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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 2016

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 2016 together with the relevant comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2016
(Expressed in United States dollars)

	Note	**2016** **$'000**	2015 $'000
Revenue	2	**303,125**	309,506
Cost of sales		**(216,387)**	(225,210)
Gross profit		**86,738**	84,296
Other revenue	3(a)	**1,573**	1,371
Other net income	3(b)	**4,717**	2,610
Selling and distribution costs		**(16,247)**	(16,838)
Administrative expenses		**(23,841)**	(22,795)
Profit from operations		**52,940**	48,644
Finance costs	4(a)	**(588)**	(853)
Profit before taxation	4	**52,352**	47,791
Income tax	5	**(9,907)**	(7,839)
Profit for the year		**42,445**	39,952
Profit attributable to equity shareholders of the Company		**42,445**	39,952
Earnings per share	7		
Basic (cents)		**4.25**	3.97
Diluted (cents)		**4.25**	3.97

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(Expressed in United States dollars)

	2016	2015
	$'000	*$'000*
Profit for the year	**42,445**	39,952
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	**(21,970)**	(20,115)
Total comprehensive income for the year attributable to equity shareholders of the Company	**20,475**	19,837

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016
(Expressed in United States dollars)

	Note	2016 $'000	2015 $'000
Non-current assets			
Property, plant and equipment		**169,306**	191,119
Lease prepayments		**6,751**	7,402
Other financial assets		**–**	37
Other non-current assets		**2,009**	3,874
		178,066	202,432
Current assets			
Inventories		**45,956**	41,157
Trade and other receivables	8	**131,406**	142,059
Amounts due from related companies		**304**	–
Pledged bank deposits		**3,173**	4,614
Cash and cash equivalents		**30,050**	31,665
		210,889	219,495
Current liabilities			
Trade and other payables	9	**53,626**	53,555
Bank loans		**5,000**	24,000
Amounts due to related companies		**98**	172
Current taxation		**3,491**	3,372
		62,215	81,099
Net current assets		**148,674**	138,396
Total assets less current liabilities		**326,740**	340,828

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016 (CONTINUED)
(Expressed in United States dollars)

	Note	**2016**	2015
		$'000	*$'000*
Non-current liabilities			
Long-term loans		**22,000**	15,000
Deferred tax liabilities		**1,744**	1,248
		23,744	16,248
NET ASSETS		**302,996**	324,580
CAPITAL AND RESERVES			
Share capital		**1,281**	1,293
Reserves		**301,715**	323,287
Total equity attributable to equity shareholders of the Company		**302,996**	324,580

NOTES:

1 BASIC OF PREPARATION

The Group's consolidated 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 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 HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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 returns, excludes value added tax and is after the deduction of any trade discounts.

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

	2016	2015
	$'000	*$'000*
Sales of:		
– Automobile parts and components	**222,372**	226,887
– Mechanical parts	**56,920**	54,262
– Compressor parts	**23,833**	28,357
	303,125	309,506

The Group's customer base includes three customers (2015: two customers), with each of whom transactions have exceeded 10% of the Group's revenues for the year ended 31 December 2016. Revenue from these customers, including sales to entities which are known to the Group to be under common control, arose in sales of automobile parts and components during the reporting period are set out below:

	2016	2015
	$'000	*$'000*
Largest customer	**39,420**	43,571
– Percentage of total revenue	**13%**	14%
Second largest customer	**36,639**	32,095
– Percentage of total revenue	**12%**	10%
Third largest customer	**35,517**	N/A
– Percentage of total revenue	**12%**	

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 castings. 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 basis:

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 specifically attributable 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 2016 and 2015 is set out below:

	CMT		CMS		CMWT		CMB		TOTAL	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**8,255**	45,369	**102,618**	104,521	**145,610**	130,436	**46,642**	29,180	**303,125**	309,506
Inter-segment revenue	**1,421**	871	**2,603**	2,345	**2,425**	14,083	**2,565**	3,345	**9,014**	20,644
Reportable segment revenue	**9,676**	46,240	**105,221**	106,866	**148,035**	144,519	**49,207**	32,525	**312,139**	330,150
Reportable segment profit/ (loss) (adjusted EBITDA)	**(419)**	1,216	**23,790**	26,250	**44,777**	43,918	**6,533**	3,446	**74,681**	74,830
Interest income from bank deposits	**56**	164	**101**	128	**57**	57	**13**	62	**227**	411
Interest expense	**(92)**	(431)	**(496)**	(422)	**–**	–	**–**	–	**(588)**	(853)
Depreciation and amortisation for the year	**(1,121)**	(1,608)	**(4,431)**	(5,480)	**(9,264)**	(9,707)	**(5,442)**	(5,567)	**(20,258)**	(22,362)
Reportable segment assets	**44,896**	56,238	**84,368**	101,872	**165,685**	159,549	**99,136**	106,588	**394,085**	424,247
Additions to non-current segment assets during the year	**–**	26	**2,822**	3,469	**7,063**	3,235	**2,002**	4,656	**11,887**	11,386
Reportable segment liabilities	**40**	1,517	**20,892**	14,703	**39,282**	30,221	**14,461**	18,215	**74,675**	64,656

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

	2016	2015
	$'000	*$'000*
Revenue		
Reportable segment revenue	**312,139**	330,150
Elimination of inter-segment revenue	**(9,014)**	(20,644)
Consolidated revenue *(note 2(a))*	**303,125**	309,506

	2016	2015
	$'000	*$'000*
Profit		
Reportable segment profit	**74,681**	74,830
Elimination of depreciation related to inter-segment fixed assets transfer	**320**	503
Elimination of inter-segment profit	**(730)**	(4,320)
Reportable segment profit derived from the Group's external customers	**74,271**	71,013
Depreciation and amortisation	**(20,258)**	(22,362)
Interest income	**227**	411
Finance costs	**(588)**	(853)
Unallocated head office and corporate expenses	**(1,300)**	(418)
Consolidated profit before taxation	**52,352**	47,791

	2016	2015
	$'000	*$'000*
Assets		
Reportable segment assets	**394,085**	424,247
Elimination of inter-segment receivables	**(16,773)**	(7,195)
	377,312	417,052
Non-current financial assets	**–**	37
Unallocated head office and corporate assets	**11,643**	4,838
Consolidated total assets	**388,955**	421,927

	2016	2015
	$'000	*$'000*
Liabilities		
Reportable segment liabilities	**74,675**	64,656
Elimination of inter-segment payables	**(16,773)**	(7,195)
	57,902	57,461
Unallocated head office and corporate liabilities	**28,057**	39,886
Consolidated total liabilities	**85,959**	97,347

(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 are delivered.

	Revenue from external customers	
	2016	2015
	$'000	*$'000*
The PRC	**184,448**	172,764
United States	**86,766**	107,879
Japan	**15,706**	15,232
Other countries	**16,205**	13,631
Total	**303,125**	309,506

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

	2016	2015
	$'000	*$'000*
(a) Other revenue		
– Interest income	**227**	411
– Sundry income	**1,346**	960
	1,573	1,371
(b) Other net income		
Net foreign exchange gain	**4,920**	2,842
Loss of disposal of property, plant and equipment	**(173)**	(232)
Loss on disposal of other financial assets	**(30)**	–
	4,717	2,610

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2016	2015
	$'000	*$'000*
(a) Finance costs		
Interest on bank loans wholly repayable within five years	**588**	853

	2016	2015
	$'000	*$'000*
(b) Staff costs		
Salaries, wages and other benefits	**40,210**	41,198
Contributions to retirement benefit schemes	**3,126**	3,677
Equity settled share-based payment expenses	**1**	29
Termination benefits	**159**	3,399
	43,496	48,303

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

	2016	2015
	$'000	*$'000*
(c) Other items		
Amortisation of lease prepayments	**184**	196
Depreciation	**20,074**	22,166
Operating lease charges: minimum lease payments (including property rentals)	**407**	362
Provision for doubtful debts	**2,560**	–
Auditors' remuneration – audit services	**489**	522

5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2016	2015
	$'000	*$'000*
Current tax		
Provision for income tax for the year	**10,152**	7,863
(Over)/under-provision in respect of prior years	**(846)**	31
	9,306	7,894
Deferred tax		
Origination and reversal of temporary differences	**601**	(55)
	9,907	7,839

(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	**2016**	2015
CMT	(1)	**25%**	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 October 2014, respectively, and are entitled to a preferential CIT rate of 15% for a period of three years from 2014 to 2016.

Pursuant to the restructuring of CMT in 2015, CMT did not satisfy all the criteria for an ANTE set out in the relevant PRC tax regulations in 2016 and consequently is subject to a statutory CIT rate of 25% for 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 is 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.

CMB renewed and obtained the ANTE certificate in November 2016 and is entitled to a preferential CIT rate of 15% for the three-year period ended 31 December 2018.

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 tax 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 actual tax expense and accounting profit at applicable tax rates:

	2016	2015
	$'000	*$'000*
Profit before taxation	**52,352**	47,791
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**14,004**	10,828
Tax effect of non-deductible expenses	**125**	139
Tax effect of unused tax losses not recognised	**256**	282
Tax effect of distributed profits of subsidiaries	**1,850**	1,270
(Over)/under-provision in prior years	**(846)**	31
Origination/(reversal) of previous year unrecognised temporary differences	**272**	(54)
Tax effect of tax concessions	**(5,754)**	(4,657)
Actual tax expense	**9,907**	7,839

6. DIVIDENDS

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

	2016	2015
	$'000	*$'000*
Interim dividend declared and paid of 1.00 cent (2015: 0.80 cent) per ordinary share	**9,963**	8,050
Special interim dividend declared and paid of 1.00 cent (2015: 1.39 cents) per ordinary share	**9,963**	13,986
Final dividend proposed after the end of the reporting period of 0.82 cent (2015: 0.97 cent) per ordinary share	**8,200**	9,760
No special final dividend proposed after the end of the reporting period in 2016 (2015: 0.99 cent per ordinary share)	**–**	9,961
	28,126	41,757

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

	2016	2015
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the year of 0.97 cent (2015: 1.00 cent) per ordinary share	**9,664**	10,062
Special final dividend in respect of previous financial year, approved and paid in 2015 of 0.99 cent per ordinary share	**9,910**	–
	19,574	10,062

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 $42,445,000 (2015: $39,952,000) and the weighted average number of 999,125,000 (2015: 1,006,212,000) ordinary shares in issue during the year.

Weighted average number of ordinary shares

	2016	2015
	'000	*'000*
Issued ordinary shares at 1 January	**1,006,212**	1,006,212
Effect of share options exercised	**182**	–
Effect of shares repurchased	**(7,269)**	–
Weighted average number of ordinary shares at 31 December	**999,125**	1,006,212

(b) Diluted earnings per share

The diluted earnings per share for the years ended 31 December 2016 and 31 December 2015 are the same as the basic earnings per share as all potential ordinary shares do not have a dilutive effect for the years ended 31 December 2016 and 31 December 2015.

8 TRADE AND OTHER RECEIVABLES

	2016	2015
	$'000	*$'000*
Trade receivables	**118,375**	129,602
Less: Provision for doubtful debts	**(2,560)**	–
	115,815	129,602
Bills receivable	**5,796**	3,980
Other receivables, deposits and prepayments	**9,795**	8,477
	131,406	142,059

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 2016, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the customer acceptance date and net of provision for doubtful debts, is as follows:

	2016	2015
	$'000	*$'000*
Within 3 months	**85,943**	104,968
3 to 12 months	**34,619**	27,512
12 to 24 months	**788**	924
Over 24 months	**261**	178
	121,611	133,582

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 to 180 days from the date of billings. Normally, the Group does not obtain collateral from customers.

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using a provision 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.

At 31 December 2016, trade receivables and bills receivable of $2,560,000 were individually determined to be impaired.

(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:

	2016	2015
	$'000	*$'000*
Neither past due nor impaired	**115,205**	108,515
Less than 3 months past due	**5,340**	22,631
3 to 12 months past due	**751**	1,851
12 to 24 months past due	**315**	407
Over 24 months past due	**–**	178
	6,406	25,067
	121,611	133,582

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 provision 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

	2016	2015
	$'000	*$'000*
Trade payables	**27,264**	19,008
Bills payable	**11,134**	16,633
Other payables	**15,228**	17,914
	53,626	53,555

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

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:

	2016	2015
	$'000	*$'000*
Within 1 month	**21,760**	17,336
1 to 3 months	**12,483**	11,988
3 to 6 months	**4,078**	6,275
Over 6 months	**77**	42
	38,398	35,641

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded revenue of US$303,125,000 for the year of 2016 and this constituted a decrease of 2.1% comparing to that of the year 2015. Sales of automobile parts and components made up 73.4% of total revenue. Sales of mechanical parts made up 18.8% of total revenue. Sales of compressor parts made up 7.8% of total revenue.

Gross profit for the year ended 31 December 2016 amounted to US$86,738,000 (2015: US$84,296,000), representing a gross profit margin of 28.6% (2015: 27.2%).

Profit from operations for the year ended 31 December 2016 was US$52,940,000 (2015: US$48,644,000) or 17.5% (2015: 15.7%) of recorded revenue. Profit attributable to equity shareholders of the Company for the year ended 31 December 2016 amounted to US$42,445,000 (2015: US$39,952,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains in a sound financial position. At 31 December 2016, the Group's cash and cash equivalents amounted to US$30,050,000 (2015: US$31,665,000). At 31 December 2016, the Group had total banking facilities of approximately US$163,866,000 (2015: US$134,320,000) which were utilised to the extent of US$35,295,000 (2015: US$43,681,000). Unsecured bank loans amounted to US$5,000,000 (2015: US$24,000,000) were repayable within 1 year, US$17,000,000 (2015: Nil) were repayable after 1 year but within 2 years and US$5,000,000 (2015: US$15,000,000) were repayable after 2 years but within 5 years respectively.

CAPITAL STRUCTURE

The Company's total issued share capital as at 31 December 2016 was HK$9,973,660 divided into 997,366,000 shares of HK$0.01 each.

The Group adopts a prudent financial policy, and its current ratio as at 31 December 2016 was 3.4 (2015: 2.7). The adjusted net debt-to-capital ratio (a ratio of total debt less cash and cash equivalents to total equity) as at 31 December 2016 was 17% (2015: 19%). 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.

For the year ended 31 December 2016, earnings per share was US cents 4.25 compared to US cents 3.97 in the year 2015.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

SEGMENTAL INFORMATION

Details of segmental information of the Group are set out in note 2 above.

EMPLOYEE BENEFITS

During the year ended 31 December 2016, the average number of employees of the Group was 3,420 (2015: 3,690). The Group's staff costs (excluding Directors fees) amounted to US$40,210,000 (2015: US$41,198,000). The remuneration policy of the Company is reviewed annually by the Remuneration Committee and is in line with the prevailing market practice. On 3 January 2011, an aggregate of 22,300,000 share options were granted to the eligible participants under the share option scheme of the Company adopted on 8 December 2004.

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$155,000 (2015: US$153,000) to CMP as the Group's share of contribution to such retirement scheme. The Group is not obliged to incur any liability beyond the contribution.

CHARGES ON ASSETS

As at 31 December 2016, bank deposits of US$3,173,000 (2015: US$4,614,000) 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 has signed a 14 months agreement with an European consulting team since the beginning of 2016. With their proven record of cutting edge technology, the Company will benefit from the 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 mould made of mixture of bentonite and large amounts of fine sand which inevitably create pollutants in the processes. We have resolved to build a "clean production environment" by gradually implementing certain measures to become a "sealed production complex" or "negative pressure production", therefore all the air housed inside the complex will be filtered through before it returns to mother nature. This improvement is 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. 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 is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government. As at 31 December 2016, the Group had cash at bank and bank deposits denominated in Renminbi, equivalent to US$17,485,000 (2015: US$25,258,000).

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 2016 amounted to US$8,086,000 (2015: US$4,693,000).

CONTINGENT LIABILITIES

As at 31 December 2016, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 12 May 2017 ("2017 AGM") a final dividend of US cent 0.82 per share (equivalent to HK cents 6.40) for the year ended 31 December 2016 to be paid on Friday, 9 June 2017 to the shareholders whose names appear on the Register of Members of the Company on Wednesday, 24 May 2017.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2017 AGM, the register of members of the Company will be closed from Monday, 8 May 2017 to Friday, 12 May 2017, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2017 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 Friday, 5 May 2017.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed on Wednesday, 24 May 2017, no transfer of shares will be registered on that date. In order to qualify for the proposed final 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 Tuesday, 23 May 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2016, the Company repurchased 9,956,000 shares of HK$0.01 each in the capital of the Company at prices ranged from HK$2.24 to HK$2.39 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Total amount paid including transaction costs
		HK$	*HK$*	*HK$*
April 2016	9,956,000	2.39	2.24	22,610,000

Except as disclosed above, 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 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

CORPORATE GOVERNANCE PRACTICE

The Company has always committed to fulfilling its responsibilities to its shareholders by ensuring that appropriate 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 2016.

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 2016, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of 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 the chief executive have been performed by all the executive Directors, including the Chairman, collectively.

Except as described above 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 2016.

AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2004 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial control and reporting systems 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 2016.

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

Hong Kong, 28 March 2017

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).