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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)*

## **CONTINUING CONNECTED TRANSACTIONS**

Reference are made to the announcements of the Company dated 28 December 2006, 20 March 2008, 13 May 2008, 1 December 2009, 28 March 2011, 26 March 2014 and 9 March 2015 relating to the continuing connected transactions with CMAI, CMJ and Birn.

The Board announces that on 6 December 2016 (i) the Company entered into the 2016 CMAI Services Agreement with CMAI regarding the renewal of the provision of the logistic services by CMAI to the Group; (ii) the Company entered into the 2016 CMJ Services Agreement with CMJ regarding the renewal of the provision of logistic services by CMJ to the Group; and (iii) CMB (HK) entered into the 2016 Master Supply Agreement with Birn regarding the supply to Birn the Relevant Products on a long-term and ongoing basis.

Accordingly, the fees payable to CMAI and CMJ under the 2016 CMAI Services Agreement and the 2016 CMJ Services Agreement and the supply of the Relevant Products under the 2016 Master Supply Agreement to Birn constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are therefore subject to reporting, announcement and annual review requirements under Rules 14A.35, 14A.49 and 14A.55 to 14A.59 of the Listing Rules, but are exempted from independent Shareholders' approval under Rule 14A.76(2) of the Listing Rules.

Reference are made to the announcements of the Company dated 28 December 2006, 20 March 2008, 13 May 2008, 1 December 2009, 28 March 2011, 26 March 2014 and 9 March 2015 relating to the continuing connected transactions with CMAI, CMJ and Birn.

The Board announces that on 6 December 2016:-

1. the Company has entered into the 2016 CMAI Services Agreement with CMAI regarding the renewal of the provision of logistic services by CMAI to the Group.
2. the Company has entered into the 2016 CMJ Services Agreement with CMJ regarding the renewal of the provision of logistic services by CMJ to the Group.
3. CMB (HK) has entered into the 2016 Master Supply Agreement with Birn regarding the supply to Birn the Relevant Products on a long-term and ongoing basis.

### **2016 CMAI SERVICES AGREEMENT**

Date : 6 December 2016

Parties : the Company; and

CMAI, a 94% owned subsidiary of CMP, and therefore a connected person of the Company under the Listing Rules.

Subject : CMAI is a logistic agent of the Group for its sales in the US, Canada and Europe and is responsible for processing customers' orders and/or requests originated in the US, Canada and Europe for the Group; and other co-ordination works.

The provision of such services will be charged against the Group at not more than 5% of the sales conducted through CMAI, and the Group will pay to CMAI the services fees by cash. The percentage of services fees payable to CMAI are determined with reference to the order level, production level and profit margin of each kind of products of the Group.

Term : for a term of three years from 1 January 2017 and ending on 31 December 2019.

The annual caps for the fees to CMAI pursuant to the 2014 CMAI Services Agreement for each of the financial years ended 31 December 2014 and 2015 and for the financial year ending 31 December 2016 are US\$1,500,000 respectively. The actual fees paid by the Group to CMAI for the two financial years ended 31 December 2014 and 2015 amounted to approximately US\$1,334,845.29 and US\$1,184,000 respectively and for the eleven months ended 30 November 2016 amounted to approximately US\$946,000.

The Board expects the annual fee for the services under the 2016 CMAI Services Agreement for each of the financial years ending 31 December 2017, 2018 and 2019 would not exceed US\$1,500,000 respectively and therefore proposed to set the respective cap thereat for the said three financial years. The annual caps are determined by reference to the previous fees paid to CMAI and the anticipated sales to be conducted through CMAI.

**2016 CMJ SERVICES AGREEMENT**

Date : 6 December 2016

Parties : the Company; and

CMJ, an 83.33% owned subsidiary of CMP, and therefore a connected person of the Company under the Listing Rules.

Subject : CMJ is a logistic agent of the Group for its sales in Japan and is responsible for (i) introducing new customers in Japan to the Group; (ii) processing customers' orders and/or requests originated from Japan for the Group; and (iii) other co-ordination works.

The provision of such services will be charged against the Group at not more than 5% of the sales conducted through CMJ, and the Group will pay to CMJ the services fees by cash. The percentage of services fees payable to CMJ are determined with reference to the order level, production level and profit margin of each kind of products of the Group.

Term : for a term of three years from 1 January 2017 and ending on 31 December 2019.

The annual caps for the fees to CMJ pursuant to the 2014 CMJ Services Agreement for the financial years ended 31 December 2014 and 2015 and for the financial year ending 31 December 2016 are US\$800,000, US\$850,000 and US\$950,000 respectively. The actual fees paid by the Group to CMJ for the two financial years ended 31 December 2014 and 2015 amounted to approximately US\$326,355.52 and US\$254,000 respectively and for the eleven months ended 30 November 2016 amounted to approximately US\$303,000.

The Board expects the annual fee for the services under the 2016 CMJ Services Agreement for each of the three financial years ending 31 December 2017, 2018 and 2019 would not exceed US\$950,000 respectively and therefore proposed to set the respective cap thereat for the said three financial years. The annual caps are determined by reference to the previous fees paid to CMJ and the anticipated sales to be conducted through CMJ.

## **2016 MASTER SUPPLY AGREEMENT**

- Date : 6 December 2016
- Parties : CMB (HK), a wholly-subsiary of the Company; and  
Birn, an associate of the substantial shareholder of the Company holding 10.42% of the issued shares of the Company, and therefore a connected person of the Company under the Listing Rules.
- Subject : CMB (HK) is principally engaged in trading of casting products which are manufactured by Suzhou CMB, and to supply Birn the Relevant Products.
- Term : for a term of three years from 1 January 2017 and ending on 31 December 2019
- Price : to be determined by reference to the prevailing market price and demand of the Relevant Products and no less favourable to the Group than those available to Independent Third Parties. More specifically, the price will be set based on a “cost-plus” basis with the premium to be determined with reference to the complexity, material used and order quantity of the Relevant Products.

The annual caps for the supply to Birn the Relevant Products pursuant to the 2014 Master Supply Agreement for each of the financial years ended 31 December 2014 and 2015 and for the financial year ending 31 December 2016 are US\$600,000 respectively. On 9 March 2015, the Company published an announcement to report the exceeded annual cap for the financial year ended 31 December 2014 and revised the annual cap of Birn under the 2014 Master Supply Agreement for the financial year ended 31 December 2015 and for the financial year ending 31 December 2016 to US\$2,000,000 respectively. The actual amount received by CMB (HK) under the 2014 Master Supply Agreement for the two financial years ended 31 December 2014 and 2015 amounted to approximately US\$1,417,434 and US\$960,000 respectively and for the eleven months ended 30 November 2016 amounted to approximately US\$411,000 respectively.

The Board expects that the supply of the Relevant Products for each of the three financial years ending 31 December 2017, 2018 and 2019 shall not exceed US\$2,000,000 respectively, and therefore proposed to set the respective cap thereat for the said three financial years. The annual caps are determined by reference to the previous supply of the Relevant Products to Birn and the anticipated demand.

## **REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS**

The purposes of the 2016 CMAI Services Agreement and the 2016 CMJ Services Agreement are to enhance the efficiency of the logistic activities of the Group. The entering into the 2016 Master Supply Agreement is to facilitate the Group to explore the market in Europe by supplying the Relevant Products to Birn for its sale to its strategic customers in Europe.

The annual caps for the fees to be payable to CMAI and CMJ and supply of the Relevant Products to Birn for each of the three financial years ending 31 December 2019 are summarized as follows:

|             | <i>31 December 2017</i> | <i>31 December 2018</i> | <i>31 December 2019</i> |
|-------------|-------------------------|-------------------------|-------------------------|
| <b>CMAI</b> | US\$1,500,000           | US\$1,500,000           | US\$1,500,000           |
| <b>CMJ</b>  | US\$950,000             | US\$950,000             | US\$950,000             |
| <b>Birn</b> | US\$2,000,000           | US\$2,000,000           | US\$2,000,000           |

The Board (including the independent non-executive Directors) considers that the 2016 CMAI Services Agreement, the 2016 CMJ Services Agreement and the 2016 Master Supply Agreement are entered into on normal commercial terms which were negotiated at arm's length basis, in the ordinary and usual course of business of the Group, fair and reasonable and in the interest of the Company and its shareholders as a whole. The Board (including the independent non-executive Directors) is also of the view that the proposed annual caps are fair and reasonable.

Mr. King Fong-Tien, an executive Director, is the president of CMP and a director of CMAI. Mr. Tsao Ming-Hong, an executive Director, is the vice chairman of CMP, a director of CMAI and a director of CMJ. They have abstained from voting on the relevant board resolutions for approving the 2016 CMAI Service Agreement and 2016 CMJ Service Agreement and the transactions contemplated thereunder.

Mr. Christian Odgaard Pedersen, a non-executive Director who is the chairman of the Birn Foundation and the managing director of Vald Birn Holding A/S abstained from voting on the relevant board resolution for approving the 2016 Master Supply Agreement and the transactions contemplated thereunder.

## **LISTING RULES REQUIREMENTS**

CMAI and CMJ are non-wholly owned subsidiaries of CMP, which is the controlling shareholder of the Company holding approximately 59.86% of the issued shares of the Company as at the date of this announcement, and CMAI and CMJ are therefore regarded as connected persons of the Company under the Listing Rules.

Birn is a wholly-owned subsidiary of Vald Birn Holding A/S, a substantial shareholder of the Company holding approximately 10.42% of the issued shares of the Company as at the date of this announcement, and is therefore a connected person of the Company under the Listing Rules.

Accordingly, the fees payable to CMAI and CMJ under the 2016 CMAI Services Agreement and the 2016 CMJ Services Agreement, and the amount to be received by CMB (HK) for the supply to Birn the Relevant Products under the 2016 Master Supply Agreement constitute continuing connected transactions of the Company under Rule 14A.31 of the Listing Rules and are therefore subject to reporting, announcement and annual review requirements under Rules 14A.35, 14A.49 and 14A.55 to 14A.59 of the Listing Rules, but are exempted from independent Shareholders' approval under Rule 14A.76(2) of the Listing Rules. Details of the transactions contemplated under the 2016 CMAI Services Agreement, the 2016 CMJ Services

Agreement and the 2016 Master Supply Agreement will be disclosed in the annual report and accounts of the Company.

## **GENERAL**

The Company is an investment holding company and the subsidiaries are principally engaged in design, development, manufacture and sale of customized metal castings for use in various industries. As part of its integrated services, the Group also provides moulding, machining and coating services to its customers.

CMB (HK) is principally engaged in the trading of casting products.

CMAI is principally engaged in the business development, logistics management, project management and provision of after-sale services.

CMJ is principally engaged in the provision of agency services and the marketing of iron castings, aluminium and other materials in Japan.

The Birn Group is engaged in design, development, manufacturing and sale of customized castings to various customers located in Europe.

## **DEFINITIONS**

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

|                                |  |
|--------------------------------|--|
| “2014 CMAI Services Agreement” | the agreement entered into between the Company and CMAI on 26 March 2014, whereby the Company appointed CMAI to provide logistic agency services to the Group for its sales in US, Canada and Europe for a term of three years from 1 January 2014 to 31 December 2016 |
| “2014 CMJ Services Agreement”  | the agreement entered into between the Company and CMJ on 26 March 2014, whereby the Company appointed CMJ to provide logistic agency services to the Group for its sales in Japan for the term of three years from 1 January 2014 to 31 December 2016                 |
| “2014 Master Supply Agreement” | the master supply agreement entered into between CMB (HK) and Birn on 26 March 2014, pursuant to which CMB (HK) supplied to Birn the Relevant Products on a long-term and ongoing basis for a term of three years from 1 January 2014 to 31 December 2016              |

|                                |   |
|--------------------------------|---|
| “2016 CMAI Services Agreement” | the agreement entered into between the Company and CMAI on 6 December 2016, whereby the Company continue to appoint CMAI to provide logistic agency services to the Group for its sales in US, Canada and Europe for a term of three years from 1 January 2017 to 31 December 2019        |
| “2016 CMJ Services Agreement”  | the agreement entered into between the Company and CMJ on 6 December 2016, whereby the Company continue to appoint CMJ to provide logistic agency services to the Group for its sales in Japan for the term of three years from 1 January 2017 to 31 December 2019                        |
| “2016 Master Supply Agreement” | the master supply agreement entered into between CMB (HK) and Birn on 6 December 2016, pursuant to which CMB (HK) to supply to Birn the Relevant Products on a long-term and ongoing basis for a term of three years from 1 January 2017 to 31 December 2019                              |
| “associate(s)”                 | has the meaning as defined under the Listing Rules  |
| “Birn”                         | Vald Birn A/S, a company established in Denmark, a wholly-owned subsidiary of Vald Birn Holding A/S, a substantial shareholder of the Company holding approximately 10.42% of the shares of the Company, the shareholder of which is Birn Foundation, a foundation established in Denmark |
| “Birn Group”                   | Birn and its subsidiaries   |
| “Board”                        | the board of Directors  |
| “CMAI”                         | China Metal Automotive International Co., Limited, a company incorporated in Hong Kong with limited liability and a non-wholly owned subsidiary of CMP  |
| “CMB (HK)”                     | CMB (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company  |
| “CMJ”                          | China Metal Japan Co., Ltd., a company incorporated in Japan with limited liability and a non-wholly owned subsidiary of CMP  |

|                                |  |
|--------------------------------|--|
| “CMP”                          | China Metal Products Company Limited, a company incorporated in Taiwan with limited liability, the shares of which are listed on Taiwan Stock Exchange Corporation, the controlling shareholder of the Company holding approximately 59.86% of the issued Shares |
| “Company”                      | China Metal International Holdings Inc., a company incorporated in the Cayman Islands as an exempted company with limited liability, and whose Shares are listed on the main board of the Stock Exchange   |
| “Director(s)”                  | the director(s) of the Company   |
| “Group”                        | the Company and its subsidiaries   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the People’s Republic of China  |
| “Independent Third Party(ies)” | parties independent of and not connected with any of the connected persons (as defined in the Listing Rules) of the Company  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Relevant Products”            | (i) ventilated turbo pulleys made of nodular cast iron, machined, balanced and surface treated; and (ii) automotive parts or other customer owned parts made in various casting grades, supplied by CMB (HK) to Birn   |
| “Share(s)”                     | ordinary share(s) of HK\$0.01 each in the share capital of the Company   |
| “Shareholder(s)”               | holder(s) of the Shares  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited  |
| “Suzhou CMB”                   | Suzhou CMB Machinery Co. Ltd, a wholly-owned subsidiary of CMB (HK), which is an indirect wholly-owned subsidiary of the Company   |
| “US”                           | United States of America   |
| “US\$”                         | United States dollars, the lawful currency of US   |
| “%”                            | per cent.  |



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

Hong Kong, 6 December 2016

*As at the date of this announcement, the board of Directors of the Company 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).*