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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS

The Board of Directors (the "Board") of China Metal International Holdings Inc. (the "Company", together with its subsidiaries, the "Group") is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2017 together with the comparative figures. The Group's interim financial statements have been reviewed by the Company's auditor, KPMG, and the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the six months ended 30 June 2017 — unaudited
(Expressed in United States dollars)

		Six months ended 30 June	
		2017	2016
	Note	***$'000***	*$'000*
Revenue	*3*	**167,606**	149,027
Cost of sales		**(118,473)**	(106,366)
Gross profit		**49,133**	42,661
Other revenue		**341**	277
Other net (loss)/gain		**(3,330)**	1,558
Selling and distribution costs		**(9,068)**	(8,579)
Administrative expenses		**(11,764)**	(9,080)
Profit from operations		**25,312**	26,837
Finance costs	*4(a)*	**(306)**	(344)
Profit before taxation	*4*	**25,006**	26,493
Income tax	*5*	**(4,648)**	(4,490)
Profit for the period		**20,358**	22,003
Profit attributable to equity shareholders of the Company		**20,358**	22,003
Earnings per share	*6*		
Basic (cents)		**2.04**	2.20
Diluted (cents)		**2.04**	2.20

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2017 — unaudited
(Expressed in United States dollars)

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Profit for the period	**20,358**	22,003
Other comprehensive income for the period (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	**8,216**	(6,997)
Total comprehensive income for the period attributable to equity shareholders of the Company	**28,574**	15,006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June 2017 — unaudited
(Expressed in United States dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current assets			
Property, plant and equipment		**165,979**	169,306
Lease prepayments		**6,823**	6,751
Deferred tax assets		**156**	–
Other non-current assets		**4,288**	2,009
		177,246	178,066
Current assets			
Inventories		**40,417**	45,956
Trade and other receivables	*7*	**134,277**	131,406
Amounts due from related companies		**175**	304
Pledged bank deposits		**2,918**	3,173
Cash and cash equivalents		**53,255**	30,050
Time deposits with original maturity of more than three months		**3,100**	–
		234,142	210,889
Current liabilities			
Trade and other payables	*8*	**54,886**	53,626
Bank loans		**5,000**	5,000
Amounts due to related companies		**286**	98
Current taxation		**4,167**	3,491
		64,339	62,215
Net current assets		**169,803**	148,674
Total assets less current liabilities		**347,049**	326,740

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2017 — unaudited (continued)
(Expressed in United States dollars)

	At 30 June 2017	At 31 December 2016
	$'000	*$'000*
Non-current liabilities		
Long-term loans	**22,000**	22,000
Deferred tax liabilities	**1,679**	1,744
	23,679	23,744
NET ASSETS	**323,370**	302,996
CAPITAL AND RESERVES		
Share capital	**1,281**	1,281
Reserves	**322,089**	301,715
Total equity attributable to equity shareholders of the Company	**323,370**	302,996

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 BASIS OF PREPARATION

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the audit committee of the Company and approved for issue by the Board of Directors on 14 August 2017. The interim financial statements has also been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements for the year ended 31 December 2016 are available from the Company's principal place of business in Hong Kong. The Company's auditor has expressed an unqualified audit opinion on those financial statements in the auditor's report dated 28 March 2017.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these amendments 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 in this interim financial report.

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

3 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 purpose of resource allocation and performance assessment, the Group has identified four reportable segments, namely: Tianjin CMT Industry Company Limited ("CMT"), Suzhou CMS Machinery Company Limited ("CMS"), CMW (Tianjin) Industry Company Limited ("CMWT") and Suzhou CMB Machinery Company Limited ("CMB"). No operating segments have been aggregated to form the following reportable segments.

(a) Information about profit or loss, assets and liabilities

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 period is set out below:

	CMT		CMS		CMWT		CMB		Total	
For the six months ended	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	**1,174**	6,523	**58,801**	47,801	**79,792**	71,319	**27,839**	23,384	**167,606**	149,027
Inter-segment revenue	**53**	952	**718**	1,654	**402**	1,345	**1,314**	1,354	**2,487**	5,305
Reportable segment revenue	**1,227**	7,475	**59,519**	49,455	**80,194**	72,664	**29,153**	24,738	**170,093**	154,332
Reportable segment (loss)/profit (adjusted EBITDA)	**(1,246)**	36	**12,358**	12,120	**20,281**	22,320	**4,501**	3,598	**35,894**	38,074
As at 30 June/31 December										
Reportable segment assets	**35,305**	44,896	**96,202**	84,368	**183,289**	165,685	**100,846**	99,136	**415,642**	394,085
Reportable segment liabilities	**333**	40	**28,096**	20,892	**35,549**	39,282	**13,228**	14,461	**77,206**	74,675

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including interest income and finance costs. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June 2017 *$'000*	2016 *$'000*
Reportable segment profit	**35,894**	38,074
Elimination of depreciation related to inter-segment fixed assets transfer	**223**	78
Elimination of inter-segment profit	**(975)**	(247)
Reportable segment profit derived from the Group's external customers	**35,142**	37,905
Depreciation and amortisation	**(9,202)**	(10,755)
Interest income	**132**	103
Finance costs	**(306)**	(344)
Unallocated head office and corporate expenses	**(760)**	(416)
Consolidated profit before taxation	**25,006**	26,493

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June 2017 *$'000*	2016 *$'000*
(a) Finance costs:		
Interest on bank loans	**306**	344
(b) Other items:		
Amortisation of lease prepayments	**89**	95
Depreciation	**9,113**	10,660
Interest income	**(132)**	(103)

5 INCOME TAX

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Provision for PRC corporate income tax for the period	**5,437**	4,115
Over-provision in respect of prior year	**(530)**	(78)
Deferred taxation	**(259)**	453
	4,648	4,490

(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 income tax in the Cayman Islands.

(ii) Hong Kong Profits Tax

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

(iii) PRC Corporate Income Tax

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

	Note	**2017**	2016
CMT	*(1)*	**25%**	25%
CMS	*(1)*	**25%**	15%
CMWT	*(2)*	**15%**	15%
CMB	*(3)*	**15%**	25%

Notes:

(1) In October 2014, CMT and CMS renewed and obtained the "Advanced and New Technology Enterprise" ("ANTE") certificate 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 2017 and is subject to a statutory CIT rate of 25%. CMS is currently in the process of renewing the ANTE certificate and is subject to a statutory CIT rate of 25% before obtaining the renewed certificate.

(2) In August 2015, CMWT renewed and obtained the ANTE certificate and is entitled to a preferential CIT rate of 15% for a period of three years from 2015 to 2017.

(3) In November 2016, CMB renewed and obtained the ANTE certificate and is entitled to a preferential CIT rate of 15% for a period of three years from 2016 to 2018.

In addition, pursuant to the CIT Law effective on 1 January 2008 and the 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 a 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%.

At 30 June 2017, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to $152,129,000 (31 December 2016: $134,680,000). Deferred tax liabilities of $13,022,000 (31 December 2016: $11,440,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of $20,358,000 (six months ended 30 June 2016: $22,003,000) and the weighted average number of 997,366,000 ordinary shares (six months ended 30 June 2016: 1,001,714,000) in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2017 and 30 June 2016 is the same as the basic earnings per share as all ordinary share options do not have a dilutive effect for the six months ended 30 June 2017 and 30 June 2016.

7 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors 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:

	At 30 June 2017 *$'000*	At 31 December 2016 *$'000*
Within 3 months	**92,487**	85,943
3 to 12 months	**35,917**	34,619
12 to 24 months	**1,007**	788
Over 24 months	**50**	261
Total trade receivables and bills receivables, net of allowance for doubtful debts	**129,461**	121,611
Other receivables, deposits and prepayments	**4,816**	9,795
	134,277	131,406

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 to 120 days from the date of billings. Normally, the Group does not obtain collateral from customers.

Included in trade receivables are amounts due from related companies of $2,196,000 (31 December 2016: $1,263,000).

As at 30 June 2017, $2,601,000 bank acceptance bills (31 December 2016: $1,736,000) that have not matured were transferred to certain suppliers of the Group and derecognised in their entirety as all the risks and rewards of ownership of these bank acceptance bills were substantially transferred. The maximum exposure of the Group in relation to the continuing involvement in these bills is represented by the carrying amount of these bills in the event that these bills are not settled by the issuing banks when they fall due.

8 TRADE AND OTHER PAYABLES

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

	At 30 June 2017	At 31 December 2016
	$'000	*$'000*
Within 1 month	**20,705**	21,760
1 to 3 months	**13,958**	12,483
Over 3 months but within 6 months	**4,610**	4,078
Over 6 months	**146**	77
Total trade payables and bills payable	**39,419**	38,398
Other payables and accrued expenses	**15,467**	15,228
	54,886	53,626

Bills payable of $12,152,000 (31 December 2016: $11,134,000) as at 30 June 2017 were secured by pledged bank deposits of $2,918,000 (31 December 2016: $3,173,000).

9 DIVIDENDS

(i) Dividends payable to equity shareholders attributable to the interim period:

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Interim dividend declared and payable after 2016 interim period of 1.00 cent per share	**–**	9,963
Special dividend declared and payable after 2016 interim period of 1.00 cent per share	**–**	9,963
	–	19,926

The interim and special dividends declared after the interim period of 2016 were not recognised as liabilities at the end of the reporting period.

No dividend was declared after the interim period of 2017.

(ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2017	2016
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the following interim period of 0.82 cent per share (six months ended 30 June 2016: 0.97 cent per share)	**8,200**	9,664
Special dividend in respect of previous financial year, approved and paid during the following interim period of nil (six months ended 30 June 2016: 0.99 cent per share)	**–**	9,910
	8,200	19,574

BUSINESS REVIEW

Management Highlights

We have sought to appropriately place and use the Company's resources in the most efficient way, however, the development of the Company has been in different stages and our production plants established in different years and different locations, and consequently there exists operational efficiency and capacity differences between the production plants. Our future management focus is to consolidate the Group's resources and to successfully alter the organisation.

The quality and learning attitude of top management determines how far a company can grow and advance. In an era of rapid development of information software and hardware, all companies need to innovate to remain technology competitive. Enterprises need to speed up transformation of their existing production and using new and advanced technologies.

Future Prospect

In recent years, government authorities and relevant environmental protection units have been emphasising the importance of environmental safety and announcing associated strict policies especially those involving emission of pollutants and noise which affect the environment. In order to secure long term steady operations, the Company will significantly invest in environmental safety research and equipment over the next five years. This inevitably will increase the costs of depreciation and production costs in the future.

Since the introduction of Industrial 4.0 to the manufacturing industry, various automatic equipment, tools and production are widely used. Due to increasing costs of employing Chinese technical staff and their high mobility rate, the Company started using Industrial 4.0. Replacing old equipment with new automated and intelligent equipment is on the way and this involves substantial investment. In the short term, benefits of this investment may be difficult to realise but in the longer term, it is believed that production will benefit.

INTERIM DIVIDEND

The Directors resolved not to declare any interim dividend for the six months ended 30 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2017 amounted to US$167,606,000 and US$20,358,000 (six months ended 30 June 2016: US$149,027,000 and US$22,003,000). Gross profit for the six months ended 30 June 2017 amounted to US$49,133,000 (six months ended 30 June 2016: US$42,661,000), representing a gross profit margin of approximately 29.3% (six months ended 30 June 2016: 28.6%). Operating profit for the six months ended 30 June 2017 was US$25,312,000 (six months ended 30 June 2016: US$26,837,000) or 15.1% (six months ended 30 June 2016: 18%) of recorded turnover. Net profit for the six months ended 30 June 2017 was US$20,358,000 (six months ended 30 June 2016: US$22,003,000) or 12.1% (six months ended 30 June 2016: 14.8%) of recorded turnover.

For the six months ended 30 June 2017, earnings per share was US cent 2.04 (six months ended 30 June 2016: US cents 2.20).

Liquidity and financial resources

As at 30 June 2017, the Group had total banking facilities amounting to US$181,235,000 (31 December 2016: US$163,866,000) which were utilised to the extent of US$36,597,000 (31 December 2016: US$35,295,000). Unsecured bank loans amounted to US$5,000,000 were repayable within one year, US$7,000,000 were repayable after one year but within two years, and US$15,000,000 were repayable after two years but within five years respectively (31 December 2016: US$5,000,000, US$17,000,000 and US$5,000,000).

The Group's cash and cash equivalents amounted to US$53,255,000 (31 December 2016: US$30,050,000).

Charges on assets

As at 30 June 2017, bank deposits amounting to US$2,918,000 (31 December 2016: US$3,173,000) were pledged to secure banking facilities granted to the Group.

Capital structure

The Company's issued share capital as at 1 January 2017 and 30 June 2017 is HK$9,973,660 divided into 997,366,000 shares of HK$0.01 each.

The adjusted net-debt-to-capital ratio (a ratio of total debt less pledged bank deposits, cash and cash equivalents and time deposits to total equity) is 9% (31 December 2016: 17%) and the gearing ratio (a ratio of total loans to total assets) is 6.6% (31 December 2016: 7%), respectively. 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.

Material acquisition and disposals of subsidiaries or affiliated companies

The Group has not made any acquisitions or disposals of subsidiaries during the period under review.

Segmental information

Details of segmental information of the Group for the six months ended 30 June 2017 are set out in note 3 above.

Employee benefits

The remuneration policy of the Company is reviewed annually by the Remuneration Committee so as to keep the remuneration policy in line with the prevailing market practice.

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 with a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the period. During the period under review, the Group reimbursed US$82,000 (six months ended 30 June 2016: US$77,000) 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.

Foreign currency exposure

The Group's sales are mostly denominated in Renminbi and United States dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Nevertheless, the Group will continue to monitor its foreign exchange exposure and will take prudent measures when needed.

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.

Contingent Liabilities

As at 30 June 2017, no contingent liabilities were noted by the Directors.

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 six months ended 30 June 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors.

The Company confirms that, having made specific enquiries of all Directors, all Directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

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 six months ended 30 June 2017.

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

During the six months ended 30 June 2017, 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 relevant 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.

With the exception of the above-mentioned matter in the opinion of the Directors, the Company has met the relevant code provisions set out in the CG Code during the six months ended 30 June 2017.

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, Mr. Lam Ting Lok (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Chen Pou-Tsang. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2017.

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

Hong Kong, 14 August 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).

* *For identification purposes only*