CMI 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)

INTERIM REPORT 2007

*For identification purposes only

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to the Shareholders the interim report of China Metal International Holdings Inc. (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007.

FINANCIAL PERFORMANCE

For the six months ended 30 June 2007, the Group recorded a turnover of approximately US$83.6 million with profit attributable to equity shareholders of approximately US$14.8 million.

INTERIM DIVIDEND

The Directors resolved the payment of an interim dividend of US cents 0.43 (equivalent to HK cents 3.35) per ordinary share for the six months ended 30 June 2007 payable on 27 September 2007 to the shareholders of the Company whose names appear in the Register of Members of the Company on 20 September 2007.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 18 September 2007 to Thursday, 20 September 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 17 September 2007.

BUSINESS REVIEW

We have completed the first half of 2007 and achieved outstanding operating performance. The Group's management team had successfully completed plant construction and commenced mass production at CMW (Tianjin) Industry Company Limited ("CMWT") in 2006, and reached a record-breaking profitability in the Group's history, CMWT reached profitability within merely five months commencement of mass production. After breaking-even in fourth quarter of 2006, utilization rate in CMWT continue to advance. By the end of June 2007, the utilization rate has reached around 60%. On top of the current robust business activities, we continue to win several automotive parts and components programs, particularly in the brake system parts and exhaust manifolds. In terms of Tian Jin CMT Industry Company Limited ("CMT") and Suzhou CMS Machinery Company Limited ("CMS") operations, our utilization rates have both reached full capacity as well. The primary contributor was the management team's persistent devotion to product research, and the development of new automotive and mechanical products for both current and potential customers that were gradually phased to mass production. Another positive factor was from the compressor industry. The industry had experienced a cyclical trough in 2005 and 2006. After two years of heavy inventory surplus, the inventory level of our main customers had come down to a normal level. Global warming continues to boost optimistic outlook for the air conditioning industry and was helped pushed the industry to climb out of its trough. The compressor industry is experiencing not only new order flows but also another replacement demand surge. The management team believes that the positive industry atmosphere shall continue well into 2008. In addition to the bright outlook in the compressor industry, we are also confident that our revenue and profitability should post solid growth as we continue to receive strong orders from all our major product categories.

For the six months ended 30 June 2007, the Group has recorded outstanding financial results. Turnover recorded for the first half of 2007 was US$83.6 million, or a 50.9% growth year-on-year. Profit attributable to equity shareholders was US$14.8 million, or a 54.1% growth year-on-year. Three major product categories all achieve strong revenue and margin advancement. As a result of robust product demand, the utilization rates for our CMT and CMS plants have reached record highs and our new plant, CMWT, continues to increase its plant output. For the automotive parts and components sector, North America customers continue to be the main driver of growth while business flow from China's automotive parts and components makers, and foreign joint ventures in China also posted vigorous order flows in the first half of 2007. For the mechanical sector, new products developed in the past two years have entered mass production in phases and revenue growth year-on-year for the sector was over 30%. For the compressor sector, after over supply and industry lows for the past two years, inventory level for our major customers have returned to normal. The industry has climbed out of a cycle trough and entered order expansion phase as replacement demand was surged. Revenue from the compressor sector was also made a solid comeback as demand was expanded. Vigorous demand has boosted our utilization and gross margin has returned to 30% for the six months ended 30 June 2007. Operating margin was 20.8%, compared to 18.7% for the same period in 2006. For the six months ended 30 June 2007, net profit margin after tax was 18.5%, compared to 16.9% for the same period in 2006. Cost structure remained stable in the first half of 2007. Raw material costs experienced moderate increases in the second quarter of 2007 and we have made selling price adjustments accordingly, which have helped to stabilize our margin performance. We will continue to enhance cost containment mechanism and reflect costs in price adjustment to maintain stable revenue and profit performance.

FUTURE PROSPECTS AND APPRECIATION

We will continue to grow our business and meet demands from our customers. On top of improving our productivity and yield, we will continue to develop new products and customers for automotive and mechanical applications in both domestic China and overseas markets. We will continue to raise in-house machining ratio of our products and we will continue to develop high value-added products to improve our production efficiency. In order to meet strong demands from our customers, we will begin another round of capacity expansion plans for CMWT and CMS plants in fourth quarter of 2007.

I would like to take this opportunity to express my sincere appreciation and gratitude to all our fellow directors, management and employees for their contributions to the Group. I also thank our business associates, investors, shareholders for their continued support over the years.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2007 $'000	Six months ended 30 June 2006 $'000
Turnover	2	**83,583**	55,394
Cost of sales	3	**(58,856)**	(39,142)
Gross profit		**24,727**	16,252
Other revenue		**621**	716
Other net income		**1,015**	293
Selling and distribution costs		**(5,697)**	(3,982)
Administrative expenses		**(3,240)**	(2,930)
Profit from operations		**17,426**	10,349
Finance costs	3(a)	**(688)**	(508)
Profit before taxation	3	**16,738**	9,841
Income tax	4	**(1,273)**	(464)
Profit for the period		**15,465**	9,377
Attributable to:			
Equity shareholders of the Company	13	**14,755**	9,578
Minority interests	13	**710**	(201)
Profit for the period	13	**15,465**	9,377
Dividends payable to equity shareholders of the Company attributable to the period:	5		
Interim dividend declared after the balance sheet date		**4,461**	2,386
Earnings per share	6		
Basic (cents)		**1.42**	0.92

The notes on pages 8 to 20 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007 – UNAUDITED

(Expressed in United States dollars)

	Note	30 June 2007 $'000	31 December 2006 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	7	**121,741**	118,044
– Interests in leasehold land held for own use under operating leases		**5,107**	5,042
Construction in progress		**4,684**	5,125
Other financial assets		**500**	500
		132,032	128,711
Current assets			
Inventories		**25,376**	26,914
Trade and other receivables	8	**51,675**	43,888
Amount due from a related company	15(c)	**1,327**	1,288
Pledged bank deposits		**3,074**	2,349
Cash and cash equivalents	9	**34,518**	30,967
		115,970	105,406
Current liabilities			
Bank loans	11	**22,318**	25,292
Other unsecured loan		**1,172**	1,142
Trade and other payables	10	**23,884**	24,748
Amounts due to related companies	15(d)	**316**	198
Current taxation		**670**	333
		48,360	51,713
Net current assets		**67,610**	53,693
NET ASSETS		**199,642**	182,404

CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

	Note	**30 June 2007 $'000**	31 December 2006 $'000
CAPITAL AND RESERVES			
Share capital	12	**1,333**	1,333
Reserves	13	**179,533**	165,707
Total equity attributable to equity shareholders of the Company		**180,866**	167,040
Minority interests	13	**18,776**	15,364
TOTAL EQUITY		**199,642**	182,404

The notes on pages 8 to 20 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007- UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2007 $'000	2006 $'000
Total equity at 1 January		**182,404**	158,467
Net income for the period recognised directly in equity:			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	13	**3,249**	1,241
Net profit for the period	13	**15,465**	9,377
Total recognised income and expense for the period		**18,714**	10,618
Attributable to:			
– Equity shareholders of the Company		**17,752**	10,645
– Minority interests		**962**	(27)
		18,714	10,618
Dividends declared or approved during the period	5(b)	**(3,926)**	(3,117)
Movements in equity arising from capital transactions:			
Capital contributions from minority shareholders	13	**2,450**	5,625
Total equity at 30 June		**199,642**	171,593

The notes on pages 8 to 20 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2007 – UNAUDITED

(Expressed in United States dollars)

		Six months ended 30 June	
		2007	2006
	Note	**$'000**	$'000
Cash generated from operations		**16,434**	9,909
Net income tax paid		**(936)**	(297)
Net cash from operating activities		**15,498**	9,612
Net cash used in investing activities		**(6,317)**	(22,751)
Net cash (used in)/from financing activities		**(5,944)**	867
Net increase/(decrease) in cash and cash equivalents		**3,237**	(12,272)
Cash and cash equivalents at 1 January	9	**30,967**	40,062
Effect of foreign exchange rate changes		**314**	–
Cash and cash equivalents at 30 June	9	**34,518**	27,790

The notes on pages 8 to 20 form part of this interim financial report.

NOTES:
(Expressed in United States dollars)

1 Basis of preparation
This 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 issuance on 29 August 2007.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, 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 2006 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 by the auditors, KPMG, in accordance with Hong Kong Standards 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 page 21.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 December 2006 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2007.

2 Segment reporting
Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments
The Group is principally engaged in the manufacture and sale of steel products. Accordingly, no business segment analysis is provided.

2 Segment reporting (continued)

(b) Geographical segments

The Group's business is managed on a worldwide basis, but participates in three principal economic environments. The People's Republic of China ("the PRC") is a major market for all of the Group's businesses.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical locations of customers.

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
The PRC	**39,753**	25,326
United States of America	**30,089**	22,575
Japan	**9,431**	6,239
Others	**4,310**	1,254
	83,583	55,394

Most of the assets of the Group are located in the PRC. Accordingly, no geographical segment assets and capital expenditure are provided.

3 Profit before taxation

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

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	**756**	626
Less: Amount capitalised	**(81)**	(136)
	675	490
Discounting charges	**13**	18
	688	508

Borrowing costs were capitalised at an annualised rate of 5.94% for the six months ended 30 June 2007 (six months ended 30 June 2006: 5.82%).

3 Profit before taxation (continued)

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
(b) Other items:		
Amortisation of land lease premium	**58**	55
Depreciation	**7,272**	5,352
Interest income	**(551)**	(601)
Net realised gain on trading securities	**–**	2
Carrying amount of inventories sold	**58,856**	39,142
Loss on disposal of fixed assets	**16**	16

4 Income tax in the consolidated income statement

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Current tax – PRC		
Tax for the period	**1,273**	550
Tax refund	**–**	(86)
	1,273	464

The provision for Hong Kong Profits Tax for the six months ended 30 June 2007 is calculated at 17.5% (six months ended 30 June 2006: 17.5%). No provision for Hong Kong Profits Tax is made for the period as CMP (Hong Kong) Industry Company Limited ("CMP(HK)") and CMB (Hong Kong) Company Limited ("CMB(HK)") did not earn any assessable income for Hong Kong Profits Tax purposes.

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

For the six months ended 30 June 2007, Tian Jin CMT Industry Company Limited ("CMT") is subject to income tax at the rate of 15% (six months ended 30 June 2006: 15%) applicable to foreign invested enterprises in Tianjin, the PRC.

During the six months ended 30 June 2007, Suzhou CMS Machinery Company Limited ("CMS") was regarded as an "Advanced Technology Enterprise with Foreign Investment" and granted a reduced income tax rate of 10% (six months ended 30 June 2006: 7.5%) for the period from 1 January 2007 to 31 December 2009.

4 Income tax in the consolidated income statement (continued)

Pursuant to the income tax rules and regulations of the PRC, CMW (Tianjin) Industry Company Limited ("CMWT") is eligible for a 100% relief from PRC Enterprise Income Tax for the two years from its first profit-making year of operations and thereafter, it is subject to PRC Enterprise Income Tax at 50% of the income tax rate of 15% applicable to foreign invested enterprise in Tianjin for the following three years. The current period is the first profit-making year and CMWT is subject to a 100% relief from PRC Enterprise Income Tax.

For the six months ended 30 June 2007, Suzhou CMB Machinery Co., Ltd is not subject to PRC income tax as it has not commenced business during the period.

The Group was granted a refund of PRC Enterprise Income Tax amounting to $86,000 from the Tax Bureau of Tianjin during the six months ended 30 June 2006 as tax incentives for engaging in manufacturing of automobile parts and components. There was no such tax refund during the six months ended 30 June 2007.

5 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the interim period:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Interim dividend declared and payable after the interim period of 0.43 cents per share (2006: 0.23 cents)	**4,461**	2,386

The interim dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the interim period of 0.35 cents per share (2006: 0.3 cents)	**3,926**	3,117

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2007 is based on the profit attributable to the equity shareholders of the Company of $14,755,000 (six months ended 30 June 2006: $9,578,000) and 1,037,500,000 ordinary shares in issue during the period (six months ended 30 June 2006: 1,037,500,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares during the six months ended 30 June 2006 and 2007 and, therefore, diluted earnings per share is not presented.

7 Fixed assets

During the six months ended 30 June 2007, the Group acquired items of plant and machinery with a cost of $2,439,000 (six months ended 30 June 2006: $1,424,000) and transferred items from construction in progress with a cost of $5,330,000 (six months ended 30 June 2006: $37,298,000). Items of plant and machinery with a net book value of $241,000 were disposed of during the six months ended 30 June 2007 (six months ended 30 June 2006: $22,000), resulting in a loss on disposal of $16,000 (six months ended 30 June 2006: $16,000).

8 Trade and other receivables

Included in trade and other receivables are trade receivables and bills receivable (net of impairment losses) with the following ageing analysis:

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Within 3 months	**42,874**	34,645
Over 3 months but less than 6 months	**870**	1,279
Over 6 months but less than 1 year	**2,579**	646
Over 1 year but less than 2 years	**2,708**	3,321
Over 2 years but less than 3 years	**95**	–
Total trade receivables and bills receivables, net of impairment losses	**49,126**	39,891
Other receivables, deposits and prepayments	**2,549**	3,997
	51,675	43,888

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 except for receivables related to mould development which are not due until the mass production of related products. Normally, the Group does not obtain collateral from customers.

8 Trade and other receivables (continued)

Included in trade receivables are amounts due from related companies of $2,283,000 (31 December 2006: $2,225,000), details of which are disclosed in note 15(c).

Certain trade receivables of the Group approximately $6,375,000 (31 December 2006: $3,550,000) as at 30 June 2007 were pledged for bank loans.

No bills were discounted to bank with recourse as at 30 June 2007 (31 December 2006: $288,000).

9 Cash and cash equivalents

	At 30 June 2007 $'000	At 31 December 2006 $'000
Cash at bank and in hand	**13,905**	11,025
Deposits with banks with maturity within three months	**20,613**	19,942
	34,518	30,967

10 Trade and other payables

Included in trade and other payables are trade payables and bills payable with the following ageing analysis:

	At 30 June 2007 $'000	At 31 December 2006 $'000
Due within 1 month or on demand	**7,545**	2,746
Due after 1 month but within 3 months	**4,668**	10,578
Due after 3 months but within 6 months	**1,318**	3,342
Total trade payables and bills payable	**13,531**	16,666
Other payables	**10,353**	8,082
	23,884	24,748

Certain bills payable of approximately $6,501,000 (31 December 2006: $5,014,000) were secured by pledged deposits of $1,655,000 (31 December 2006: $1,329,000).

11 Bank loans

The bank loans are repayable as follows:

	At 30 June 2007 $'000	At 31 December 2006 $'000
Within 1 year or on demand	**22,318**	25,292
Representing:		
Secured bank loans (Note (i))	**9,170**	6,158
Unsecured bank loans	**13,148**	18,846
Proceeds from discounted bills (Note (ii))	**–**	288
	22,318	25,292

Notes:

(i) Certain bank loans of approximately $3,450,000 and $5,720,000 (31 December 2006: $3,328,000 and $3,550,000) as at 30 June 2007 were secured by pledged bank deposits and trade receivables (note 8) respectively.

(ii) Certain bills receivable as at 31 December 2006 were discounted with recourse (30 June 2007: $Nil). The proceeds from discounting were stated in the consolidated balance sheet as borrowings pledged with bills receivable (note 8).

12 Share capital

	At 30 June 2007		At 31 December 2006	
	Number of shares *(thousand)*	*$'000*	Number of shares *(thousand)*	*$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**12,853**	10,000,000	12,853
Issued:				
Ordinary shares of HK$0.01 each	**1,037,500**	**1,333**	1,037,500	1,333

13 Reserves

	Attributable to equity shareholders of the Company							
	Share premium $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Other reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total $'000
At 1 January 2006	48,878	4,878	2,364	34,920	56,719	147,759	9,375	157,134
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	–	–	1,067	–	–	1,067	174	1,241
Capital contribution from minority shareholders	–	–	–	–	–	–	5,625	5,625
Profit/(loss) for the period	–	–	–	–	9,578	9,578	(201)	9,377
Dividend approved in respect of previous financial year	–	–	–	–	(3,117)	(3,117)	–	(3,117)
At 30 June 2006	48,878	4,878	3,431	34,920	63,180	155,287	14,973	170,260

	Attributable to equity shareholders of the Company							
	Share premium $'000	**Statutory surplus reserve $'000**	**Exchange fluctuation reserve $'000**	**Other reserve $'000**	**Retained profits $'000**	**Sub-total $'000**	**Minority interests $'000**	**Total $'000**
At 1 January 2007	**48,878**	**5,945**	**6,126**	**34,920**	**69,838**	**165,707**	**15,364**	**181,071**
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**-**	**-**	**2,997**	**-**	**-**	**2,997**	**252**	**3,249**
Capital contribution from minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**2,450**	**2,450**
Profit for the period	**-**	**-**	**-**	**-**	**14,755**	**14,755**	**710**	**15,465**
Appropriations	**-**	**604**	**-**	**-**	**(604)**	**-**	**-**	**-**
Dividend approved in respect of previous financial year	**-**	**-**	**-**	**-**	**(3,926)**	**(3,926)**	**-**	**(3,926)**
At 30 June 2007	**48,878**	**6,549**	**9,123**	**34,920**	**80,063**	**179,533**	**18,776**	**198,309**

14 Commitments

(a) Capital commitments

Capital commitments, representing purchase of property, plant and equipment, not provided for in the interim financial report were as follows:

	At 30 June 2007 *$'000*	At 31 December 2006 *$'000*
Authorised, but not contracted for	**2,736**	4,301
Contracted for	**3,388**	2,792
	6,124	7,093

(b) Foreign currency contracts

Foreign currency forward contracts are entered into in the normal course of business primarily to protect the Group from the impact of currency fluctuations in United States dollars ("USD"). At 30 June 2007, the Group had commitments in respect of forward contract to sell USD and receive Renminbi totalling $19,600,000 (31 December 2006: $Nil). In accordance with the Group's treasury policy, the Group does not hold foreign currency forward contracts for trading purposes. However, all of the foreign currency forward contracts entered into by the Group during the six months ended 30 June 2007 were not qualified for hedge accounting and were accounted for as trading instruments.

15 Material related party transactions

During the six months ended 30 June 2007, transactions with the following parties are considered as related party transactions.

Name of party	**Relationship**
Taiwan Asahi Bearing Co., Ltd ("Asahi")	Shareholder of the Company
China Metal Products Company Limited ("CMP")	Shareholder of the Company
TRAS Shokai Co., Ltd ("TRAS")	Shareholder of the Company
Dairitsu Industry Company Limited ("Dairitsu")	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., Limited ("CMAI")	Affiliated company
Fuzhou Xin Mi Mechanical and Electrical Products Co., Ltd ("Fuzhou Xin Mi")	Affiliated company
Yanmar Diesel Engine Co., Ltd. ("Yanmar")	Affiliated company

15 Material related party transactions (continued)

(a) Recurring transactions

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

	Six months ended 30 June	
	2007	2006
	$'000	$'000
Sales of goods to		
– Asahi	**57**	304
– Fuzhou Xin Mi	**348**	647
– TRAS	**464**	461
– Yanmar	**8,541**	5,678
	9,410	7,090
Commission to		
– CMAI	**659**	332
– CMJ	**167**	111
	826	443
Reimbursement of expenses to		
– CMAI	**1,300**	1,782
– CMP	**106**	43
	1,406	1,825
Royalties to		
– Yanmar	**83**	49

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 $22,000 (six months ended 30 June 2006: $22,000) for the six months ended 30 June 2007. 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.

15 Material related party transactions (continued)

(a) Recurring transactions (continued)

The remuneration for key management personnel is disclosed as follows:

	Six months ended 30 June	
	2007	2006
	$'000	*$'000*
Short-term employee benefits	**998**	1,231
Post-employment benefits	**–**	–
Equity compensation benefits	**–**	–
	998	1,231

(b) Non-recurring transaction

During the six months ended 30 June 2007, Birn made capital contribution of $2,450,000 (six months ended 30 June 2006: $Nil) to a subsidiary of the Company.

(c) Amounts due from related parties

	At 30 June 2007	At 31 December 2006
	$'000	*$'000*
Trade		
– Asahi	**53**	68
– Fuzhou Xin Mi	**351**	108
– TRAS	**35**	–
– Yanmar	**1,844**	2,049
	2,283	2,225
Non-trade		
– CMAI	**1,327**	1,288
	3,610	3,513

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 2007 and 31 December 2006.

15 Material related party transactions (continued)

(d) Amounts due to related parties

	At 30 June 2007 $'000	At 31 December 2006 $'000
CMP	**3**	1
CMJ	**55**	22
Dairitsu	**71**	71
Yanmar	**187**	104
	316	198

These amounts are unsecured, interest-free and are expected to be repaid within one year.

16 Financial instruments

During the six months ended 30 June 2007, the Group changed its policy in respect of the hedging of foreign currency transactions. The Group is exposed to foreign currency risks on sales that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily USD.

The Group uses foreign currency forward contracts to hedge its foreign currency risk. All foreign currency forward contracts have maturity of less than one year after the balance sheet date. At any point in time the Group hedges 30 percent of its estimated USD foreign currency exposure in respect of forecasted sales over the following ten months.

In respect of other monetary assets and liabilities held in currencies other than the functional currency of the operations to which they relate, the directors ensure that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalance.

Other aspects of the Group's financial risk management policies and practices are consistent with those disclosed in the Company's statutory financial statements for the year ended 31 December 2006.

17 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2007

Up to the date of issue of this interim financial report, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2007:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
HKAS 23 (revised)	Borrowing costs	1 January 2009

The above amendments, new standards and interpretations were not applied in this interim financial report because the directors expect that the Group will not early apply them when preparing the Group's annual financial statements for the year ending 31 December 2007.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

KPMG

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

Introduction

We have reviewed the interim financial report set out on pages 3 to 20 which comprises the consolidated balance sheet of China Metal International Holdings Inc. as at 30 June 2007 and the related consolidated statements of income, and changes in equity and condensed consolidated statement of cash flows 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.

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 30 June 2007 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

29 August 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2007 amounted to US$83,583,000 and US$14,755,000 (six months ended 30 June 2006: US$55,394,000 and US$9,578,000), representing a strong growth as compared to the same period in 2006. Gross profit for the six months ended 30 June 2007 amounted to approximately US$24,727,000 (six months ended 30 June 2006: US$16,252,000), representing a gross profit margin of approximately 29.6% (six months ended 30 June 2006: 29.3%). Operating profit for the six months ended 30 June 2007 was approximately US$17,426,000 (six months ended 30 June 2006: US$10,349,000) or 20.8% (six months ended 30 June 2006: 18.7%) of recorded turnover. Net profit for the six months ended 30 June 2007 was approximately US$15,465,000 (six months ended 30 June 2006: US$9,377,000) or 18.5% (six months ended 30 June 2006: 16.9%) of recorded turnover.

Liquidity and financial resources

As at 30 June 2007, the Group had outstanding borrowings and banking facilities amounted to US$22,318,000 (31 December 2006: US$25,292,000) and all are repayable within one year. A portion of which in the amount of approximately US$3,450,000 and US$5,720,000 (31 December 2006: US$3,328,000 and US$3,550,000) were secured by pledged bank deposits and trade receivables, respectively. The Group's cash and cash equivalents amounted to US$34,518,000 (excluding pledged bank deposits) (31 December 2006: US$30,967,000). The Group's current ratio and the gearing ratio (a ratio of total loans to total assets) is 2.4 (31 December 2006: 2.0) and 9.5% (31 December 2006: 11.3%), respectively.

Capital Structure

There were no changes in the capital structure of the Company during the six months ended 30 June 2007.

Significant investments

As at 30 June 2007, the Group held unlisted equity securities outside Hong Kong of US$500,000 (31 December 2006: US$500,000). The position in investment securities remains unchanged for long term investment purpose.

Material acquisition and disposals of subsidiaries or affiliated companies

The Group has not made any material acquisition or disposal of subsidiaries or affiliated companies during the period under review.

Segmental information

Details of segmental information of the Group as at 30 June 2007 are set out in note 2 to the unaudited interim financial report.

Employee benefits

The remuneration policy of the Company is reviewed annually by the Remuneration Committee so as to keep the policy in line with the prevailing market practice. During the period under review, the Company has not granted any share options to its employees or Directors under the share option scheme of the Company adopted on 8 December 2004.

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 period. During the period under review, the Group reimbursed US$22,000 (six months ended 30 June 2006: US$22,000) 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 group assets

As at 30 June 2007, bank deposits amounting to US$3,074,000 (31 December 2006: US$2,349,000) and trade receivables amounting to US$6,357,000 (31 December 2006: US$3,550,000) were pledged to secure banking facilities granted to the Group. No bills were discounted to bank with recourse as at 30 June 2007 (31 December 2006: US$288,000).

Future plans for material investments or capital assets

The Group will continue to explore new business opportunities in the three industries it operates with primary focus on the automotive and mechanical sectors. In continuation of capital expenditures on CMWT and CMS facilities, the management has made major capital investment in the first half of 2007 and is expected to continue the investment in new equipment in the second half of 2007. In addition, the Group will continue to seek new business development opportunities for further investment in the casting and machining facilities.

Foreign currency exposure

Most of the sales made to overseas customers are denominated in United States dollars. The Group may have exposed to higher currency risk in relation to the sales denominated in United States dollars, Euros and other currencies and the profitability of the Group may be affected by significant currency rates fluctuation.

The Renminbi currently is pegging against a basket of currencies and is expected to remain in a managed exchange rate system. A portion of the Group's Renminbi revenue or profit must be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if any.

Contingent liabilities

As at 30 June 2007, no contingent liabilities were noted by the Directors.

Share option scheme

The Company adopted a share option scheme (the "Scheme") on 8 December 2004. The purpose of the Scheme is to enable the Board to grant options to selected eligible participants (as defined in the prospectus of the Company dated 20 December 2004 (the "Prospectus")), to motivate them and to optimize their performance and efficiency for the benefit of the Group, and attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Details of the Scheme are set out in the Prospectus.

No share option was granted by the Company since its adoption.

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

At 30 June 2007, the interest or short positions of the directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning 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, underlying shares and debentures of the Company

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. Ho Ming-Shiann	Beneficial interest	Long position	6,024,923	0.58%
Mr. Tsao Ming-Hong	Beneficial Interest	Long position	6,373,766	0.61%
	Family interest *(Note i)*	Long position	1,566,386	0.15%
Mr. Guu Herng-Chang	Beneficial interest	Long position	7,545,083	0.73%
Mr. Wu Cheng-Tao	Beneficial interest	Long position	8,081,435	0.78%
	Family interest *(Note ii)*	Long position	783,193	0.08%
Mr. Wong Tin Yau, Kelvin	Beneficial interest	Long position	1,000,000	0.10%

Notes:

(i) Pursuant to section 316 of the SFO, Mr. Tsao Ming-Hong is deemed to be interested in 1,566,386 shares held by his spouse, Ms. Lin Hsiu Man.

(ii) Pursuant to section 316 of the SFO, Mr. Wu Cheng-Tao is deemed to be interested in 783,193 shares held by his spouse, Ms. Ho Pei-Lin.

Save as disclosed above, as at 30 June 2007, none of the Directors or chief executive of the Company nor their associates, had any interest in long position or short position in the shares, underlying shares or debentures of the Company or its associated corporations 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.

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

At 30 June 2007, 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 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	446,516,059	43.04%
United Elite Agents Limited ("UEA") *(Note)*	Beneficial interest	Long position	446,516,059	43.04%
Government of Singapore Investment Corporation Pte Ltd	Beneficial interest	Long position	62,190,000	5.99%

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 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiary purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code 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. 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules which came into effect on 1 January 2005.

During the six months ended 30 June 2007, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separated. The roles of chairman and chief executive officer were not separated as the Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively.

Save as the aforesaid and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 8 December 2004 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Wong Tin-Yau, Kelvin (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Hsu Shan-Ko. The Audit Committee has reviewed the unaudited financial statements of the Group for the period ended 30 June 2007.

On behalf of the Board
China Metal International Holdings Inc.
Ho Ming-Shiann
Chairman

Hong Kong, 29 August 2007