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 2010

*For identification purposes only

CORPORATE INFORMATION

Board of directors
Executive Directors
HO Ming-Shiann *(Chairman)*
TSAO Ming-Hong *(Vice Chairman)*
GUU Herng-Chang
(also known as Stanley Guu)
WU Cheng-Tao

Non-Executive Director
Christian Odgaard PEDERSEN

Independent Non-Executive Directors
WONG Tin Yau, Kelvin
CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)
HSU Shan-Ko

Company secretary
TSE Kam Fai, *ACIS, ACS, MHKIoD*

Authorised representatives
WU Cheng-Tao
TSE Kam Fai, *ACIS, ACS, MHKIoD*

Audit committee
WONG Tin, Yau, Kelvin *(Chairman)*
CHIU LIN Mei-Yu
(also known as Mary Lin Chiu)
HSU Shan-Ko

Remuneration committee
CHIU LIN Mei-Yu
(also known as Mary Lin Chiu) *(Chairman)*
HSU Shan-Ko
HO Ming-Shiann

Auditors
KPMG
Certified Public Accountants
50th Floor, Plaza 66
1266 Nanjing West Road
PRC

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
Appleby Corporate Services (Cayman) Ltd.
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 (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 2010.

BUSINESS REVIEW

The global economy for the first half of the year 2010 continued with the gradual recovery from the end of the year 2009. Apart from the orders recovery of the existing products of the Group from its Asian and American clients, there are numerous new domestic china and foreign clients and new products under development. In addition, we have completed the second phase expansion works of CMW (Tianjin) Industry Co., Ltd. ("CMWT") and project for an additional production line of Suzhou CMS Machinery Company Limited ("CMS") at the end of the year 2009 and started small scale production and operation in the first half of the year 2010 so as to cope with the business development needs. Having experiencing the challenge of the global financial turmoil, the Group's global operation team will still adopt conservative and optimistic approach to work for better results for the Group.

For the six months ended 30 June 2010, the Group's revenue amounted to US$110,079,000 (2009: US$63,714,000), profit after tax amounted to US$13,152,000 (2009: US$7,185,000). Due to gradual recovery of global economy, there is increase in market demand, the sales of vehicles, mechanical and compressor parts recorded substantial increase. For the six months ended 30 June 2010, operating margin was 13.4% (2009: 11.6%) and profit after tax over turnover ratio was 11.9% (2009: 11.3%).

During the six months ended 30 June 2010, the Group's revenue amounted to US$110,079,000 (2009: US$63,714,000), and the distributable net profit of the shareholders amounted to approximately US$12,505,000 (2009: US$7,155,000).

FINANCIAL PERFORMANCE

For the six months ended 30 June 2010, the Group's revenue amounted to US$110,079,000 (2009: US$63,714,000), profit after tax amounted to US$13,152,000 (2009: US$7,185,000). Due to gradual recovery of global economy, there is increase in market demand, the sales of vehicles, mechanical and compressor parts recorded substantial increase. For the six months ended 30 June 2010, operating margin was 13.4% and profit after tax over turnover ratio was 11.9%.

INTERIM DIVIDEND

The Directors resolved the payment of interim dividend of US cent 0.448 (equivalent to HK cents 3.472) per ordinary share for the six months ended 30 June 2010 payable on or about 24 September 2010 to the shareholders of the Company whose names appear in the Register of Members of the Company on 17 September 2010.

FUTURE PROSPECTS AND APPRECIATION

For the year 2010, apart from putting efforts for the recovery of existing business, the operational team will also adopt active and conservative approach to continue the exploration of new clients and new products. Production scale may be further expanded to cope with the then business needs with the purpose to maximize the operation results of the Group.

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.

The Board of the Company is pleased to present the unaudited consolidated interim results of the Group for the six months ended 30 June 2010 together with the comparative figures. The results have been reviewed by the Company's auditors, KPMG, and the Company's Audit Committee.

CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2010 $'000	2009 $'000
Turnover	3	**110,079**	63,714
Cost of sales	6(b)	**(83,145)**	(49,726)
Gross profit		**26,934**	13,988
Other revenue		**165**	163
Other net (loss)/income		**(313)**	428
Selling and distribution costs		**(7,935)**	(3,546)
Administrative expenses		**(4,142)**	(3,591)
Profit from operations		**14,709**	7,442
Finance costs	6(a)	**–**	–
Profit before taxation	6	**14,709**	7,442
Income tax	7	**(1,557)**	(257)
Profit for the period		**13,152**	7,185
Attributable to:			
Equity shareholders of the Company		**12,505**	7,155
Minority interests		**647**	30
Profit for the period		**13,152**	7,185
Earnings per share	8		
– Basic (cents)		**1.25**	0.71
– Diluted (cents)		**1.25**	0.71

The notes on pages 11 to 28 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 15.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED

(Expressed in United States dollars)

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Profit for the period	**13,152**	7,185
Other comprehensive income for the period (after tax):		
Exchange differences on translation of financial statements of overseas subsidiaries	**903**	(130)
Total comprehensive income for the period	**14,055**	7,055
Attributable to:		
Equity shareholders of the Company	**13,215**	7,029
Minority interests	**840**	26
Total comprehensive income for the period	**14,055**	7,055

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2010 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2010 $'000	 2009 $'000
Non-current assets			
Property, plant and equipment	9	**154,416**	161,155
Lease prepayments		**5,333**	5,366
Construction in progress		**5,307**	2,711
Other financial assets		**162**	216
		165,218	169,448
Current assets			
Inventories		**34,873**	29,497
Trade and other receivables	10	**80,263**	65,662
Amounts due from related companies	17(b)	**715**	878
Pledged bank deposits		**2,249**	1,156
Cash and cash equivalents	11	**22,643**	18,878
		140,743	116,071
Current liabilities			
Bank loans	13	**27,096**	7,015
Trade and other payables	12	**46,785**	30,375
Amounts due to related companies	17(c)	**292**	122
Current tax payable		**2,065**	1,377
		76,238	38,889
Net current assets		**64,505**	77,182
Total assets less current liabilities		**229,723**	246,630
Non-current liabilities			
Deferred tax liabilities		**107**	107
NET ASSETS		**229,616**	246,523

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2010 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

		Six months ended 30 June	
	Note	**2010** **$'000**	2009 $'000
Capital and reserves			
Share capital	14	**1,291**	1,291
Reserves		**222,603**	227,526
Total equity attributable to equity shareholders of the Company		**223,894**	228,817
Minority interests		**5,722**	17,706
TOTAL EQUITY		**229,616**	246,523

The notes on pages 11 to 28 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED

(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	**Other reserve** $'000	**Share repurchase reserve** $'000	**Retained profits** $'000	**Sub-total** $'000	**Minority interests** $'000	**Total** $'000
At 1 January 2009	1,306	44,748	27	11,011	22,250	34,920	(19)	105,254	219,497	23,443	242,940
Changes in equity for the six months ended 30 June 2009:											
Purchase and cancellation of own shares											
– par value paid	(11)	–	–	–	–	–	–	–	(11)	–	(11)
– premium paid	–	(762)	–	–	–	–	19	–	(743)	–	(743)
– transfer between reserves	–	–	11	–	–	–	–	(11)	–	–	–
Repurchase of own shares pending for cancellation	–	–	–	–	–	–	(61)	–	(61)	–	(61)
Transfer to statutory surplus reserve	–	–	–	105	–	–	–	(105)	–	–	–
Dividends approved in respect of previous financial year *(note 15(b))*	–	–	–	–	–	–	–	(2,861)	(2,861)	–	(2,861)
Total comprehensive income for the period	–	–	–	–	(126)	–	–	7,155	7,029	26	7,055
Balance at 30 June 2009 and 1 July 2009	1,295	43,986	38	11,116	22,124	34,920	(61)	109,432	222,850	23,469	246,319
Changes in equity for the six months ended 31 December 2009:											
Purchase and cancellation of own shares											
– par value paid	(4)	–	–	–	–	–	–	–	(4)	–	(4)
– premium paid	–	(502)	–	–	–	–	61	–	(441)	–	(441)
– transfer between reserves	–	–	4	–	–	–	–	(4)	–	–	–
Transfer to statutory surplus reserve	–	–	–	720	–	–	–	(720)	–	–	–
Purchase of shares from minority interest shareholders	–	–	–	–	–	(3,768)	–	–	(3,768)	(7,508)	(11,276)
Dividends declared in respect of the current year	–	–	–	–	–	–	–	(2,813)	(2,813)	–	(2,813)
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	–	490	490
Total comprehensive income for the period	–	–	–	–	126	–	–	12,867	12,993	1,255	14,248
Balance at 31 December 2009	1,291	43,484	42	11,836	22,250	31,152	–	118,762	228,817	17,706	246,523

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED

(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	Other reserve $'000	Share repurchase reserve $'000	Retained profits $'000	Sub-total $'000	Minority interests $'000	Total $'000
Balance at 1 January 2010	1,291	43,484	42	11,836	22,250	31,152	-	118,762	228,817	17,706	246,523
Changes in equity for the six months ended 30 June 2010:											
Purchase of shares from minority interest shareholders	-	-	-	-	-	(13,116)	-	-	(13,116)	(15,764)	(28,880)
Dividends approved in respect of previous financial year *(note 15(b))*	-	-	-	-	-	-	-	(5,022)	(5,022)	-	(5,022)
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	-	2,940	2,940
Total comprehensive income for the period	-	-	-	-	710	-	-	12,505	13,215	840	14,055
Balance at 30 June 2010	1,291	43,484	42	11,836	22,960	18,036	-	126,245	223,894	5,722	229,616

The notes on pages 11 to 28 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June 2010 $'000	 2009 $'000
Cash generated from operations		**21,359**	21,430
Net income tax (paid)/refunded		**(883)**	813
Net cash generated from operating activities		**20,476**	22,243
Net cash used in investing activities		**(33,199)**	(7,593)
Net cash provided/(used) in financing activities		**16,756**	(9,951)
Net increase in cash and cash equivalents		**4,033**	4,699
Cash and cash equivalents at 1 January	11	**18,878**	15,996
Effect of foreign exchange rate changes		**(268)**	5
Cash and cash equivalents at 30 June	11	**22,643**	20,700

The notes on pages 11 to 28 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

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 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 2.

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 2009 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 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 page 29.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 29 March 2010.

The functional currencies of the Company, its subsidiaries in the People's Republic of China (the "PRC") and a subsidiary in Hong Kong are United States dollars, Renminbi and Hong Kong dollars respectively. For the purposes of presenting the consolidated financial statements, the Group adopted United States dollars as its presentation currency.

2 Changes in accounting policies

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in subsidiary*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*

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

The amendments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3, HKAS 27, HKFRS 5 and HK(IFRIC) 17 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:
  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.
  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

2 Changes in accounting policies (continued)

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provision in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax asset will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

– As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

- If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2 Changes in accounting policies (continued)

– In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investment in associates, and HKAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:

- If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- If the Group loses significant influence of joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current of future periods and therefore previous periods have not been restated.

– HK(IFRIC) 17 requires distributions of non-cash assets to owners to be measured at the fair value of the assets distributed. This will result in a gain or loss being recognised in profit or loss to the extent that the fair value of the assets is different from their carrying value. Previously the Group measure such distributions at the carrying value of the assets distributed. In accordance with the transitional provisions in HK(IFRIC) 17, this new accounting policy will be applied prospectively to distributions in current of future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

– As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a biding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

– As a result of the amendment to HKAS 17, Leases, arising from the "Improvements to HKFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers significantly all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchase. The Group has concluded that the classification of such leases as operating leases continues to be appropriate.

3 Segment reporting

The Group manages its businesses according to the manufacturing source of its products, i.e. its operating subsidiaries in the People's Republic of China (the "PRC"), which are engaged in the design, development, manufacture and sale of customised metal casting. On first-time adoption of HKFRS 8, *Operating segments*, in 2009 and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, namely, products manufactured by 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") respectively.

(a) Segment results, assets and liabilities

In accordance with HKFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purposes of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, lease prepayments and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit/(loss) is "earnings/(loss) after taxation". To arrive at reportable segment profit/(loss), the Group's earnings/(loss) are further adjusted for items not specially attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administrative costs.

In addition to receiving segment information concerning earnings/(loss) after taxation, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and additions to non-current segment assets used by the respective segments. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

3 Segment reporting (continued)

(a) Segment results, assets and liabilities (continued)

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	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000	**2010 $'000**	2009 $'000
Revenue from external customers	**32,459**	27,309	**48,067**	23,254	**29,213**	12,761	**340**	390	**110,079**	63,714
Inter-segment revenue	**395**	214	**204**	280	**3,874**	2,119	**327**	217	**4,800**	2,830
Reportable segment revenue	**32,854**	27,523	**48,271**	23,534	**33,087**	14,880	**667**	607	**114,879**	66,544
Reportable segment profit/(loss) (earnings/(loss) after taxation)	**1,707**	3,863	**7,339**	2,755	**3,290**	182	**(150)**	(78)	**12,186**	6,722
Interest income from bank deposits	**33**	36	**20**	26	**12**	14	**2**	2	**67**	78
Depreciation and amortisation for the year	**(2,798)**	(2,782)	**(3,893)**	(3,750)	**(3,653)**	(2,723)	**(199)**	(139)	**(10,543)**	(9,394)
Reportable segment assets	**74,107**	73,449	**85,001**	77,007	**126,321**	118,922	**12,265**	7,047	**297,694**	276,425
Additions to non-current segment assets during the period	**507**	760	**1,069**	829	**2,353**	12,039	**490**	183	**4,419**	13,811
Reportable segment liabilities	**13,998**	11,005	**18,282**	9,271	**20,737**	13,734	**588**	1,322	**53,605**	35,332

3 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Revenue		
Reportable segment revenue	**114,879**	66,544
Elimination of inter-segment revenue	**(4,800)**	(2,830)
Consolidated turnover	**110,079**	63,714
Depreciation and amortisation		
Reportable segment depreciation and amortisation	**(10,543)**	(9,394)
Elimination of depreciation related to inter-segment fixed assets transfer	**948**	937
Consolidated depreciation and amortisation	**(9,595)**	(8,457)
Profit		
Reportable segment profit	**12,186**	6,722
Elimination of depreciation related to inter-segment fixed assets transfer	**948**	937
Elimination of inter-segment loss/(profits)	**206**	(267)
Reportable segment profit derived from the Group's external customers	**13,340**	7,392
Unallocated head office and corporate expenses	**(188)**	(207)
Consolidated profit after taxation	**13,152**	7,185

3 Segment reporting (continued)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

	At 30 June 2010 $'000	At 31 December 2009 $'000
Assets		
Reportable segment assets	**297,694**	276,425
Elimination of inter-segment receivables	**(3,363)**	(2,486)
	294,331	273,939
Non-current financial assets	**162**	216
Unallocated head office and corporate assets	**11,468**	11,364
Consolidated total assets	**305,961**	285,519
Liabilities		
Reportable segment liabilities	**53,605**	35,332
Elimination of inter-segment payables	**(3,363)**	(2,486)
	50,242	32,846
Unallocated head office and corporate liabilities	**26,103**	6,150
Consolidated total liabilities	**76,345**	38,996

3 Segment reporting (continued)

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

	Revenue from external customers Six months ended 30 June	
	2010	2009
	$'000	*$'000*
The PRC	**57,711**	31,703
United States	**35,829**	24,301
Japan	**10,180**	3,721
Other countries	**6,359**	3,989
Total	**110,079**	63,714

Most of the Group's fixed assets and construction in progress ("specified non-current assets") are located in the PRC. Accordingly, no geographical segment analysis based on the location of specified non-current assets is presented.

4 Purchase of shares from minority interest shareholders

The Company purchased 20% of equity interest of CMW (Cayman Islands) Co., Ltd. from minority interest shareholders on 29 June 2010 for a cash consideration of US$28,880,000. The Company's equity interest percentage in CMW (Cayman Islands) Co., Ltd. increased to 100% as at 30 June 2010 after the transaction (31 December 2009: 80%). The difference between the consideration and the carrying amount of the 20% equity interest amounting to US$15,764,000 was recorded in the other reserve.

5 Seasonality of operations

The Group's operations are not subject to significant seasonality or cyclicality factors.

6 Profit before taxation

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

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
(a) Finance costs:		
Interest expense on bank loans	**61**	121
Less: interest expense capitalised into construction in progress	**(61)**	(121)
	–	–
(b) Other items:		
Amortisation of lease prepayments	**65**	65
Depreciation	**9,530**	8,392
Interest income	**(67)**	(78)
Carrying amount of inventories sold	**83,145**	49,726
Gain on disposal of fixed assets	**(6)**	–

7 Income tax

	Six months ended 30 June	
	2010	2009
	$'000	*$'000*
Current tax		
Provision for PRC corporate income tax for the period	**1,529**	257
Under-provision in respect of prior year	**28**	–
	1,557	257
Deferred tax		
Origination and reversal of temporary differences	**–**	–
	1,557	257

7 Income tax (continued)

(i) Overseas Income Tax

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

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax is made for the period as the Group did not generate any income subject to Hong Kong Profits Tax during the periods 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 is calculated based on the following rates:

	Note	**2010**	2009
Tianjin CMT Industry Company Limited ("CMT")	(1)	**15%**	15%
Suzhou CMS Machinery Company Limited ("CMS")	(1)	**15%**	15%
CMW (Tianjin) Industry Company Limited ("CMWT")	(2)	**11%**	10%
Suzhou CMB Machinery Company Limited ("CMB")	(3)	**12.5%**	0%

Notes:

(1) In December 2008, CMT and CMS were granted the status of a "High and New Technology Enterprise" that entitled them to a preferential CIT rate of 15% for the period ended 30 June 2010.

(2) Pursuant to Guo Fa [2007] No. 39, CMWT which is a foreign investment enterprise established in Tianjin Economic Technology Development Zone is entitled to transitional tax rates of 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 and the years thereafter. In addition, pursuant to the transitional arrangement under the CIT Law, CMWT is entitled to a tax-free period for the first and second years and a 50 percent reduction in the income tax rate for the third to fifth years from its first profit-making year of operations ("the tax holiday"). The current year is the fourth year of tax holidays for CMWT and the income tax rate is 11%.

(3) Pursuant to the income tax rules and regulations of the PRC, CMB is eligible for the tax holiday. The current period is the third year of the tax holiday for CMB and the income tax rate is 12.5% for the period ended 30 June 2010.

7 Income tax (continued)

(iii) PRC Corporate Income Tax (continued)

In addition, pursuant to the Corporate Income Tax Law of the PRC (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 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%. Dividends receivable by the Group from subsidiaries established in the PRC in respect of their undistributed profits prior to 31 December 2007 are exempted from withholding tax.

8 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to the equity shareholders of the Company of $12,505,000 (six months ended 30 June 2009: $7,155,000) and the weighted average number of 1,004,332,000 ordinary shares in issue during the period (six months ended 30 June 2009: 1,011,195,000), calculated as follows:

	Number of shares	
	(thousand)	*(thousand)*
	Six months ended 30 June	
	2010	2009
Issued ordinary shares at 1 January	**1,004,332**	1,015,858
Effect of shares repurchased	**–**	(4,663)
Weighted average number of ordinary shares at 30 June	**1,004,332**	1,011,195

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30 June 2010 and 2009, and diluted earnings per share are the same as basic earnings per share.

9 Property, plant and equipment

During the six months ended 30 June 2010, the Group acquired items of plant and machinery with a cost of $1,715,000 (six months ended 30 June 2009: $318,000) and transferred items from construction in progress with a cost of $121,000 (six months ended 30 June 2009: $450,000). Items of plant and machinery with a net book value of $29,000 were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: $115,000) with a gain of $6,000 on disposal (six months ended 30 June 2009: nil).

10 Trade and other receivables

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis:

	At 30 June 2010 $'000	At 31 December 2009 $'000
Current and less than 3 months past due	**68,015**	57,348
3 to 12 months past due	**3,628**	2,236
More than 12 months but less than 24 months past due	**1,197**	568
Total trade receivables and bills receivables, net of allowance for doubtful debts	**72,840**	60,152
Other receivables, deposits and prepayments	**7,423**	5,510
	80,263	65,662

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 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.

Included in trade receivables are amounts due from related companies of $2,295,000 (31 December 2009: $1,944,000), details of which are disclosed in note 17(b).

11 Cash and cash equivalents

	At 30 June 2010 $'000	At 31 December 2009 $'000
Cash at bank and in hand	**19,643**	8,887
Deposits with banks	**3,000**	9,991
	22,643	18,878

12 Trade and other payables

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

	At 30 June 2010 $'000	At 31 December 2009 $'000
Due within 1 month or on demand	**11,945**	6,725
Due after 1 month but within 3 months	**16,863**	11,076
Due after 3 months but within 6 months	**6,528**	2,823
Due after 6 months or more	**373**	360
Total trade payables and bills payable	**35,709**	20,984
Other payables	**11,076**	9,391
	46,785	30,375

Bills payable of $11,474,000 (31 December 2009: $4,977,000) as at 30 June 2010 were secured by bank deposits of $2,249,000 (31 December 2009: $1,156,000).

13 Bank loans

	At 30 June 2010 $'000	At 31 December 2009 $'000
Bank loans repayable within 1 year or on demand	**27,096**	7,015

At 30 June 2010, the Group had banking facilities totalling $47,500,000 (2009: $29,000,000) which were utilised to the extent of $27,096,000 (2009: $5,551,000).

14 Share capital

Authorised and issued share capital

	At 30 June 2010 Number of shares *(thousand)*	At 30 June 2010 *$'000*	At 31 December 2009 Number of shares *(thousand)*	At 31 December 2009 *$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**12,853**	10,000,000	12,853
Issued:				
At 1 January	**1,004,332**	**1,291**	1,015,858	1,306
Share repurchased and cancelled	**–**	**–**	(11,526)	(15)
	1,004,332	**1,291**	1,004,332	1,291

15 Dividends

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

	Six months ended 30 June **2010** *$'000*	2009 *$'000*
Interim dividend declared and payable after the interim period of 0.45 cents per share (six months ended 30 June 2009: 0.28 cents per share)	**4,499**	2,817

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

15 Dividends (continued)

(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	
	2010	2009
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the interim period of 0.50 cents per share (six months ended 30 June 2009: 0.28 cents per share)	**5,022**	2,861

16 Capital commitments outstanding not provided for in the interim financial report

	At 30 June 2010	At 31 December 2009
	$'000	*$'000*
Contracted for	**604**	1,030

17 Material related party transactions

During the six months ended 30 June 2010, 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
Yanmar Diesel Engine Co., Ltd. ("Yanmar")	Affiliated Company

17 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	
	2010	2009
	$'000	*$'000*
Sales of goods to		
– Asahi	**–**	20
– TRAS	**44**	165
– Yanmar	**7,722**	2,652
– Birn	**270**	351
	8,036	3,188
Commission to		
– CMAI	**494**	270
– CMJ	**191**	52
	685	322
Reimbursement of expenses to		
– CMAI	**2,800**	1,246
– CMP	**66**	58
	2,866	1,304

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 $24,000 for the six months ended 30 June 2010 (six months ended 30 June 2009: $22,000). 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	
	2010	2009
	$'000	*$'000*
Employee benefits	**1,356**	1,608

17 Material related party transactions (continued)

(b) Amounts due from related companies

	At 30 June 2010 $'000	At 31 December 2009 $'000
Trade		
– Yanmar	**2,079**	1,731
– Birn	**216**	213
	2,295	1,944
Non-trade		
– CMAI	**715**	878
	715	878
	3,010	2,822

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 2010 and 31 December 2009.

(c) Amounts due to related companies

	At 30 June 2010 $'000	At 31 December 2009 $'000
CMP	**8**	7
Yanmar	**–**	3
CMAI	**137**	–
CMJ	**76**	41
Dairitsu	**71**	71
	292	122

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

18 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed an interim dividend. Further details are disclosed in note 15(a).

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 4 to 28 which comprises the consolidated balance sheet of China Metal International Holdings Inc. as of 30 June 2010 and the related consolidated income statement, statement of comprehensive income and statement of 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 2010 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

27 August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2010 amounted to US$110,079,000 and US$12,505,000 (six months ended 30 June 2009: US$63,714,000 and US$7,155,000), representing a significant growth as compared to the same period in 2009. Gross profit for the six months ended 30 June 2010 amounted to approximately US$26,934,000 (six months ended 30 June 2009: US$13,988,000), representing a gross profit margin of approximately 24.5% (six months ended 30 June 2009: 22%). Operating profit for the six months ended 30 June 2010 was approximately US$14,709,000 (six months ended 30 June 2009: US$7,442,000) or 13.4% (six months ended 30 June 2009: 11.7%) of recorded turnover. Net profit for the six months ended 30 June 2010 was approximately US$13,152,000 (six months ended 30 June 2009: US$7,185,000) or 11.9% (six months ended 30 June 2009: 11.3%) of recorded turnover.

Liquidity and financial resources

As at 30 June 2010, the Group had outstanding bank borrowings amounted to US$27,096,000 (31 December 2009: US$7,015,000) and all are repayable within one year. The Group's cash and cash equivalents amounted to US$22,643,000 (31 December 2009: US$18,878,000). The Group's current ratio and the gearing ratio (a ratio of total liabilities to total assets) is 1.8 (31 December 2009: 3) and 24.9% (31 December 2009: 13.7%) respectively.

Capital structure

The Company's issued share capital as at 30 June 2010 is HK$10,043,320 divided into 1,004,332,000 shares of HK$0.01 each.

Significant investments

As at 30 June 2010, the Group held unlisted equity securities outside Hong Kong of US$162,000 (31 December 2009: US$216,000).

Material acquisition and disposals of subsidiaries or affiliated companies

On 29 June 2010, the Company entered into acquisition agreements with independent third parties to acquire the remaining 20% interests in CMW (Cayman Islands) Co., Ltd. ("CMW (CI)") at an aggregate consideration of US$28,880,000. Upon the completion of the acquisition on 29 June 2010, CMW (CI) become a wholly-owned subsidiary of the Company. Details of the acquisition are set out in the announcement of the Company dated 29 June 2010.

Save as above, 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 2010 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 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$24,000 (six months ended 30 June 2009: 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 2010, bank deposits amounting to US$2,249,000 (2009: US$1,156,000) were pledged to secure banking facilities granted to the Group.

Future plans for material investments or capital assets

For the year 2010, apart from putting efforts for the recovery of existing business, the operational team will also adopt active and conservative approach to continue the exploration of new clients and new products. Production scale may be further expanded to cope with the then business needs with the purpose to maximize the operation results of the Group.

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 the 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 must 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 2010, 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 2010, 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	0.60%
Mr. Tsao Ming-Hong	Beneficial interest	Long position	6,373,766	0.63%
	Family interest *(Note i)*	Long position	1,566,386	0.16%
Mr. Guu Herng-Chang	Beneficial interest	Long position	9,051,083	0.90%
Mr. Wu Cheng-Tao	Beneficial interest	Long position	8,081,435	0.80%
	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.

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

At 30 June 2010, 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 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	464,046,059	46.20%
United Elite Agents Limited ("UEA") *(Note)*	Beneficial interest	Long position	464,046,059	46.20%
Vald Birns Holding A/S	Beneficial interest	Long position	102,298,922	10.15%

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 2010.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

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 to 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 of the Listing Rules, which came into effect on 1 January 2005.

During the period ended 30 June 2010, 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 those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the period ended 30 June 2010.

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, Dr. Wong Tin-Yau, Kelvin (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Hsu Shan-Ko. The Audit Committee has reviewed the unaudited interim financial report of the Group for the period ended 30 June 2010.

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

Hong Kong, 27 August 2010