



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 2011

*For identification purposes only

CORPORATE INFORMATION

Board of Directors

Executive Directors

HO Ming-Shiann (*Chairman*)
 TSAO Ming-Hong (*Vice Chairman*)
 GUU Heng-Chang
 (also known as Stanley Guu)
 Wu Cheng-Tao

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

WONG Tin Yau, Kelvin, *FHKIoD*
 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, *FHKIoD (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 2011.

BUSINESS REVIEW

Continued from the year 2010, although the global economy for the first half of the year 2011 showed gradual recovery, it also brought about high inflation to the developing countries especially in China the inflation reached 6%; government of various countries have by means of fiscal policies, raising the salary level, interests rate and reserve ratio, with the appreciation of Asian currencies, all these led to corporations facing with more challenges in the business environment. In addition, the earthquake and tsunami occurred on 11 March in Japan resulted in serious distortion in electricity supply and further affected supply chain of various industries including vehicles and electronics, these showed gradually recovery in the second half of 2011. Among the products of the Group, the sales of vehicles spare parts decreased after May 2011 as affected by the Japan earthquake but has recovered after the third quarter. In our Tianjin and Suzhou factories, there are new clients and new products under development and the new products are expected to be delivered in the years 2012 to 2013. On the other hand, an additional production line will be installed in CMW (Tianjin) Industry Company Limited ("CMWT") and the factory removal and expansion of Suzhou CMB Machinery Co. Ltd. ("CMB") is in progress. Going through the test of the global financial meltdown, the Group's operating team will still adopt a conservative and optimistic approach to achieve better results for the Group.

FINANCIAL PERFORMANCE

For the six months ended 30 June 2011, the Group's revenue amounted to US\$155.2 million (2010: US\$110.1 million), profit after tax amounted to US\$17 million (2010: US\$13.2 million). The sales of vehicles parts, construction machinery parts and agriculture equipment parts recorded substantial increase. For the six months ended 30 June 2011, operating margin was 12.7% and profit after tax over turnover ratio was 11%.

INTERIM DIVIDEND AND CLOSURE OF REGISTER

The Board resolved to declare an interim dividend of US cent 0.58 (equivalent to HK cents 4.495) per ordinary share for the six months ended 30 June 2011 payable on or about Friday, 23 September 2011 to the shareholders of the Company whose names appear in the Register of Members of the Company on Thursday, 15 September 2011.

The Register of Members of the Company will be closed from Wednesday, 14 September 2011 to Thursday, 15 September 2011, both days inclusive, during which period no transfer of shares shall be effected. To qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on Monday, 12 September 2011.

FUTURE PROSPECTS AND APPRECIATION

For the year 2011, apart from putting efforts for getting better business results, 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 2011 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 2011 – UNAUDITED

(Expressed in United States dollars)

		Six months ended 30 June	
	Note	2011 \$'000	2010 \$'000
Turnover	3	155,221	110,079
Cost of sales	5(b)	(119,642)	(83,145)
Gross profit		35,579	26,934
Other revenue		131	165
Other net income/(loss)		330	(313)
Selling and distribution costs		(10,390)	(7,935)
Administrative expenses		(5,985)	(4,142)
Profit from operations		19,665	14,709
Finance costs	5(a)	(201)	–
Profit before taxation	5	19,464	14,709
Income tax	6	(2,434)	(1,557)
Profit for the period		17,030	13,152
Attributable to:			
Equity shareholders of the Company		16,632	12,505
Non-controlling interests		398	647
Profit for the period		17,030	13,152
Earnings per share	7		
– Basic (cents)		1.66	1.25
– Diluted (cents)		1.66	1.25

The notes on pages 11 to 27 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 2011 – UNAUDITED

(Expressed in United States dollars)

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Profit for the period	17,030	13,152
Other comprehensive income for the period (after tax):		
Exchange differences on translation of financial statements of overseas subsidiaries	4,245	903
Total comprehensive income for the period	<u>21,275</u>	<u>14,055</u>
Attributable to:		
Equity shareholders of the Company	20,760	13,215
Non-controlling interests	515	840
Total comprehensive income for the period	<u>21,275</u>	<u>14,055</u>

The notes on pages 11 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011 – UNAUDITED

(Expressed in United States dollars)

	Note	30 June 2011 \$'000	31 December 2010 \$'000
Non-current assets			
Property, plant and equipment	8	156,404	160,648
Lease prepayments		5,460	5,416
Construction in progress		9,953	4,221
Other financial assets		112	112
		<u>171,929</u>	<u>170,397</u>
Current assets			
Inventories		49,145	43,154
Trade and other receivables	9	113,290	97,297
Amounts due from related companies	17(b)	944	693
Pledged bank deposits		3,632	4,630
Cash and cash equivalents	10	18,684	21,620
		<u>185,695</u>	<u>167,394</u>
Current liabilities			
Bank loans	12	12,869	23,982
Trade and other payables	11	60,360	62,401
Amounts due to related companies	17(c)	384	338
Current tax payable		3,120	2,648
		<u>76,733</u>	<u>89,369</u>
Net current assets		<u>108,962</u>	<u>78,025</u>
Total assets less current liabilities		<u>280,891</u>	<u>248,442</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

	Note	30 June 2011 \$'000	31 December 2010 \$'000
Non-current liabilities			
Long term loan	12	17,700	–
Deferred tax liabilities		107	107
		<u>17,807</u>	<u>107</u>
NET ASSETS		<u>263,084</u>	<u>248,315</u>
Capital and reserves			
Share capital	14	1,291	1,291
Reserves		255,445	241,191
Total equity attributable to equity shareholders of the Company		<u>256,736</u>	<u>242,482</u>
Non-controlling interests		6,348	5,833
TOTAL EQUITY		<u>263,084</u>	<u>248,315</u>

The notes on pages 11 to 27 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company								Sub-total \$'000	Non- controlling interests \$'000	Total \$'000
	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			
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:											
Total comprehensive income for the period	-	-	-	-	710	-	-	12,505	13,215	840	14,055
Purchase of shares from non-controlling 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 non-controlling shareholders	-	-	-	-	-	-	-	-	-	2,940	2,940
Balance at 30 June 2010	<u>1,291</u>	<u>43,484</u>	<u>42</u>	<u>11,836</u>	<u>22,960</u>	<u>18,036</u>	<u>-</u>	<u>126,245</u>	<u>223,894</u>	<u>5,722</u>	<u>229,616</u>
Balance at 1 July 2010	1,291	43,484	42	11,836	22,960	18,036	-	126,245	223,894	5,722	229,616
Changes in equity for the six months ended 31 December 2010:											
Total comprehensive income for the period	-	-	-	-	4,980	-	-	18,107	23,087	111	23,198
Transferred to statutory reserve	-	-	-	2,068	-	-	-	(2,068)	-	-	-
Dividends approved in respect of current financial year (note 15(a))	-	-	-	-	-	-	-	(4,499)	(4,499)	-	(4,499)
Balance at 31 December 2010	<u>1,291</u>	<u>43,484</u>	<u>42</u>	<u>13,904</u>	<u>27,940</u>	<u>18,036</u>	<u>-</u>	<u>137,785</u>	<u>242,482</u>	<u>5,833</u>	<u>248,315</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2011 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company											
	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Statutory surplus reserve \$'000	Exchange fluctuation reserve \$'000	Capital reserve-share option \$'000	Other reserve \$'000	Share repurchase reserve \$'000	Retained profits \$'000	Sub-total \$'000	Non-controlling interests \$'000	Total \$'000
Balance at												
1 January 2011	1,291	43,484	42	13,904	27,940	-	18,036	-	137,785	242,482	5,833	248,315
Changes in equity for the six months ended 30 June 2011:												
Total comprehensive income for the period	-	-	-	-	4,128	-	-	-	16,632	20,760	515	21,275
Dividends approved in respect of previous financial year (note 1.5(b))	-	-	-	-	-	-	-	-	(6,829)	(6,829)	-	(6,829)
Equity settled share-based transaction (note 1.3)	-	-	-	-	-	323	-	-	-	323	-	323
Balance at												
30 June 2011	1,291	43,484	42	13,904	32,068	323	18,036	-	147,588	256,736	6,348	263,084

The notes on pages 11 to 27 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2011 - UNAUDITED

(Expressed in United States dollars)

		Six months ended 30 June	
	Note	2011 \$'000	2010 \$'000
Cash generated from operations		7,387	21,359
Net income tax paid		(2,043)	(883)
Net cash generated from operating activities		5,344	20,476
Net cash used in investing activities		(9,056)	(33,199)
Net cash provided in financing activities		467	16,756
Net (decrease)/increase in cash and cash equivalents		(3,245)	4,033
Cash and cash equivalents at 1 January	10	21,620	18,878
Effect of foreign exchange rate changes		309	(268)
Cash and cash equivalents at 30 June	10	18,684	22,643

The notes on pages 11 to 27 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 Basis of Preparation

China Metal International Holdings Inc. ("the Company") is a company incorporated in Cayman Islands with limited liability. The interim financial report of the Company for the six months ended 30 June 2011 comprises the Company and its subsidiaries (together referred to as the "Group").

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 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 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 2010 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 28.

The financial information relating to the financial year ended 31 December 2010 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 2010 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 28 March 2011.

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 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:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

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. 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.

3 Segment Reporting (continued)

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

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.

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	
	2011 \$'000	2010 \$'000								
For the six months ended										
Revenue from external customers	39,684	32,459	61,465	48,067	52,143	29,213	1,929	340	155,221	110,079
Inter-segment revenue	431	395	1,826	204	6,324	3,874	1,478	327	10,059	4,800
Reportable segment revenue	40,115	32,854	63,291	48,271	58,467	33,087	3,407	667	165,280	114,879
Reportable segment profit/(loss) (earnings/(loss) after taxation)	710	1,707	10,304	7,339	4,869	3,290	836	(150)	16,719	12,186
Interest income from bank deposits	21	33	32	20	25	12	23	2	101	67
Depreciation and amortisation during the period	(2,569)	(2,798)	(3,217)	(3,893)	(4,243)	(3,653)	(308)	(199)	(10,337)	(10,543)
As at 30 June/31 December										
Additions to non-current segment assets during the period	226	806	2,007	1,580	4,889	11,149	186	1,925	7,308	15,460
Reportable segment assets	80,106	72,864	98,005	93,264	163,367	151,396	14,476	13,967	355,954	331,491
Reportable segment liabilities	15,299	13,755	22,726	27,040	29,999	29,678	1,202	1,790	69,226	72,263

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Revenue		
Reportable segment revenue	165,280	114,879
Elimination of inter-segment revenue	(10,059)	(4,800)
	<hr/> 155,221 <hr/>	<hr/> 110,079 <hr/>
Depreciation and amortisation		
Reportable segment depreciation and amortisation	(10,337)	(10,543)
Elimination of depreciation related to inter-segment fixed assets transfer	785	948
	<hr/> (9,552) <hr/>	<hr/> (9,595) <hr/>
Profit		
Reportable segment profit	16,719	12,186
Elimination of depreciation related to inter-segment fixed assets transfer	785	948
Elimination of inter-segment (loss)/profit	(330)	206
	<hr/> 17,174 <hr/>	<hr/> 13,340 <hr/>
Reportable segment profit derived from the Group's external customers	(144)	(188)
Unallocated head office and corporate expenses	<hr/> (144) <hr/>	<hr/> (188) <hr/>
	<hr/> 17,030 <hr/>	<hr/> 13,152 <hr/>

3 Segment Reporting (continued)

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

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Assets		
Reportable segment assets	355,954	331,491
Elimination of inter-segment receivables	(5,878)	(5,862)
	350,076	325,629
Non-current financial assets	112	112
Unallocated head office and corporate assets	7,436	12,050
Consolidated total assets	357,624	337,791
Liabilities		
Reportable segment liabilities	69,226	72,263
Elimination of inter-segment payables	(5,878)	(5,862)
	63,348	66,401
Unallocated head office and corporate liabilities	31,192	23,075
Consolidated total liabilities	94,540	89,476

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	
	2011 \$'000	2010 \$'000
The PRC	79,069	57,711
United States	50,410	35,829
Japan	14,318	10,180
Other countries	11,424	6,359
	<hr/> 155,221 <hr/>	<hr/> 110,079 <hr/>
Total		

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 Seasonality of operations

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

5 Profit before Taxation

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
(a) Finance costs:		
Interest expense on bank loans	201	61
Less: interest expense capitalised into construction in progress	-	(61)
	201	-
(b) Other items:		
Amortisation of lease prepayments	69	65
Depreciation	9,483	9,530
Interest income	(101)	(67)
Carrying amount of inventories sold	119,642	83,145
Gain on disposal of fixed assets	(5)	(6)

6 Income Tax

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Current tax		
Provision for PRC corporate income tax for the period (Over)/under-provision in respect of prior year	2,453	1,529
	(19)	28
	2,434	1,557
Deferred tax		
Origination and reversal of temporary differences	-	-
	2,434	1,557

(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.

6 Income tax (continued)

(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	2011	2010
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)	12%	11%
Suzhou CMB Machinery Company Limited ("CMB")	(3)	12.5%	12.5%

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 2011.
- (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 Corporate Income Tax Law of the PRC (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 fifth year of tax holidays for CMWT and the income tax rate is 12%.
- (3) Pursuant to the income tax rules and regulations of the PRC, CMB is eligible for the tax holiday. The current period is the fourth year of the tax holiday for CMB and the income tax rate is 12.5% for the period ended 30 June 2011.

In addition, pursuant to the CIT Law effective on 1 January 2008 and the Implementation Rules to the CIT Law, dividends payable by subsidiaries in the PRC to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding 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.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to the equity shareholders of the Company of \$16,632,000 (six months ended 30 June 2010: \$12,505,000) and the weighted average number of 1,004,332,000 ordinary shares (six months ended 30 June 2010: 1,004,332,000) in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30 June 2011 and 2010, and diluted earnings per share are the same as basic earnings per share for the share options granted by the Company as the average market price of ordinary shares is below the exercise price of the share options during the six months ended 30 June 2011, the share options are not considered as dilutive potential ordinary shares at 30 June 2011.

8 Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired items of plant and machinery with a cost of \$1,068,000 (six months ended 30 June 2010: \$1,715,000) and transferred items from construction in progress with a cost of \$601,000 (six months ended 30 June 2010: \$121,000). Items of plant and machinery with a net book value of \$97,000 were disposed of during the six months ended 30 June 2011 (six months ended 30 June 2010: \$29,000) with a gain of \$5,000 on disposal (six months ended 30 June 2010: \$6,000).

Pursuant to CMB's relocation plan as disclosed in the Company's 2010 annual report, the Company has not entered into a formal contract with regard to the acquisition of the new land use right up to the date of the approval of the interim financial report. Management estimated that the construction license may be obtained during the second half year of 2011. Due to the relocation plan, the amortisation/depreciation on the affected property, plant and equipment will be adjusted prospectively.

9 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 2011 \$'000	At 31 December 2010 \$'000
Current and less than 3 months past due	97,613	77,886
3 to 12 months past due	4,651	8,510
More than 12 months but less than 24 months past due	299	1,044
Over 24 months	200	298
	<hr/>	<hr/>
Total trade receivables and bills receivables, net of allowance for doubtful debts	102,763	87,738
Other receivables, deposits and prepayments	10,527	9,559
	<hr/>	<hr/>
	113,290	97,297
	<hr/> <hr/>	<hr/> <hr/>

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 \$2,575,000 (31 December 2010: \$1,719,000), details of which are disclosed in note 17(b).

10 Cash and cash equivalents

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Cash at bank and in hand	16,684	17,420
Deposits with banks	2,000	4,200
	<hr/>	<hr/>
	18,684	21,620
	<hr/> <hr/>	<hr/> <hr/>

11 Trade and other payables

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

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Due within 1 month or on demand	16,619	16,583
Due after 1 month but within 3 months	21,508	27,088
Due after 3 months but within 6 months	5,489	4,982
Due after 6 months or more	1,156	83
	<hr/>	<hr/>
Total trade payables and bills payable	44,772	48,736
Other payables	15,588	13,665
	<hr/>	<hr/>
	60,360	62,401

Bills payable of \$11,856,000 (31 December 2010: \$20,369,000) as at 30 June 2011 were secured by bank deposits of \$3,632,000 (31 December 2010: \$4,630,000).

12 Bank loans

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Bank loans repayable within 1 year or on demand	12,869	23,982
	<hr/>	<hr/>
After 1 year but within 2 years	-	-
After 2 years but within 5 years	17,700	-
	<hr/>	<hr/>
	17,700	-

At 30 June 2011, the Group had banking facilities totalling \$45,000,000 (31 December 2010: \$33,000,000) which were utilised to the extent of \$29,812,000 (31 December 2010: \$22,502,000).

13 Equity settled share-based transactions

The Company granted to eligible participants on 3 January 2011 a total of 22,300,000 share options to subscribe for ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company under the Share Option Scheme adopted by the Company on 8 December 2004.

(a) The terms and conditions of the grants are as follows:

	Number of share involved in the option	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 3 January 2011	4,800,000	(i) 40% on the third anniversary of the date of grant; (ii) 30% on the fourth anniversary of the date of grant; (iii) 30% on the fifth anniversary of the date of grant	10 years
Options granted to employees:			
– on 3 January 2011	17,500,000	(i) 40% on the third anniversary of the date of grant; (ii) 30% on the fourth anniversary of the date of grant; (iii) 30% on the fifth anniversary of the date of grant	10 years
Total share options	<u>22,300,000</u>		

13 Equity settled share-based transactions (continued)**(b) The number and weighted average exercise prices of share options are as follows:**

	Six months ended 30 June 2011	Number
	Weighted	of
	average	options
	exercise price	(thousand)
Outstanding at the beginning of the period	–	–
Granted during the period	HK\$2.52	22,300
Lapsed during the period	HK\$2.52	<u>(1,200)</u>
Outstanding at the end of the period	HK\$2.52	<u>21,100</u>
Exercisable at the end of the period	HK\$2.52	<u>–</u>

(c) Fair value of share options and assumptions:

All options are to be settled by physical delivery of shares.

The fair value of services received in return for share options granted is based on the fair value of share options at grant date, measured using the binomial model, with following inputs:

Fair value at grant date	HK \$1.02
Share price at grant date	HK \$2.52
Exercise price	HK \$2.52
Volatility	55.83%
Option life	10 years
Expected dividend yield	3.477%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate)	2.821%

Expected volatility is estimated taking into account historic average share price volatility. Expected dividend yield is based on the Company's historical dividend yield in 2010.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

An expense of \$323,234 (2010: nil) was charged to administrative expenses in profit or loss for the six months ended 30 June 2011.

14 Share capital**Authorised and issued share capital**

	At 30 June 2011		At 31 December 2010	
	Number of shares (thousand)	\$'000	Number of shares (thousand)	\$'000
<i>Authorised:</i>				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>12,853</u>	<u>10,000,000</u>	<u>12,853</u>
Ordinary shares, issued and fully paid:				
	<u>1,004,332</u>	<u>1,291</u>	<u>1,004,332</u>	<u>1,291</u>

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 0.58 cent per share (six months ended 30 June 2010: 0.45 cent per share)	<u>5,800</u>	<u>4,499</u>

The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	Six months ended 30 June	
	2011	2010
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the interim period of 0.68 cent per share (six months ended 30 June 2010: 0.50 cent per share)	<u>6,829</u>	<u>5,022</u>

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

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Contracted for	3,246	3,045
Authorised but not contracted for	6,931	6,799
	10,177	9,844

17 Material related party transactions

During the six months ended 30 June 2011, transactions with the following parties are considered as related party transactions.

Name of party

Taiwan Asahi Bearing Co., Ltd. ("Asahi")
 China Metal Products Company Limited ("CMP")
 TRAS Shokai Co., Ltd. ("TRAS")
 Dairitsu Industry Company Limited ("Dairitsu")
 Vald. Birn A/S ("Birn")
 China Metal Japan Company Limited ("CMJ")
 China Metal Automotive International Co., Limited
 ("CMAI")
 Yanmar Diesel Engine Co., Ltd. ("Yanmar")

Relationship

Shareholder of the Company
 Affiliated company
 Affiliated company
 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	
	2011	2010
	\$'000	\$'000
Sales of goods to		
– Yanmar	11,464	7,722
– Birn	618	270
– TRAS	331	44
	12,413	8,036
Commission to		
– CMAI	737	494
– CMJ	238	191
	975	685
Reimbursement of expenses to		
– CMAI	4,421	2,800
– CMP	100	66
	4,521	2,866

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 \$43,000 for the six months ended 30 June 2011 (six months ended 30 June 2010: \$24,000). 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	
	2011	2010
	\$'000	\$'000
Employee benefits	1,633	1,356
Equity-settled share-based transactions	323	–
	1,956	1,356

17 Material related party transactions (continued)
(b) Amounts due from related companies

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
Trade		
– Yanmar	2,046	1,308
– Birn	480	411
– TRAS	49	–
	<u>2,575</u>	<u>1,719</u>
Non-trade		
– CMAI	924	693
– Birn	19	–
– UEA	1	–
	<u>944</u>	<u>693</u>
	<u>3,519</u>	<u>2,412</u>

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 2011.

(c) Amounts due to related companies

	At 30 June 2011 \$'000	At 31 December 2010 \$'000
CMJ	170	153
CMP	143	114
Dairitsu	71	71
	<u>384</u>	<u>338</u>

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

18 Non-adjusting post balance sheet event

After the end of the reporting period, 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 27 which comprises the consolidated statement of financial position of China Metal International Holdings Inc. as of 30 June 2011 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 2011 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 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2011 amounted to US\$155,221,000 and US\$16,632,000 (six months ended 30 June 2010: US\$110,079,000 and US\$12,505,000), representing a significant growth as compared to the same period in 2010. Gross profit for the six months ended 30 June 2011 amounted to approximately US\$35,579,000 (six months ended 30 June 2010: US\$26,934,000), representing a gross profit margin of approximately 22.9% (six months ended 30 June 2010: 24.5%). Operating profit for the six months ended 30 June 2011 was approximately US\$19,665,000 (six months ended 30 June 2010: US\$14,709,000) or 12.7% (six months ended 30 June 2010: 13.4%) of recorded turnover. Net profit for the six months ended 30 June 2011 was approximately US\$17,030,000 (six months ended 30 June 2010: US\$13,152,000) or 11.0% (six months ended 30 June 2010: 11.9%) of recorded turnover.

Liquidity and financial resources

As at 30 June 2011, the Group had outstanding bank borrowings amounting to US\$30,569,000 (31 December 2010: US\$23,982,000), among which an amount of US\$12,869,000 is repayable within one year and the remaining amount of US\$17,700,000 is repayable after two years but within five years. The Group's cash and cash equivalents amounted to US\$18,684,000 (31 December 2010: US\$21,620,000). The Group's current ratio and the gearing ratio (a ratio of total liabilities to total assets) is 2.42 (31 December 2010: 1.9) and 26.4% (31 December 2010: 26.5%) respectively.

Capital structure

The Company's issued share capital as at 30 June 2011 is HK\$10,043,320 divided into 1,004,332,000 shares of HK\$0.01 each.

Significant investments

As at 30 June 2011, the Group held unlisted equity securities outside Hong Kong of US\$112,000 (31 December 2010: US\$112,000).

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 2011 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.

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\$43,000 (six months ended 30 June 2010: US\$24,000) 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 2011, bank deposits amounting to US\$3,632,000 (2010: US\$4,630,000) were pledged to secure banking facilities granted to the Group.

Future plans for material investments or capital assets

For the year 2011, 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 Reminbi 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 2011, 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.

The Company granted to eligible participants on 3 January 2011 a total of 22,300,000 share options to subscribe for ordinary shares of nominal value of HK\$0.01 each in the share capital of the Company under the Scheme.

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

At 30 June 2011, 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	7,024,923 (Note 1)	0.70%
Mr. Tsao Ming-Hong	Beneficial interest	Long position	7,373,766 (Note 1)	0.73%
	Family interest	Long position	166,386 (Note 2)	0.02%
Mr. Guu Heng-Chang	Beneficial interest	Long position	10,051,083 (Note 1)	1.00%
Mr. Wu Cheng-Tao	Beneficial interest	Long position	6,931,435 (Note 3)	0.69%
	Family interest	Long position	783,193 (Note 4)	0.08%
Mr. Christian Odgaard Pedersen	Beneficial interest	Long position	1,800,000 (Note 5)	0.18%
Dr. Wong Tin Yau, Kelvin	Beneficial interest	Long position	1,300,000 (Note 5)	0.13%
Mrs. Chiu Lin Mei-Yu	Beneficial interest	Long position	300,000 (Note 5)	0.03%
Mr. Hsu Shan-Ko	Beneficial interest	Long position	300,000 (Note 5)	0.03%

Notes:

1. Included interest in 1,000,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".
2. Pursuant to section 316 of the SFO, Mr. Tsao Ming-Hong is deemed to be interested in 166,386 shares held by his spouse, Ms. Lin Hsiu Man.
3. Included interest in 600,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".
4. 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.
5. Included interest in 300,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".

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

At 30 June 2011, 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	486,060,059	48.40%
United Elite Agents Limited ("UEA") <i>(Note)</i>	Beneficial interest	Long position	486,060,059	48.40%
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 2011.

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.

A total of 22,300,000 share options were granted to 4 executive Directors, a non-executive Director, 3 independent non-executive Directors and 42 employees of the Group on 3 January 2011, details of which are as follows:

Name of category	Date of grant of share options	Exercise period of share options	Exercise price of share options (HK\$)	Number of shares fall to be issued under the share option			
				Outstanding at 1 January 2011	Granted during the year	Lapsed during the year	Outstanding at 30 June 2011
Directors							
Mr. Ho Ming-Shiann	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	1,000,000	–	1,000,000
Mr. Tsao Ming-Hong	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	1,000,000	–	1,000,000
Mr. Guu Heng-Chang	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	1,000,000	–	1,000,000
Mr. Wu Cheng-Tao	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	600,000	–	600,000
Mr. Christian Odgaard Pedersen	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	300,000	–	300,000
Dr. Wong Tin Yau, Kelvin	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	300,000	–	300,000
Ms. Chiu Lin Mei-Yu	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	300,000	–	300,000
Mr. Hsu Shan Ko	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	300,000	–	300,000
Employees							
In aggregate	03.01.2011	03.01.2014 to 02.01.2021	2.52	–	17,500,000	(1,200,000)	16,300,000
Total				–	22,300,000	(1,200,000)	21,100,000

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

Save as aforesaid, no further options were granted during the six months ended 30 June 2011.

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 2011, 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 2011.

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 of the Company, 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 six months ended 30 June 2011.

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

Hong Kong, 29 August 2011