** | 20,679 |
| Deferred tax liabilities | | **1,248** | 1,381 |
| | | **16,248** | 22,060 |
| **NET ASSETS** | | **324,580** | 336,812 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **1,293** | 1,293 |
| Reserves | | **323,287** | 335,519 |
| **Total equity attributable to equity shareholders of the Company** | | **324,580** | 336,812 |
| Non-controlling interests | | **–** | – |
| **TOTAL EQUITY** | | **324,580** | 336,812 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(Expressed in United States dollars unless otherwise indicated)*

## 1 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules").

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 and the Company. Note 1(c) 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 financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The functional currencies of the Company, its subsidiaries in the PRC and a subsidiary in Hong Kong are United States dollars, Renminbi and Hong Kong dollars respectively. For the purposes of presenting the consolidated financial statements, the Group adopted United States dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

These developments do not have an impact on the Group's financial results or financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2 REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are design, development, manufacture and sale of customised metal castings for use in various industries.

Revenue represents the sales value of casting products to customers after allowances for goods returned, excludes VAT and is after the deduction of any trade discounts.

The amount of each significant category of revenue is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Sales of: | | |
| – Automobile parts and components | **226,887** | 228,871 |
| – Mechanical parts | **54,262** | 82,063 |
| – Compressor parts | **28,357** | 35,921 |
| | **309,506** | 346,855 |

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenues (2014: two customers). In 2015 revenues from sales of automobile parts and components to these customers, including sales to entities which are known to the Group to be under common control with these customers, amounted to approximately $44 million and $32 million in the United States and the PRC, respectively (2014: $47 million and $41 million in the United States and the PRC, respectively).

Further details regarding the Group's principal activities are disclosed below:

**(b) Segment reporting**

The Group manages its businesses according to the manufacturing source of its products, i.e. its operating subsidiaries in the PRC, which are engaged in the design, development, manufacture and sale of customised metal casting. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments:

- Tianjin CMT Industry Company Limited ("CMT")
- Suzhou CMS Machinery Company Limited ("CMS")
- CMW (Tianjin) Industry Company Limited ("CMWT")
- Suzhou CMB Machinery Company Limited ("CMB")

*(i) Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, lease prepayments and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profits is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administrative costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

| | CMT | | CMS | | CMWT | | CMB | | TOTAL | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 | **2015** | 2014 |
| | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* | ***$'000*** | *$'000* |
| Revenue from external customers | **45,369** | 73,879 | **104,521** | 125,984 | **130,436** | 133,119 | **29,180** | 13,873 | **309,506** | 346,855 |
| Inter-segment revenue | **871** | 216 | **2,345** | 1,086 | **14,083** | 1,482 | **3,345** | 5,207 | **20,644** | 7,991 |
| Reportable segment revenue | **46,240** | 74,095 | **106,866** | 127,070 | **144,519** | 134,601 | **32,525** | 19,080 | **330,150** | 354,846 |
| **Reportable segment profit** (adjusted EBITDA) | **1,216** | 14,801 | **26,250** | 26,329 | **43,918** | 31,522 | **3,446** | (1,641) | **74,830** | 71,011 |
| Interest income from bank deposits | **164** | 207 | **128** | 328 | **57** | 64 | **62** | 164 | **411** | 763 |
| Interest expense | **(431)** | (635) | **(422)** | (588) | **–** | – | **–** | – | **(853)** | (1,223) |
| Depreciation and amortisation for the year | **(1,608)** | (1,997) | **(5,480)** | (5,043) | **(9,707)** | (10,220) | **(5,567)** | (4,470) | **(22,362)** | (21,730) |
| **Reportable segment assets** | **56,238** | 78,572 | **101,872** | 117,477 | **159,549** | 165,188 | **106,588** | 102,332 | **424,247** | 463,569 |
| Additions to non-current segment assets during the year | **26** | 86 | **3,469** | 3,649 | **3,235** | 2,705 | **4,656** | 9,153 | **11,386** | 15,593 |
| **Reportable segment liabilities** | **1,517** | 9,121 | **14,703** | 14,377 | **30,221** | 30,982 | **18,215** | 11,029 | **64,656** | 65,509 |

*(ii)* *Reconciliations of reportable segment revenues, profit or loss, assets and liabilities*

| | 2015 | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Revenue** | | |
| Reportable segment revenue | **330,150** | 354,846 |
| Elimination of inter-segment revenue | **(20,644)** | (7,991) |
| Consolidated revenue *(note 2(a))* | **309,506** | 346,855 |

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Profit** | | |
| Reportable segment profit | **74,830** | 71,011 |
| Elimination of depreciation related to inter-segment fixed assets transfer | **503** | 405 |
| Elimination of inter-segment (profit)/loss | **(4,320)** | 1,010 |
| Reportable segment profit derived from the Group's external customers | **71,013** | 72,426 |
| Depreciation and amortisation | **(22,362)** | (21,730) |
| Interest income | **411** | 763 |
| Finance costs | **(853)** | (1,223) |
| Unallocated head office and corporate expenses | **(418)** | (425) |
| Consolidated profit before taxation | **47,791** | 49,811 |

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Assets** | | |
| Reportable segment assets | **424,247** | 463,569 |
| Elimination of inter-segment receivables | **(7,195)** | (1,672) |
| | **417,052** | 461,897 |
| Non-current financial assets | **37** | 37 |
| Unallocated head office and corporate assets | **4,838** | 4,627 |
| Consolidated total assets | **421,927** | 466,561 |

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Liabilities** | | |
| Reportable segment liabilities | **64,656** | 65,509 |
| Elimination of inter-segment payables | **(7,195)** | (1,672) |
| | **57,461** | 63,837 |
| Unallocated head office and corporate liabilities | **39,886** | 65,912 |
| Consolidated total liabilities | **97,347** | 129,749 |

*(iii) Geographic information*

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

| | **Revenue from external customers** | |
|---|---|---|
| | **2015** | 2014 |
| | ***$'000*** | *$'000* |
| The PRC | **172,764** | 190,448 |
| United States | **107,879** | 111,251 |
| Japan | **15,232** | 27,005 |
| Other countries | **13,631** | 18,151 |
| Total | **309,506** | 346,855 |

Most of the Group's property, plant and equipment ("specified non-current assets") are located in the PRC. Accordingly, no geographical segment analysis based on the location of specified non-current assets is presented.

## 3 OTHER REVENUE AND NET INCOME/(LOSS)

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(a) Other revenue** | | |
| – Interest income | **411** | 763 |
| – Sundry income | **960** | 1,430 |
| | **1,371** | 2,193 |
| **(b) Other net income/(loss)** | | |
| Net foreign exchange gain/(loss) | **2,842** | (729) |
| Net (loss)/gain on sale of property, plant and equipment | **(232)** | 6 |
| Others | **–** | 23 |
| | **2,610** | (700) |

## 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(a) Finance costs:** | | |
| Interest on bank advances wholly repayable within five years | **853** | 1,323 |
| Less: interest expense capitalised into construction in progress* | **–** | (100) |
| | **853** | 1,223 |

* The borrowing costs have been capitalised at a rate of 0.95% – 1.83% per annum in 2014

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(b) Staff costs:** | | |
| Salaries, wages and other benefits | **41,198** | 38,600 |
| Contributions to retirement benefit schemes | **3,677** | 3,435 |
| Equity settled share-based payment expenses | **29** | 74 |
| Termination benefits | **3,399** | – |
| | **48,303** | 42,109 |

Pursuant to the restructuring of CMT in 2015, the Group terminated the employment of certain staff. Termination benefits represent payments made to these staff.

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **(c) Other items:** | | |
| Amortisation of lease prepayments | **196** | 200 |
| Depreciation | **22,166** | 21,530 |
| Operating lease charges: minimum lease payments (including property rentals) | **362** | 398 |
| Auditors' remuneration | **522** | 513 |

## 5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

### (a) Taxation in the consolidated statement of profit or loss represents:

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| **Current tax** | | |
| Provision for income tax for the year | **7,863** | 7,413 |
| Under/(over)-provision in respect of prior years | **31** | (12) |
| | **7,894** | 7,401 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **(55)** | 1,376 |
| | **7,839** | 8,777 |

*(i) Overseas income tax*

Pursuant to the rules and regulations of the Cayman Islands, the Company and CMW (Cayman Islands) Co., Ltd. ("CMW(CI)") are not subject to any income tax in the Cayman Islands.

*(ii) Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax is made for the year as the Group did not generate any income subject to Hong Kong Profits Tax during the years presented.

*(iii) PRC Corporate income tax*

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC Corporate Income Tax ("CIT") of the Group is calculated based on the following rates:

| | *Notes* | **2015** | 2014 |
|---|---|---|---|
| CMT | (1) | **15%** | 15% |
| CMS | (1) | **15%** | 15% |
| CMWT | (2) | **15%** | 15% |
| CMB | (3) | **15%** | 15% |

*Notes:*

(1) In September 2011 and October 2011, CMS and CMT were granted the status of Advanced and New Technology Enterprise ("ANTE") that entitled them to a preferential CIT rate of 15% for the three-year period ended 31 December 2013. CMS and CMT renewed and obtained the ANTE certificates in March 2015 and October 2014, respectively, and are entitled to a preferential CIT rate of 15% for a period of three years from 2014 to 2016.

(2) In May 2013, CMWT was granted the status of ANTE that entitled it to a preferential CIT rate of 15% for the three-year period ended 31 December 2014. CMWT renewed and obtained the ANTE certificate in August 2015 and are entitled to a preferential CIT rate of 15% for a period of three years from 2015 to 2017.

(3) In May 2014, CMB was granted the status of ANTE that entitled it to a preferential CIT rate of 15% for the three-year period ended 31 December 2015.

In addition, pursuant to CIT Law effective on 1 January 2008 and Implementation Rules to the CIT Law, dividends payable by subsidiaries in the PRC to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to the tax treaty between the PRC and Hong Kong, the holding companies of CMB, CMT and CMS are established in Hong Kong, and therefore, provided these companies meet the criteria for "beneficial owner" set out in the relevant PRC tax circular, dividends payable by CMB, CMT and CMS are subject to a reduced withholding tax rate of 5%.

**(b) Reconciliation between tax expense and accounting profit at applicable tax rates:**

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Profit before taxation | **47,791** | 49,811 |
| Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned | **10,828** | 10,638 |
| Tax effect of non-deductible expenses | **139** | 4 |
| Tax effect of unused tax losses not recognised | **282** | – |
| Tax effect of distributed profits of subsidiaries | **1,270** | 803 |
| Under/(over)-provision in prior years | **31** | (12) |
| (Reversal)/origination of deferred tax liability arising from depreciation timing difference | **(54)** | 1,961 |
| Tax effect of tax concessions | **(4,657)** | (4,617) |
| Actual tax expense | **7,839** | 8,777 |

## 6. DIVIDENDS

### (a) Dividends payable to equity shareholders of the Company attributable to the year

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Interim dividend declared and paid of 0.80 cent (2014: 0.88 cent) per ordinary share | **8,050** | 8,833 |
| Special interim dividend declared and paid of 1.39 cent (2014: 0.49 cent) per ordinary share | **13,986** | 4,952 |
| Final dividend proposed after the end of the reporting period of 0.97 cent (2014: 1.00 cent) per ordinary share | **9,760** | 10,062 |
| Special final dividend proposed after the end of the reporting period of 0.99 cent per ordinary share in 2015 | **9,961** | – |
| | **41,757** | 23,847 |

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

### (b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Final dividend in respect of previous financial year, approved and paid during the year of 1.00 cent (2014: 0.88 cent) per ordinary share | **10,062** | 8,833 |
| Special final dividend in respect of previous financial year, approved and paid in 2014 of 0.99 cent per ordinary share | **–** | 9,938 |
| | **10,062** | 18,771 |

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the Company's ordinary equity shareholders of $39,952,000 (2014: $41,034,000) and the weighted average number of 1,006,212,000 (2014: 1,004,904,000) ordinary shares in issue during the year.

*(i) Weighted average number of ordinary shares*

| | **2015** | 2014 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 January | **1,006,212** | 1,004,332 |
| Effect of share options exercised | **–** | 572 |
| Weighted average number of ordinary shares at 31 December | **1,006,212** | 1,004,904 |

### (b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as all potential ordinary shares are anti-dilutive. The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of $41,034,000 and the weighted average number of ordinary shares of 1,005,712,000 calculated as follows:

*(i) Weighted average number of ordinary shares (diluted)*

| | 2014 |
|---|---|
| | *'000* |
| Weighted average number of ordinary shares at 31 December | 1,004,904 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration | 808 |
| Weighted average number of ordinary shares (diluted) at 31 December | 1,005,712 |

## 8 TRADE AND OTHER RECEIVABLES

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Trade receivables | **129,161** | 128,860 |
| Bills receivable | **3,980** | 5,720 |
| Other receivables, deposits and prepayments | **12,351** | 12,872 |
| | **145,492** | 147,452 |

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

### (a) Ageing analysis

As of 31 December 2015, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the delivery date and net of allowance for doubtful debts, is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 3 months | **104,527** | 112,175 |
| 3 to 12 months | **27,512** | 21,661 |
| 12 to 24 months | **924** | 683 |
| Over 24 months | **178** | 61 |
| | **133,141** | 134,580 |

Trade receivables and bills receivable are due within 60 to 120 days from the date of billing.

### (b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly.

No additional allowance for doubtful debts was provided for during the year.

**(c) Trade receivables and bills receivable that are not impaired**

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Neither past due nor impaired | **108,074** | 111,259 |
| Less than 3 months past due | **22,631** | 21,725 |
| 3 to 12 months past due | **1,851** | 1,076 |
| 12 to 24 months past due | **407** | 459 |
| Over 24 months past due | **178** | 61 |
| | **25,067** | 23,321 |
| | **133,141** | 134,580 |

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 9 TRADE AND OTHER PAYABLES

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Trade payables | **19,008** | 31,823 |
| Bills payable | **16,633** | 7,745 |
| Other payables | **17,914** | 20,802 |
| | **53,555** | 60,370 |

All of the trade and other payables are expected to be settled within one year or are repayable on demand.

Bills payable of $16,633,000 (2014: $7,745,000) as at 31 December 2015 were secured by bank deposits of $4,614,000 (2014: $2,260,000).

As of the end of the reporting period, the ageing analysis of trade payables and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***$'000*** | *$'000* |
| Within 1 month | **17,336** | 11,996 |
| 1 to 3 months | **11,988** | 18,733 |
| 3 to 6 months | **6,275** | 8,733 |
| Over 6 months | **42** | 106 |
| | **35,641** | 39,568 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group recorded revenue of US$309,506,000 for the year 2015 and this constituted a decrease of 10.8% comparing to that of the year 2014. Sales of automobile parts and components is equivalent to the same numbers as 2014. Sales of mechanical parts decreased 33.9% due to the market demanding decline. Sales of compressor parts decreased 21.1%

Gross profit for the year ended 31 December 2015 amounted to approximately US$78,905,000 (2014: US$86,016,000), representing a gross profit margin of 25.5% (2014: 24.8%).

Profit from operations for the year ended 31 December 2015 was approximately US$48,644,000 (2014: US$51,034,000) or 15.7% (2014: 14.7%) of recorded revenue. Profit attributable to equity shareholders of the Company for the year ended 31 December 2015 amounted to US$39,952,000 (2014: US$41,034,000).

### LIQUIDITY AND FINANCIAL RESOURCES

The Group remains a sound financial position. At 31 December 2015, the Group's cash and cash equivalents amounted to US$31,665,000 (2014: US$38,838,000). At 31 December 2015, the Group had a total banking facilities of approximately US$134,320,000 (2014: US$127,592,000) which were utilised to the extent of US$43,681,000 (2014: US$67,803,000). Unsecured bank loans amounted to US$24,000,000 (2014: US$44,357,000) were repayable within 1 year, and US$15,000,000 were repayable after 2 years but within 5 years respectively (2014: US$14,250,000). At 31 December 2014, unsecured bank loans amounted to US$6,429,000 were repayable after 1 year but within 2 years.

### CAPITAL STRUCTURE

The Company's total issued share capital as at 31 December 2015 was HK$10,062,120 divided into 1,006,212,000 shares of HK$0.01 each.

The Group adopts a prudent financial policy, and its current ratio as at 31 December 2015 is 2.8 (2014: 2.3). The gearing ratio (a ratio of total loans to total assets) as at 31 December 2015 was 9.2% (2014: 13.9%). The Group continued to monitor debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

As at 31 December 2015, earnings per share was US cents 3.97 compared to US cents 4.08 in the year 2014.

### MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

The Group has not made any acquisition or disposal of subsidiaries during the year under review.

## SEGMENTAL INFORMATION

As at 31 December 2015, details of segmental information of the Group are set out in note 2 above.

## EMPLOYEE BENEFITS

During the year ended 31 December 2015, the average number of employees of the Group was 3,690 (2014: 3,924). The Group's staff costs (excluding Director fees) amounted to US$47,887,000 (2014: US$41,687,000). The remuneration policy of the Company is reviewed annually by the remuneration committee of the Company and is in line with the prevailing market practice. On 3 January 2011, an aggregate of 22,300,000 options were granted to the eligible participants under the share option scheme of the Company adopted on 8 December 2004.

The Company adopted a new share option scheme on 13 May 2014 and the old share option scheme was terminated from 13 May 2014. Options granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the old share option scheme. There is no impact on the existing share options granted.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions.

The Directors and all members of the senior management of the Group, being non-PRC citizens, are not entitled to the state-managed social welfare scheme operated by the local government in the PRC. However, the senior management of the Group, being non-PRC citizens, has been provided a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the year. During the year under review, the Group reimbursed US$153,000 to CMP as the Group's share of contribution to such retirement scheme (2014: US$232,000). The Group is not obliged to incur any liability beyond the contribution.

## CHARGES ON ASSETS

As at 31 December 2015, bank deposits of US$4,614,000 (2014: US$2,260,000) were pledged to secure banking facilities granted to the Group.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In order to increase the yield rate and to reduce the scrap rate, the Company will sign a 14 months agreement with an European consulting team in 2016. With their proven record of cutting edge technology, the Company will be benefit of new and practical knowledge of metallurgy especially in the "process engineering" field so to outperform our competitors in this intensely competitive industry.

Cast iron industry involves high temperature melting steel scraps, the solidified final products are from molten iron shaped in the hardened mold made of mixture of bentonite and massive amount of fine sand which inevitably create pollutants in the processes. We resolved to build a "clean production environment" by gradually implement some measures to become a "sealed production complex" or "negative pressure production", therefore all the air housed the complex will be filtered through before it returns to mother nature. This improvement would be an ambitious undertaking and costly but we believe in long term achievement and environmental friendly is our goal.

## FOREIGN CURRENCY EXPOSURE

Most of the sales made to overseas customers are denominated in United States dollars. As the Group focuses on developing an international customer base and its export sales are expected to grow, the Group may be exposed to higher currency risk in relation to sales denominated in United States dollars, Euros and other currencies and the profitability of the Group may be affected by significant currency rates fluctuation.

The Renminbi currently is not a freely convertible currency. A portion of the Group's Renminbi revenue or profit may be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

## CAPITAL COMMITMENTS

Capital commitments in respect of purchase of property, plant and equipment outstanding and not provided for in the financial statements of the Group as at 31 December 2015 amounted to US$4,693,000 (2014: US$6,357,000).

## CONTINGENT LIABILITIES

As at 31 December 2015, the Group has no material contingent liabilities.

## FINAL DIVIDEND AND SPECIAL DIVIDEND

The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 13 May 2016 a final dividend of US cent 0.97 per share (equivalent to HK cents 7.52), and a special dividend of US cent 0.99 per share (equivalent to HK cents 7.67) for the year ended 31 December 2015 to be paid on Friday, 27 May 2016 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 19 May 2016.

## CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Thursday, 12 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 11 May 2016.

For determining the entitlement of the shareholders to the proposed final dividend and special dividend, the register of members of the Company will be closed on Thursday, 19 May 2016, no transfer of shares will be registered on that date. In order to qualify for the proposed final dividend and special dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration not later than 4:30 p.m. on Wednesday, 18 May 2016.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2015.

## CORPORATE GOVERNANCE PRACTICE

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the year ended 31 December 2015.

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2015, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of code provision A.2.1 of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but the Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.

Save as the above-mentioned and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2015.

## AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2004 with written terms of reference, which was revised on 28 March 2012 and further revised on 31 December 2015 to comply with the relevant code provisions set out in the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Ting Lok (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Chen Pou-Tsang. The Audit Committee has reviewed the audited annual financial report of the Group for the year ended 31 December 2015.

On behalf of the Board
**China Metal International Holdings Inc.**
**King Fong-Tien**
*Chairman*

Hong Kong, 29 March 2016

*As at the date of this announcement, the Board consists of eight Directors, of which four are executive Directors, namely Mr. King Fong-Tien, Mr. Tsao Ming-Hong, Ms. Chen Shun Min and Ms. Ho Pei-Lin, one non-executive Director, namely Mr. Christian Odgaard Pedersen, and three independent non-executive Directors, namely Mr. Lam Ting Lok, Mrs. Chiu Lin Mei-Yu (also known as Mary Lin Chiu) and Mr. Chen Pou-Tsang (also known as Angus P.T. Chen).*