INTERNATIONAL HOLDINGS INC

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

2017

INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

KING Fong-Tien *(Chairman)*

TSAO Ming-Hong *(Vice Chairman)*

CHEN Shun Min

HO Pei-Lin

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

LAM Ting Lok

CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)

CHEN Pou-Tsang
(also known as Angus P.T. Chen)

COMPANY SECRETARY

TSE Kam Fai, *FCIS, FCS, MHKIoD*

AUTHORISED REPRESENTATIVES

CHEN Shun Min

TSE Kam Fai, *FCIS, FCS, MHKIoD*

AUDIT COMMITTEE

LAM Ting Lok *(Chairman)*

CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)

CHEN Pou-Tsang
(also known as Angus P.T. Chen)

REMUNERATION COMMITTEE

CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)
(Chairman)

CHEN Pou-Tsang
(also known as Angus P.T. Chen)

KING Fong-Tien

NOMINATION COMMITTEE

KING Fong-Tien *(Chairman)*

CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)

CHEN Pou-Tsang
(also known as Angus P.T. Chen)

CORPORATE GOVERNANCE COMMITTEE

KING Fong-Tien *(Chairman)*

TSAO Ming-Hong

CHEN Shun Min

HO Pei-Lin

TSE Kam Fai

RISK COMMITTEE

CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)

CHEN Pou-Tsang
(also known as Angus P.T. Chen)

CHEN Shun Min

AUDITOR

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

CORPORATE INFORMATION (Continued)

REGISTERED OFFICE

Clifton House
75 Fort Street
P. O. Box 1350 GT
George Town, Grand Cayman
Cayman Islands

PLACE OF BUSINESS IN HONG KONG

Room 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P. O. Box 1350 GT
George Town, Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China
Tianjin TEDA Branch
International Development Building
Tianjin Economic Development Area
Tianjin, The PRC

China Construction Bank
Suzhou High and New Technology Industrial Development Zone Branch
No. 27, Shi Shan Road
Suzhou New District
Suzhou, Jiangsu Province, The PRC

Bank Sinopac
No. 1, Lane 236
Section 1, Tun Hua S. Road
Taipei 106, Taiwan

Taipei Fubon Bank
6/F., No. 169
Section 4, Jen-Ai Road
Taipei 106, Taiwan

STOCK CODE

319

WEBSITE

http://www.hkstockinfo.com/china_metal

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present to the shareholders the interim results and unaudited consolidated financial statements of China Metal International Holdings Inc. (the "Company") and its subsidiaries (the "Group") for the first half year ended 30 June 2017.

Financial Performance

Revenue for the first half year of 2017 is USD167,606,000, a growth of 12.5% compared to the revenue of USD149,027,000 in the same period of 2016. Net profit for the first half year is USD20,358,000, a decrease of 7.5% compared to the net profit of USD22,003,000 in the same period of 2016.

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 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 Group 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 Group 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.

Appreciation

I would like to take this opportunity to express my sincere gratitude to the contributions by all our Directors, management team and all staff to the Group. Also thanks for the support from our business partners, investors and shareholders throughout all these years.

King Fong-Tien
Chairman

Hong Kong, 14 August 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2017 $'000	Six months ended 30 June 2016 $'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

The notes on pages 14 to 42 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

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

The notes on pages 14 to 42 form part of this interim financial report.

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	*7*	**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	*8*	**134,277**	131,406
Amounts due from related companies	*16(b)*	**175**	304
Pledged bank deposits		**2,918**	3,173
Cash and cash equivalents	*9*	**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	*10*	**54,886**	53,626
Bank loans	*11*	**5,000**	5,000
Amounts due to related companies	*16(c)*	**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

The notes on pages 14 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017 – UNAUDITED (Continued)

(Expressed in United States dollars)

	Note	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-current liabilities			
Long-term loans	*11*	**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	*13(b)*	**1,281**	1,281
Reserves		**322,089**	301,715
Total equity attributable to equity shareholders of the Company		**323,370**	302,996

The notes on pages 14 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve–share option $'000	Other reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2016		1,293	44,330	42	28,132	25,431	1,199	20,074	204,079	324,580
Changes in equity for the six months ended 30 June 2016:										
Profit for the period		–	–	–	–	–	–	–	22,003	22,003
Other comprehensive income		–	–	–	–	(6,997)	–	–	–	(6,997)
Total comprehensive income		–	–	–	–	(6,997)	–	–	22,003	15,006
Dividends approved in respect of the previous year	*13(a)*	–	–	–	–	–	–	–	(19,574)	(19,574)
Purchase and cancellation of own shares										
– par value paid		(13)	–	–	–	–	–	–	–	(13)
– premium paid		–	(2,907)	–	–	–	–	–	–	(2,907)
– transfer between reserves		–	–	13	–	–	–	–	(13)	–
Equity settled share-based transactions	*12*	–	–	–	–	–	1	–	–	1
Balance at 30 June 2016		1,280	41,423	55	28,132	18,434	1,200	20,074	206,495	317,093

The notes on pages 14 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Continued)

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								
	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve-share option $'000	Other reserve $'000	Retained profits $'000	Total $'000
Balance at 1 July 2016	1,280	41,423	55	28,132	18,434	1,200	20,074	206,495	317,093
Changes in equity for the six months ended 31 December 2016:									
Profit for the period	–	–	–	–	–	–	–	20,442	20,442
Other comprehensive income	–	–	–	–	(14,973)	–	–	–	(14,973)
Total comprehensive income	–	–	–	–	(14,973)	–	–	20,442	5,469
Shares issued under share option scheme	1	514	–	–	–	(155)	–	–	360
Transfer to statutory surplus reserve	–	–	–	3,220	–	–	–	(3,220)	–
Dividends declared in respect of the current year	–	–	–	–	–	–	–	(19,926)	(19,926)
Balance at 31 December 2016	1,281	41,937	55	31,352	3,461	1,045	20,074	203,791	302,996

The notes on pages 14 to 42 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED (Continued)

(Expressed in United States dollars)

		Attributable to equity shareholders of the Company								
	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve-share option $'000	Other reserve $'000	Retained profits $'000	Total $'000
Balance at 1 January 2017		1,281	41,937	55	31,352	3,461	1,045	20,074	203,791	302,996
Changes in equity for the six months ended 30 June 2017:										
Profit for the period		–	–	–	–	–	–	–	20,358	20,358
Other comprehensive income		–	–	–	–	8,216	–	–	–	8,216
Total comprehensive income		–	–	–	–	8,216	–	–	20,358	28,574
Dividends approved in respect of the previous period	13(a)	–	–	–	–	–	–	–	(8,200)	(8,200)
Balance at 30 June 2017		1,281	41,937	55	31,352	11,677	1,045	20,074	215,949	323,370

The notes on pages 14 to 42 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2017 $'000	2016 $'000
Operating activities			
Cash generated from operations		**42,969**	40,546
Tax paid		**(4,314)**	(4,591)
Net cash generated from operating activities		**38,655**	35,955
Investing activities			
Payment for purchase of property, plant and equipment		**(5,908)**	(4,899)
Increase in time deposits with original maturity of more than 3 months		**(3,100)**	(151)
Other cash flows arising from investing activities		**1,031**	397
Net cash used in investing activities		**(7,977)**	(4,653)
Financing activities			
Dividends paid to equity shareholders of the Company	*13(a)*	**(8,200)**	(19,574)
Payment for repurchase of shares	*13(c)*	**–**	(2,920)
Proceeds from bank loans		**15,000**	13,100
Repayment of bank loans		**(15,000)**	(24,000)
Interest paid		**(306)**	(344)
Decrease in pledged bank deposits		**255**	1,549
Net cash used in financing activities		**(8,251)**	(32,189)

The notes on pages 14 to 42 form part of this interim financial report.

(Expressed in United States dollars)

		Six months ended 30 June	
	Note	**2017**	2016
		$'000	$'000
Net increase/(decrease) in cash and cash equivalents		**22,427**	(887)
Cash and cash equivalents at 1 January	*9*	**30,050**	31,665
Effect of foreign exchange rates changes		**778**	(147)
Cash and cash equivalents at 30 June	*9*	**53,255**	30,631

The notes on pages 14 to 42 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

China Metal International Holdings Inc. (the "Company") is a company incorporated in Cayman Islands with limited liability. The interim financial report of the Company for the six months ended 30 June 2017 comprises the Company and its subsidiaries (together referred to as the "Group").

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"). It was authorised for issue on 14 August 2017.

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").

1 Basis of preparation (Continued)

The interim financial report is unaudited, but has 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. KPMG's independent review report to the board of directors is included on pages 43 and 44.

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.

3 Segment reporting (Continued)

(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.

3 Segment reporting (Continued)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2017	2016
	$'000	$'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	2016
	$'000	$'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

(Expressed in United States dollars unless otherwise indicated)

5 Income tax (Continued)

(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.

5 Income tax (Continued)

(iii) PRC Corporate Income Tax (Continued)

Notes:

(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 Property, plant and equipment

During the six months ended 30 June 2017, the Group acquired items of plant and machinery with a cost of $3,823,000 (six months ended 30 June 2016: $3,178,000) and transferred items from construction in progress with a cost of $1,620,000 (six months ended 30 June 2016: $2,069,000). Items of plant and machinery with a net book value of $2,023,000 were disposed of during the six months ended 30 June 2017 (six months ended 30 June 2016: $374,000), resulting in a loss on disposal of $1,124,000 (six months ended 30 June 2016: a loss of $80,000).

8 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). Details of due from related companies are set out in note 16(b).

8 Trade and other receivables (Continued)

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.

9 Cash and cash equivalents

	At 30 June 2017 $'000	At 31 December 2016 $'000
Cash at bank and in hand	53,255	30,050
Cash and cash equivalents in the consolidated statement of financial position and in the condensed consolidated cash flow statement	53,255	30,050

10 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 $'000	At 31 December 2016 $'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).

11 Bank loans

At 30 June 2017, unsecured bank loans were repayable as follows:

	At 30 June 2017 $'000	At 31 December 2016 $'000
Within 1 year or on demand	**5,000**	5,000
After 1 year but within 2 years	**7,000**	17,000
After 2 years but within 5 years	**15,000**	5,000
	22,000	22,000

At 30 June 2017, the Group had banking facilities totalling $181,235,000 (31 December 2016: $163,866,000) which were utilised to the extent of $36,597,000 (31 December 2016: $35,295,000).

12 Equity settled share-based transactions

The Company granted to eligible participants on 3 January 2011 a total of 22,300,000 share options to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company under the Share Option Scheme adopted by the Company on 8 December 2004. The vesting conditions are as follows: (i) 40% on the third anniversary of the date of grant; (ii) 30% on the fourth anniversary of the date of grant; and (iii) 30% on the fifth anniversary of the date of grant. These share options will be exercisable within 10 years from the grant date. The exercise price is HK$2.52, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

12 Equity settled share-based transactions (Continued)

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

No options were granted or exercised during the six months ended 30 June 2017 (six months ended 30 June 2016: nil).

13 Capital, reserves and dividends

(a) 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.

13 Capital, reserves and dividends (Continued)

(a) Dividends (Continued)

(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

13 Capital, reserves and dividends (Continued)

(b) Share capital

	At 30 June 2017		At 31 December 2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Authorised:				
Ordinary shares of HK$0.01 each	10,000,000	12,853	10,000,000	12,853
Issued:				
At 1 January	997,366	1,281	1,006,212	1,293
Share repurchased and cancelled	–	–	(9,956)	(13)
Shares issued under share option scheme	–	–	1,110	1
At 30 June/31 December	997,366	1,281	997,366	1,281

(c) Repurchase of own shares

During the year ended 31 December 2016, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

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

13 Capital, reserves and dividends (Continued)

(c) Repurchase of own shares (Continued)

During the year ended 31 December 2016, the repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of $13,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $2,907,000 was charged to share premium.

(d) Share issued under share option scheme

In November 2016, options were exercised to subscribe for 1,110,000 ordinary shares in the Company at a consideration of HK$2,797,200 (equivalent to $360,000) of which HK$11,100 (equivalent to $1,000) was credited to share capital and the balance of HK$2,786,100 (equivalent to $359,000) was credited to the share premium account $155,000 was transferred from the capital reserve to the share premium.

14 Fair value measurement of financial instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2017 and 31 December 2016.

15 Commitments

(a) Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2017 $'000	At 31 December 2016 $'000
Contracted for	4,065	8,086

(b) At 30 June 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2017		At 31 December 2016	
	Properties $'000	Others $'000	Properties $'000	Others $'000
Within 1 year	140	633	46	1,019
After 1 year but within 3 years	–	519	–	450
After 3 years	–	177	–	111
	140	1,329	46	1,580

16 Material related party transactions

During the six months ended 30 June 2017, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
China Metal Products Company Limited ("CMP")	Shareholder of the Company
Yanmar Co., Ltd. ("Yanmar")	Shareholder of the Company
Vald. Birn A/S ("Birn")	Shareholder of the Company
China Metal Japan Company Limited ("CMJ")	Affiliated company
China Metal Automotive International Co., Ltd. ("CMAI")	Affiliated company
Qingdao Sourcing Specialists Trading Co., Ltd. ("QSST")	Affiliated company

16 Material related party transactions (Continued)

(a) Recurring transactions

Particulars of significant transactions between the Group and one of the above related parties during the period are as follows:

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Sales of goods to		
– Yanmar	**6,538**	5,093
– Birn	**57**	279
– CMP	**319**	–
– CMJ	**1**	–
	6,915	5,372
Commission payable to		
– CMAI	**427**	537
– CMJ	**183**	164
– QSST	**37**	22
	647	723
Reimbursement of expenses to		
– CMAI	**1,125**	2,007
– CMP	**126**	117
	1,251	2,124

16 Material related party transactions (Continued)

(a) Recurring transactions (Continued)

Included in the reimbursement of expenses to CMP is the Group's share of contributions to retirement schemes of certain eligible employees in Taiwan of $82,000 for the six months ended 30 June 2017 (six months ended 30 June 2016: $77,000). The schemes are administered by CMP. Based on an agreement between the Group and CMP, CMP is responsible for the retirement liability of these employees. The Group is not obliged to incur any liability beyond the contribution.

The remuneration for key management personnel, including amounts paid to the Company's directors, is disclosed as follows:

	Six months ended 30 June	
	2017	2016
	$'000	$'000
Employee benefits	**1,778**	1,727
Equity-settled share-based transactions	**–**	1
	1,778	1,728

(b) Amounts due from related companies

	At 30 June 2017 $'000	At 31 December 2016 $'000
Trade		
– Yanmar	**1,766**	951
– Birn	**119**	312
– CMP	**311**	–
	2,196	1,263
Non-trade		
– CMAI	**175**	304

16 Material related party transactions (Continued)

(b) Amounts due from related companies (Continued)

All amounts due from related companies are unsecured, interest-free and are expected to be recovered within one year. There was no provision made against these amounts at 30 June 2017 and 31 December 2016.

(c) Amounts due to related companies

	At 30 June 2017 $'000	At 31 December 2016 $'000
Non-trade		
– CMP	**145**	34
– CMJ	**141**	64
	286	98

These amounts are unsecured, interest-free and repayable on demand.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017

A number of amendments and new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following updates to the information provided in the last annual financial statements about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9, incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1 January 2018.

Based on a preliminary assessment, the Group expects that its financial assets currently measured at amortised cost and Fair Value through Profit and Loss will continue with their respective classification and measurements upon the adoption of HKFRS 9.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (Continued)

HKFRS 9, Financial instruments (Continued)

(a) Classification and measurement

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at Fair Value through Profit and Loss that is attributable to changes of that financial liability's own credit risk is to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at Fair Value through Profit and Loss and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (Continued)

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The Group is currently assessing the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following areas which are likely to be affected:

(a) Timing of revenue recognition

Currently, revenue arising from the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods or services in the contract. HKFRS 15 identifies 3 situations in which control of the promised goods or services is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(a) Timing of revenue recognition (Continued)

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

As a result of this change from the risk-and-reward approach to the contract-by-contract transfer-of-control approach, it is possible that once the Group adopts HKFRS 15, some of the Group's contract manufacturing that are currently recognised at a point in time may meet the HKFRS 15 criteria for revenue recognition over time. This will depend on the terms of the sales contract and the enforceability of any specific performance clauses in that contract, which may vary depending on the jurisdiction in which the contract would be enforced. It is also possible that for the remainder of the Group's contracts, the point in time when revenue is recognised may be earlier or later than under the current accounting policy. However, further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (Continued)

HKFRS 15, Revenue from contracts with customers (Continued)

(b) Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers. Currently, the Group does not apply such a policy when payments are received in advance.

Advance payments are not common in the Group's arrangements with its customers, and therefore, this new requirement may not have any impact on the Group's adoption of HKFRS 15.

(c) Sales with a right of return

Currently when the customers are allowed to return the products, the Group estimates the level of returns and makes an adjustment against revenue and cost of sales.

The Group expects that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (Continued)

HKFRS 16, Leases

Currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the six months ended 30 June 2017 (Continued)

HKFRS 16, Leases (Continued)

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. At 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to approximately $140,000 and $1,329,000 for properties and other assets respectively, the majority of which is payable between 1 and 2 years. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16.

KPMG

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA METAL INTERNATIONAL HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 5 to 42 which comprises the consolidated statement of financial position of China Metal International Holdings Inc. (the "Company") of 30 June 2017 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity and the condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA METAL INTERNATIONAL HOLDINGS INC. (Continued)

(Incorporated in the Cayman Islands with limited liability)

Scope of review

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at and for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

14 August 2017

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) respectively. 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 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 cents 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.

Interim Dividend

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

DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

Interests and short positions in shares and underlying shares of the Company

Name of Directors	Nature of Interests	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. TSAO Ming-Hong	Beneficial interest	Long position	7,373,766 *(Note 1)*	0.74%
Ms. CHEN Shun Min	Beneficial interest	Long position	5,595,320 *(Note 2)*	0.56%
Ms. HO Pei-Lin	Beneficial interest	Long position	1,644,628	0.16%

Name of Directors	Nature of Interests	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. Christian Odgaard PEDERSEN	Beneficial interest	Long position	1,800,000 *(Note 3)*	0.18%
Mrs. CHIU LIN Mei-Yu	Beneficial interest	Long position	180,000 *(Note 4)*	0.02%
	Family interest	Long position	120,000 *(Note 5)*	0.01%
Mr. CHEN Pou-Tsang	Beneficial interest	Long position	212,000	0.02%

Notes:

1. Included interest in 1,000,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".

2. Included interest in 900,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".

3. Included interest in 300,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".

4. These 180,000 shares are derived from the share options granted by the Company, details are set out in the section headed "Share option Schemes".

5. Pursuant to section 316 of the SFO, Mrs. Chiu Lin Mei-Yu is deemed to be interested in 120,000 shares held by her spouse, Mr. Chiu Tsong Juh.

Interests and short positions in shares and underlying shares of the associated corporation – China Metal Products Company Limited

Name of Directors	Nature of Interests	Long position/ Short position	Number of ordinary shares of held in the Associated Corporation	Approximate percentage of the issued ordinary share capital of the Associated Corporation
Mr. TSAO Ming-Hong	Beneficial interest	Long position	6,092,879	1.58%
	Family interest	Long position	1,727,462 *(Note)*	0.45%
Ms. CHEN Shun Min	Beneficial interest	Long position	5,875	Negligible
Ms. HO Pei-Lin	Beneficial interest	Long position	1,275,202	0.33%

Note: Pursuant to section 316 of the SFO, Mr. Tsao Ming-Hong is deemed to be interested in 1,027,462 shares held by his spouse, Ms. Lin Hsiu Man, and 700,000 shares held by his child under 18, Mr. Tsao Hung-Jui.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS/OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 30 June 2017, so far as is known to the Directors and chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Interests and short positions of substantial shareholders or other persons in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
China Metal Products Company Limited ("CMP")	Controlled corporation	Long position	597,032,059	59.86%
United Elite Agents Limited ("UEA") *(Note)*	Beneficial interest	Long position	597,032,059	59.86%
Vald. Birn Holding A/S	Beneficial interest	Long position	103,900,922	10.42%

Note: UEA is wholly and beneficially owned by CMP, a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange Corporation.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 30 June 2017.

Share Option Schemes

The Company adopted a new share option scheme (the "New Scheme") on 13 May 2014 pursuant to the resolution passed by the shareholders of the Company at the annual general meeting held on 9 May 2014, and simultaneously terminated the share option scheme adopted on 8 December 2004 (the "Old Scheme"). The purpose of the New Scheme and the Old Scheme is to enable the Board to grant options to the selected eligible participants including, among others, employees and Directors of the Company, to motivate them and to optimise their performance and efficiency for the benefit of the Group, and attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are or will be beneficial to the long term growth of the Group.

Details of the movement in the share options granted under the Old Scheme during the six months ended 30 June 2017 are as follows:

				Number of share options			
Grantee	Date of grant of share options	Exercisable period	Exercise price of share options HK$	Outstanding at 1 January 2017	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2017
Directors							
Mr. TSAO Ming-Hong	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	1,000,000	–	–	1,000,000
Ms. CHEN Shun Min	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	900,000	–	–	900,000
Mr. Christian Odgaard PEDERSEN	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	300,000	–	–	300,000

Grantee	Date of grant of share options	Exercisable period	Exercise price of share options HK$	Number of share options Outstanding at 1 January 2017	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2017
Mrs. CHIU LIN Mei-Yu	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	180,000	–	–	180,000
Sub-total				2,380,000	–	–	2,380,000
Employees							
In aggregate	03.01.2011	03.01.2014 to 02.01.2021	2.52	3,690,000	–	–	3,690,000
Total				6,070,000	–	–	6,070,000

Note: 40% of the above share options are exercisable from 3 January 2014; 30% of the share options are exercisable from 3 January 2015; and the remaining 30% of the share options are exercisable from 3 January 2016.

No options were granted under the New Scheme since its adoption, and the number of share options available for grant is 100,433,200, representing approximately 10.07% of the issued share capital of the Company as at the date of this report.

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 relevant 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.

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