



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 2013

*For identification purposes only

CORPORATE INFORMATION

Board of directors

Executive Directors

KING Fong-Tien (*Chairman*)
 TSAO Ming-Hong (*Vice Chairman*)
 WU Cheng-Tao
 CHEN Shun Min

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

CHIU LIN Mei-Yu
 (also known as Mary Lin Chiu)
 CHEN Pou-Tsang
 (also known as Angus P.T. Chen)
 LAM Ting Lok

Company secretary

TSE Kam Fai, ACIS, ACS, MHKIoD

Authorised representatives

CHEN Shun Min
 TSE Kam Fai, ACIS, ACS, MHKIoD

Audit committee

LAM Ting Lok (*chairman*)
 CHIU LIN Mei-Yu
 (also known as Mary Lin Chiu)
 CHEN Pou-Tsang
 (also known as Angus P.T. Chen)

Remuneration committee

CHIU LIN Mei-Yu
 (also known as Mary Lin Chiu) (*chairman*)
 CHEN Pou-Tsang
 (also known as Angus P.T. Chen)
 KING Fong-Tien

Nomination committee

KING Fong-Tien (*chairman*)
 CHIU LIN Mei-Yu
 (also known as Mary Lin Chiu)
 CHEN Pou-Tsang
 (also known as Angus P.T. Chen)

Corporate governance committee

KING Fong-Tien (*chairman*)
 TSAO Ming-Hong
 WU Cheng-Tao
 CHEN Shun Min
 TSE Kam Fai, ACIS, ACS, MHKIoD

Auditor

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

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 of the Company (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 2013.

BUSINESS REVIEW

As stated in the Annual Report 2012 of the Company, the Group made some efforts in the improvement of personnel, business and management system in the year 2012. The improvement program is still in progress; however, it is clear that our work has gradually produced a good effect. Therefore, the Group's operating performance in the first half of this year represents a significant improvement as compared with the corresponding period of 2012.

The Group's revenue for the six months ended 30 June 2013 was US\$154,686,000, among which automobile parts accounted for 65.8%, machinery parts and components accounted for 24.3% and compressor parts accounted for 9.9%. In the future, the Group will focus on the growth of automotive parts and machinery parts and components.

FINANCIAL PERFORMANCE

The Group's revenue for the six months ended 30 June 2013 was approximately US\$154.7 million (2012: US\$156.4 million), representing a slight decrease of 1.0% as compared with 2012; however, the net profit of the Group significantly increased from US\$16.2 million in 2012 to US\$21.3 million in the first half of 2013 with earnings per share of US cents 2.13 (2012: US cents 1.44) resulting from the improvement in our operation and management systems. For the six months ended 30 June 2013, the operating profit margin also increased to 15.6% (2012: 12.1%), and the net profit margin was 13.8% (2012: 10.4%).

FUTURE PROSPECTS

The Group has progressively implemented some measures to improve the business and management systems since 2012, and we are pleased to have seen the gradual effectiveness of such measures. However, we believe there is still room for improvement in the future, and we will continue to improve based on the existing performance.

Besides, CMB plant will go into pre-production operations in the second half of 2013. In addition to enhancing the production capacity of the CMB new plant, the Group also plans to increase the efficiency of the processing sectors of CMWT and CMS in the future and looks forward to making a better contribution to the Group's earnings.

INTERIM DIVIDEND

The Directors resolved the declaration of an interim dividend of US cent 0.95 (equivalent to HK cents 7.33) per ordinary share for the six months ended 30 June 2013 payable on 27 September 2013 to the Shareholders whose names appear on the register of members of the Company on 19 September 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to the interim dividend, the register of members of the Company will be closed from Wednesday, 18 September 2013 to Thursday, 19 September 2013, both days inclusive, during which period no transfer of shares shall be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 17 September 2013.

APPRECIATION

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

King Fong-Tien
Chairman

Hong Kong, 12 August 2013

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013 – UNAUDITED

(Expressed in United States dollars)

| | | Six months ended 30 June | |
|------------------------------------|------|---------------------------------|----------------|
| | Note | 2013 \$'000 | 2012 \$'000 |
| Turnover | 3 | 154,686 | 156,352 |
| Cost of sales | | (117,087) | (126,146) |
| Gross profit | | 37,599 | 30,206 |
| Other revenue | | 3,927 | 4,339 |
| Other net (loss)/income | | (188) | 510 |
| Selling and distribution costs | | (10,185) | (9,410) |
| Administrative expenses | | (7,080) | (6,754) |
| Profit from operations | | 24,073 | 18,891 |
| Finance costs | 4(a) | (639) | (383) |
| Profit before taxation | 4 | 23,434 | 18,508 |
| Income tax | 5 | (2,135) | (2,282) |
| Profit for the period | | 21,299 | 16,226 |
| Attributable to: | | | |
| Equity shareholders of the Company | | 21,387 | 14,500 |
| Non-controlling interests | | (88) | 1,726 |
| Profit for the period | | 21,299 | 16,226 |
| Earnings per share | 6 | | |
| Basic (cents) | | 2.13 | 1.44 |
| Diluted (cents) | | 2.13 | 1.44 |

The notes on pages 11 to 24 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013 – UNAUDITED

(Expressed in United States dollars)

| | Six months ended 30 June | |
|---|---------------------------------|---------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Profit for the period | 21,299 | 16,226 |
| Other comprehensive income for the period (after tax and reclassification adjustment): | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | 4,911 | (1,483) |
| Total comprehensive income for the period | 26,210 | 14,743 |
| Attributable to: | | |
| Equity shareholders of the Company | 25,808 | 13,128 |
| Non-controlling interests | 402 | 1,615 |
| Total comprehensive income for the period | 26,210 | 14,743 |

The notes on pages 11 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

(Expressed in United States dollars)

| | Note | Unaudited 30 June 2013 \$'000 | Audited 31 December 2012 \$'000 |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 7 | 153,551 | 156,151 |
| Lease prepayments | | 6,825 | 7,026 |
| Construction in progress | | 58,718 | 37,809 |
| Other financial assets | | 72 | 72 |
| | | <u>219,166</u> | <u>201,058</u> |
| Current assets | | | |
| Inventories | | 51,383 | 52,253 |
| Trade and other receivables | 8 | 127,034 | 114,720 |
| Amounts due from related companies | 15(b) | 899 | 1,348 |
| Pledged bank deposits | | 2,687 | 3,017 |
| Cash and cash equivalents | 9 | 43,872 | 43,342 |
| | | <u>225,875</u> | <u>214,680</u> |
| Current liabilities | | | |
| Trade and other payables | 10 | 56,882 | 45,390 |
| Bank loans | 11 | 3,223 | 3,118 |
| Amounts due to related companies | 15(c) | 198 | 3,988 |
| Current taxation | | 4,219 | 3,581 |
| | | <u>64,522</u> | <u>56,077</u> |
| Net current assets | | <u>161,353</u> | <u>158,603</u> |
| Total assets less current liabilities | | <u>380,519</u> | <u>359,661</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013 (CONTINUED)

(Expressed in United States dollars)

| | Note | Unaudited 30 June 2013 \$'000 | Audited 31 December 2012 \$'000 |
|--|------|--|--|
| Non-current liabilities | | | |
| Long-term loans | 11 | 65,000 | 55,000 |
| Deferred tax liabilities | | 107 | 107 |
| | | <u>65,107</u> | <u>55,107</u> |
| NET ASSETS | | <u>315,412</u> | <u>304,554</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 1,291 | 1,291 |
| Reserves | | 314,121 | 291,927 |
| Total equity attributable to equity shareholders of the Company | | <u>315,412</u> | <u>293,218</u> |
| Non-controlling interests | | - | 11,336 |
| TOTAL EQUITY | | <u>315,412</u> | <u>304,554</u> |

The notes on pages 11 to 24 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013 – UNAUDITED

(Expressed in United States dollars)

| Note | Attributable to equity shareholders of the Company | | | | | | | | | | Non-controlling interests | Total |
|---|--|---------------|----------------------------|---------------------------|------------------------------|------------------------------|---------------|------------------|-----------|--------|---------------------------|--------|
| | Share capital | Share premium | Capital redemption reserve | Statutory surplus reserve | Exchange fluctuation reserve | Capital reserve-share option | Other reserve | Retained profits | Sub-total | | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2012 | 1,291 | 43,484 | 42 | 16,176 | 37,666 | 723 | 18,036 | 154,277 | 271,695 | 7,897 | 279,592 | |
| Changes in equity for the six months ended 30 June 2012: | | | | | | | | | | | | |
| Total comprehensive income | - | - | - | - | (1,372) | - | - | 14,500 | 13,128 | 1,615 | 14,743 | |
| Dividends approved in respect of the previous year | 13(b) | - | - | - | - | - | - | (5,629) | (5,629) | - | (5,629) | |
| Equity settled share-based transactions | 12 | - | - | - | - | 330 | - | - | 330 | - | 330 | |
| Balance at 30 June 2012 and 1 July 2012 | 1,291 | 43,484 | 42 | 16,176 | 36,294 | 1,053 | 18,036 | 163,148 | 279,524 | 9,512 | 289,036 | |
| Changes in equity for the six months ended 31 December 2012: | | | | | | | | | | | | |
| Total comprehensive income | - | - | - | - | 3,005 | - | - | 16,194 | 19,199 | 1,824 | 21,023 | |
| Transferred to statutory reserve | - | - | - | 3,471 | - | - | - | (3,471) | - | - | - | |
| Dividends approved in respect of the current year | 13(a) | - | - | - | - | - | - | (5,417) | (5,417) | - | (5,417) | |
| Equity settled share-based transactions | 12 | - | - | - | - | (88) | - | - | (88) | - | (88) | |
| Balance at 31 December 2012 | 1,291 | 43,484 | 42 | 19,647 | 39,299 | 965 | 18,036 | 170,454 | 293,218 | 11,336 | 304,554 | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2013 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

| | | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|--|--|---------------|----------------------------|---------------------------|------------------------------|------------------------------|---------------|------------------|-----------|---------------------------|---------|
| | | Share capital | Share premium | Capital redemption reserve | Statutory surplus reserve | Exchange fluctuation reserve | Capital reserve-share option | Other reserve | Retained profits | Sub-total | Non-controlling interests | Total |
| Note | | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Balance at 1 January 2013 | | 1,291 | 43,484 | 42 | 19,647 | 39,299 | 965 | 18,036 | 170,454 | 293,218 | 11,336 | 304,554 |
| Changes in equity for the six months ended 30 June 2013: | | | | | | | | | | | | |
| Total comprehensive income | | - | - | - | - | 4,421 | - | - | 21,387 | 25,808 | 402 | 26,210 |
| Acquisition of non-controlling interests in a subsidiary | | 15 | - | - | - | - | - | 2,038 | - | 2,038 | (11,738) | (9,700) |
| Dividends approved in respect of the previous year | | 13(b) | - | - | - | - | - | - | (5,824) | (5,824) | - | (5,824) |
| Equity settled share-based transactions | | 12 | - | - | - | - | 172 | - | - | 172 | - | 172 |
| Balance at 30 June 2013 | | 1,291 | 43,484 | 42 | 19,647 | 43,720 | 1,137 | 20,074 | 186,017 | 315,412 | - | 315,412 |

The notes on pages 11 to 24 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013 – UNAUDITED

(Expressed in United States dollars)

| | Note | Six months ended 30 June | |
|---|------|--------------------------|----------------|
| | | 2013 \$'000 | 2012 \$'000 |
| Cash generated from operations | | 28,192 | 22,036 |
| Tax paid | | (1,574) | (1,355) |
| Net cash generated from operating activities | | 26,618 | 20,681 |
| Net cash used in investing activities | | (30,701) | (23,268) |
| Net cash provided in financing activities | | 3,998 | 8,633 |
| Net (decrease)/increase in cash and cash equivalents | | (85) | 6,046 |
| Cash and cash equivalents at 1 January | 9 | 43,342 | 25,989 |
| Effect of foreign exchange rates changes | | 615 | (97) |
| Cash and cash equivalents at 30 June | 9 | 43,872 | <u>31,938</u> |

The notes on pages 11 to 24 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 2013 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 issue on 12 August 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2012 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2013 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 2012 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 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 25.

The financial information relating to the financial year ended 31 December 2012 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 2012 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 2013.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs 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:

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*
- HKFRS 10, *Consolidated financial statements*
- HKFRS 12, *Disclosure of interests in other entities*
- HKFRS 13, *Fair value measurement*
- *Annual Improvements to HKFRSs 2009-2011 Cycle*
- Amendments to HKFRS 7, *Disclosures – Offsetting financial assets and financial liabilities*

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

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this interim financial report as a result of adopting HKFRS 12.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

Annual Improvements to HKFRSs 2009-2011 Cycle

This cycle of annual improvement contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 34 has been amended to clarify that total assets for a particular reportable segment are required to be disclosed only if the amounts are regularly provided to the chief operating decision maker (CODM) and only if there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements. The amendment also requires the disclosure of segment liabilities if the amounts are regularly provided to the CODM and there has been a material change in the amounts compared with the last annual financial statements. In respect of this amendment, the Group has continued to disclose segment assets and segment liabilities in note 3.

Amendments to HKFRS 7, Disclosures – Offsetting financial assets and financial liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, *Financial instruments: Presentation* and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on the Group's interim financial report because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of HKFRS 7.

3 SEGMENT REPORTING

The Group manages its businesses according to the manufacturing source of its products, i.e. its operating subsidiaries in the PRC, which are engaged in the design, development, manufacture and sale of customised metal casting. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified four reportable segments, namely, Tianjin CMT Industry Company Limited ("CMT"), Suzhou CMS Machinery Company Limited ("CMS"), CMW (Tianjin) Industry Company Limited ("CMWT") and Suzhou CMB Machinery Company Limited ("CMB"), respectively.

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below:

| For the six months ended | CMT | | CMS | | CMWT | | CMB | | Total | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 | 2013 \$'000 | 2012 \$'000 |
| Revenue from external customers | 35,106 | 29,456 | 59,445 | 60,718 | 58,837 | 65,490 | 1,298 | 688 | 154,686 | 156,352 |
| Inter-segment revenue | 9 | 579 | 432 | 703 | 112 | 377 | 1,086 | 1,520 | 1,639 | 3,179 |
| Reportable segment revenue | 35,115 | 30,035 | 59,877 | 61,421 | 58,949 | 65,867 | 2,384 | 2,208 | 156,325 | 159,531 |
| Reportable segment profit (adjusted EBITDA) | 6,801 | 2,828 | 12,717 | 11,606 | 12,557 | 8,312 | 1,437 | 4,607 | 33,512 | 27,353 |
| As at 30 June/31 December | | | | | | | | | | |
| Reportable segment assets | 75,659 | 75,981 | 108,531 | 100,389 | 166,161 | 166,810 | 72,573 | 54,448 | 422,924 | 397,628 |
| Reportable segment liabilities | 13,529 | 11,490 | 13,615 | 12,400 | 31,234 | 25,579 | 5,764 | 5,368 | 64,142 | 54,837 |

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

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment profit or loss

| | Six months ended 30 June | |
|--|---------------------------------|----------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Reportable segment profit | 33,512 | 27,353 |
| Elimination of depreciation related to inter-segment fixed assets transfer | 387 | 413 |
| Elimination of inter-segment profits | (571) | (682) |
| Reportable segment profit derived from the Group's external customers | 33,328 | 27,084 |
| Depreciation and amortisation | (11,658) | (10,520) |
| Interest income | 537 | 149 |
| Finance costs | (639) | (383) |
| Unallocated head office and corporate expenses | (269) | (104) |
| Consolidated profit after taxation | 21,299 | 16,226 |

4 PROFIT BEFORE TAXATION

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

| | Six months ended 30 June | |
|---------------------------|---------------------------------|--------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| (a) Finance costs: | | |
| Interest on borrowings | 639 | 383 |
| (b) Other items: | | |
| Amortisation | 435 | 368 |
| Depreciation | 10,836 | 9,739 |
| Interest income | (537) | (149) |

5 INCOME TAX

| | Six months ended 30 June | |
|---|---------------------------------|--------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Current tax | | |
| Provision for PRC corporate income tax for the period | 2,711 | 2,289 |
| Over-provision in respect of prior year | (576) | (7) |
| | <u>2,135</u> | <u>2,282</u> |

No deferred taxation is provided in the financial statements for temporary differences as the effect is not material.

- (i) *Overseas income tax*
Pursuant to the rules and regulations of the Cayman Islands, the Company and 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:

| | <i>Note</i> | 2013 | 2012 |
|------|-------------|-------------|-------|
| CMT | (1) | 15% | 15% |
| CMS | (1) | 15% | 15% |
| CMWT | (2) | 15% | 15% |
| CMB | | 25% | 12.5% |

Notes:

- (1) In December 2008, CMS and CMT were granted the status of "Advanced and New Technology Enterprise" ("ANTE") that entitled them to a preferential CIT rate of 15% for the three-year-period ended 31 December 2011. CMS and CMT renewed and obtained the ANTE certificates in September 2011 and October 2011, respectively, and are entitled a preferential CIT rate of 15% for the three-year-period ended 31 December 2014.
- (2) In May 2013, CMWT was granted the status of "ANTE" that entitled it to a preferential CIT rate of 15% for the three-year-period from 2012 to 2014.

5 INCOME TAX (CONTINUED)

(iii) PRC Corporate Income Tax (continued)

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 Company from subsidiaries established in the PRC in respect of their undistributed profits prior to 31 December 2007 are exempted from withholding tax.

6 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of \$21,387,000 (six months ended 30 June 2012: \$14,500,000) and the weighted average number of 1,004,332,000 ordinary shares (2012: 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 2013 and 2012, 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 2013, the share options are not considered as dilutive potential ordinary shares at 30 June 2013.

7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group acquired items of plant and machinery with a cost of \$2,435,000 (six months ended 30 June 2012: \$619,000) and transferred items from construction in progress with a cost of \$3,536,000 (six months ended 30 June 2012: \$679,000). Items of plant and machinery with a net book value of \$240,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: \$54,000), resulting a gain on disposal of \$302,000 (six months ended 30 June 2012: a loss of \$2,000).

Pursuant to CMB's relocation plan as disclosed in the Company's 2011 annual report, CMB would return its current land use right to the government and relocate to a new land for continuous production, and an aggregate amount of RMB103,742,264 was granted to CMB as compensation for the relocation. During the six months' period ended 30 June 2013, CMB recognised government grant of RMB15,561,340 (six months ended 30 June 2012: RMB25,935,566) in other revenue.

Management advised that the relocation was completed at the end of June 2013 and the related land use rights, buildings and non-moveable machinery were disposed of upon the completion of relocation.

8 TRADE AND OTHER RECEIVABLES

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

| | At 30 June 2013 \$'000 | At 31 December 2012 \$'000 |
|---|---|-------------------------------------|
| Current and less than 3 months past due | 105,190 | 95,919 |
| 3 to 12 months past due | 7,182 | 4,396 |
| 12 to 24 months past due | 543 | 132 |
| Over 24 months | 92 | 12 |
| | <hr/> | <hr/> |
| Total trade receivables and bills receivables, net of allowance for doubtful debts | 113,007 | 100,459 |
| Other receivables, deposits and prepayments | 14,027 | 14,261 |
| | <hr/> | <hr/> |
| | 127,034 | 114,720 |
| | <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 \$2,097,000 (31 December 2012: \$2,874,000), details of which are disclosed in note 15(b).

9 CASH AND CASH EQUIVALENTS

| | At 30 June 2013 \$'000 | At 31 December 2012 \$'000 |
|---|---|-------------------------------------|
| Cash at bank and in hand | 23,699 | 28,527 |
| Deposits with banks | 20,173 | 14,815 |
| | <hr/> | <hr/> |
| Cash and cash equivalents in the statement of financial position | 43,872 | 43,342 |
| Cash and cash equivalents in the cash flow statement | 43,872 | 43,342 |
| | <hr/> <hr/> | <hr/> <hr/> |

10 TRADE AND OTHER PAYABLES

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

| | At 30 June 2013 \$'000 | At 31 December 2012 \$'000 |
|--|---|-------------------------------------|
| Within 1 month | 16,211 | 13,997 |
| 1 to 3 months | 19,045 | 11,943 |
| 3 to 6 months | 4,765 | 6,156 |
| Over 6 months | 315 | 27 |
| Total trade payables and bills payable | 40,336 | 32,123 |
| Other payables | 16,546 | 13,267 |
| | 56,882 | 45,390 |

Bills payable of \$9,022,000 (31 December 2012: \$8,940,000) as at 30 June 2013 were secured by bank deposits of \$2,687,000 (31 December 2012: \$3,017,000).

11 BANK LOANS

| | At 30 June 2013 \$'000 | At 31 December 2012 \$'000 |
|----------------------------------|---|-------------------------------------|
| Within 1 year or on demand | 3,223 | 3,118 |
| After 1 year but within 2 years | 10,000 | - |
| After 2 years but within 5 years | 55,000 | 55,000 |
| | 65,000 | 55,000 |

At 30 June 2013, the Group had banking facilities totalling \$110,000,000 (31 December 2012: \$100,000,000) which were utilised to the extent of \$68,222,600 (31 December 2012: \$61,600,000).

12 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

No options were exercised during the six months ended 30 June 2013 (2012: nil).

13 DIVIDENDS

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

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Interim dividend declared and payable after the interim period of 0.95 cent per share (2012: 0.54 cent per share) | 9,541 | 5,417 |

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 | |
|--|--------------------------|----------------|
| | 2013 \$'000 | 2012 \$'000 |
| Final dividend in respect of previous financial year, approved and paid during the following interim period, of 0.58 cent per share (six months ended 30 June 2012: 0.56 cent per share) | 5,824 | 5,629 |

14 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL REPORT

| | At 30 June 2013 \$'000 | At 31 December 2012 \$'000 |
|-----------------------------------|---|-------------------------------------|
| Contracted for | 10,063 | 35,835 |
| Authorised but not contracted for | 2,663 | 2,624 |
| | 12,726 | <u>38,459</u> |

15 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2013, transactions with the following parties are considered as related party transactions.

| Name of party | Relationship |
|--|----------------------------|
| China Metal Products Company Limited ("CMP") | Shareholder of the Company |
| TRAS Shokai Co., Ltd. ("TRAS") | Shareholder of the Company |
| Dairitsu Industry Company Limited ("Dairitsu") | Shareholder of the Company |
| Yanmar Co., Ltd. ("Yanmar") | Shareholder of the Company |
| Vald. Birn A/S ("Birn") | Shareholder of the Company |
| China Metal Japan Company Limited ("CMJ") | Affiliated company |
| China Metal Automotive International Co., Limited ("CMAI") | Affiliated company |

The Company purchased 49% of equity interest of CMB (Hong Kong) Company Limited ("CMB(HK)") from non-controlling interests shareholder on 7 June 2013 for a cash consideration of \$9,700,000. CMB(HK) became a wholly-owned subsidiary of the Company upon the completion of the transaction (31 December 2012: 51%). The transaction was accounted for as an equity transaction, whereby the difference between the consideration and the carrying amount of the non-controlling interests amounting to \$2,038,000 was dealt with in the shareholder's equity and therefore no gain or loss was recognised in the consolidated statement of comprehensive income from this transaction.

15 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Recurring transactions**

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

| | Six months ended 30 June | |
|---|---------------------------------|---------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Sales of goods to | | |
| – Yanmar | 8,820 | 10,500 |
| – Birn | 522 | 478 |
| – TRAS | 263 | 171 |
| | <u>9,605</u> | <u>11,149</u> |
| Commission to | | |
| – CMAI | 355 | 503 |
| – CMJ | 207 | 242 |
| | <u>562</u> | <u>745</u> |
| Reimbursement of expenses to | | |
| – CMAI | 3,817 | 3,200 |
| – CMP | 135 | 135 |
| | <u>3,952</u> | <u>3,335</u> |
| Loan repaid to | | |
| – Birn | <u>3,800</u> | <u>–</u> |
| Purchase of equity interest of CMB(HK) from | | |
| – Birn | <u>9,700</u> | <u>–</u> |

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 \$81,000 for the six months ended 30 June 2013 (six months ended 30 June 2012: \$75,000). 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.

15 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Recurring transactions (continued)**

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

| | Six months ended 30 June | |
|---|---------------------------------|-------------------|
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Employee benefits | 1,381 | 1,758 |
| Equity-settled share-based transactions | 172 | 330 |
| | <hr/> 1,553 <hr/> | <hr/> 2,088 <hr/> |

(b) Amounts due from related companies

| | At | At |
|-----------|--------------------------|-------------------|
| | 30 June | 31 December |
| | 2013 | 2012 |
| | \$'000 | \$'000 |
| Trade | | |
| – Yanmar | 2,056 | 2,114 |
| – Birn | – | 725 |
| – TRAS | 41 | 35 |
| | <hr/> 2,097 <hr/> | <hr/> 2,874 <hr/> |
| Non-trade | | |
| – CMAI | 899 | 1,348 |
| | <hr/> 2,996 <hr/> | <hr/> 4,222 <hr/> |

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 2013.

15 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Amounts due to related companies**

| | At 30 June 2013 \$'000 | At 31 December 2012 \$'000 |
|------------|---|-------------------------------------|
| Non-trade | | |
| – CMP | 43 | 23 |
| – CMJ | 84 | 94 |
| – Dairitsu | 71 | 71 |
| – Birn | – | 3,800 |
| | <hr/> 198 <hr/> | <hr/> 3,988 <hr/> |

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

16 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period, the directors proposed an interim dividend. Further details are disclosed in note 13(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 24 which comprises the consolidated statement of financial position of China Metal International Holdings Inc. (the "Company") as at 30 June 2013 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated cash flows statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

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 2013 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

12 August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2013 amounted to US\$154,686,000 and US\$21,387,000 (six months ended 30 June 2012: US\$156,352,000 and US\$14,500,000). Gross profit for the six months ended 30 June 2013 amounted to approximately US\$37,599,000 (six months ended 30 June 2012: US\$30,206,000), representing a gross profit margin of approximately 24.3% (six months ended 30 June 2012: 19.3%). Operating profit for the six months ended 30 June 2013 was approximately US\$24,073,000 (six months ended 30 June 2012: US\$18,891,000) or 15.6% (six months ended 30 June 2012: 12.1%) of recorded turnover. Net profit for the six months ended 30 June 2013 was approximately US\$21,299,000 (six months ended 30 June 2012: US\$16,226,000) or 13.8% (six months ended 30 June 2012: 10.4%) of recorded turnover.

Liquidity and financial resources

As at 30 June 2013, the Group had outstanding bank borrowings amounting to US\$68,223,000 (31 December 2012: US\$58,118,000), among which an amount of US\$3,223,000 is repayable within one year and the remaining amount of US\$65,000,000 is repayable after one year but within five years. The Group's cash and cash equivalents amounted to US\$43,872,000 (31 December 2012: US\$43,342,000).

Charges on assets

As at 30 June 2013, bank deposits amounting to US\$2,687,000 (31 December 2012: US\$3,017,000) were pledged to secure banking facilities granted to the Group.

Capital structure

The Company's issued share capital as at 30 June 2013 is HK\$10,043,320 divided into 1,004,332,000 shares of HK\$0.01 each.

The Group adopts a prudent financial policy, and its current ratio and the gearing ratio (a ratio of total liabilities to total assets) are 3.5 times (31 December 2012: 3.8 times) and 29.1% (31 December 2012: 26.7%), respectively. The Group continued to adopt stringent debt collection policy so as to minimize the risks of sales on credit and to ensure the funds are timely collected.

Significant investments

As at 30 June 2013, the Group held unlisted equity securities outside Hong Kong of US\$72,000 (31 December 2012: US\$72,000).

Material acquisition and disposals of subsidiaries or affiliated companies

On 28 March 2013, the Company entered into an acquisition agreement with the non-controlling shareholder of CMB (Hong Kong) Company Limited ("CMB(HK)") to acquire the 49% interests in CMB(HK) at an aggregate consideration of US\$9,700,000. Upon the completion of the acquisition on 7 June 2013, CMB(HK) became a wholly-owned subsidiary of the Company.

Details of the acquisition are set out in the circular of the Company dated 24 April 2013.

Segmental information

Details of segmental information of the Group as at 30 June 2013 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\$81,000 (six months ended 30 June 2012: US\$75,000) to CMP as the Group's share of contribution to such retirement scheme. The Group is not obliged to incur any liability beyond the contribution.

Foreign currency exposure

The Group's sales are mostly denominated in 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 may be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

Contingent Liabilities

As at 30 June 2013, no contingent liabilities were noted by the Directors.

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

At 30 June 2013, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (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") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out below:

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

| Name of Directors | Type of Interests | Long position/ Short position | Number of ordinary shares of the Company held | Approximate percentage of the issued ordinary share capital of the Company |
|-----------------------------------|---------------------|----------------------------------|--|--|
| Mr. TSAO Ming-Hong | Beneficial interest | Long position | 7,373,766 <i>(Note 1)</i> | 0.73% |
| | Family interest | Long position | 166,386 <i>(Note 2)</i> | 0.02% |
| Mr. WU Cheng-Tao | Beneficial interest | Long position | 6,931,435 <i>(Note 3)</i> | 0.69% |
| | Family interest | Long position | 783,193 <i>(Note 4)</i> | 0.08% |
| Ms. CHEN Shun Min | Beneficial interest | Long position | 5,582,000 <i>(Note 5)</i> | 0.56% |
| Mr. Christian Odgaard PEDERSEN | Beneficial interest | Long position | 1,800,000 <i>(Note 6)</i> | 0.18% |
| Mrs. CHIU LIN Mei-Yu | Beneficial interest | Long position | 300,000 <i>(Note 6)</i> | 0.03% |
| Mr. CHEN Pou-Tsang | Beneficial interest | Long position | 212,000 | 0.02% |

Notes:

1. Included interest in 1,000,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option 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 900,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".
6. 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 2013, 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 | 502,648,059 | 50.05% |
| United Elite Agents Limited ("UEA") (Note) | Beneficial interest | Long position | 502,648,059 | 50.05% |
| Vald Birns Holding A/S | Beneficial interest | Long position | 102,298,922 | 10.19% |
| Delta Lloyd Asset Management NV | Investment manager | Long position | 65,202,000 | 6.49% |

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 2013.

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 the selected eligible participants (as defined in the prospectus of the Company dated 20 December 2004), 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 movement in the share options granted under the Scheme during the six months ended 30 June 2013 are as follows:

| Grantee | Date of grant of share options | Exercisable period | Exercise price of share options (HK\$) | Number of share options | | |
|--------------------------------|--------------------------------|--------------------------------------|---|-------------------------------|--------------------------|-----------------------------|
| | | | | Outstanding at 1 January 2013 | Lapsed during the period | Outstanding at 30 June 2013 |
| Directors | | | | | | |
| Mr. TSAO Ming-Hong | 03.01.2011 | 03.01.2014 to 02.01.2021 (Note 1) | 2.52 | 1,000,000 | - | 1,000,000 |
| Mr. WU Cheng-Tao | 03.01.2011 | 03.01.2014 to 02.01.2021 (Note 1) | 2.52 | 600,000 | - | 600,000 |
| Ms. CHEN Shun Min | 03.01.2011 | 03.01.2014 to 02.01.2021 (Note 1) | 2.52 | 900,000 | - | 900,000 |
| Mr. Christian Odgaard PEDERSEN | 03.01.2011 | 03.01.2014 to 02.01.2021 (Note 1) | 2.52 | 300,000 | - | 300,000 |
| Mrs. CHIU LIN Mei-Yu | 03.01.2011 | 03.01.2014 to 02.01.2021 (Note 1) | 2.52 | 300,000 | - | 300,000 |
| Sub-total | | | | 3,100,000 | - | 3,100,000 |
| Former Director | | | | | | |
| Dr. WONG Tin Yau, Kelvin | 03.01.2011 | 03.01.2014 to 02.01.2021 (Note 2) | 2.52 | 300,000 | - | 300,000 |
| Employees | | | | | | |
| In aggregate | 03.01.2011 | 03.01.2014 to 02.01.2021 | 2.52 | 11,800,000 | (1,400,000) | 10,400,000 |
| Total | | | | 15,200,000 | (1,400,000) | 13,800,000 |

Notes:

- 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.
- Dr. Wong Tin Yau, Kelvin resigned as an independent non-executive Director of the Company on 12 July 2013.

No options were granted during the six months ended 30 June 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors.

The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code for the six months ended 30 June 2013.

CORPORATE GOVERNANCE PRACTICES

The Company has all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the six months ended 30 June 2013.

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

During the six months ended 30 June 2013, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below:—

- under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but the Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.
- under code provision A.4.1 of the CG Code, the non-executive director should be appointed for a specific term and subject to re-election. The non-executive Director and the independent non-executive Directors are not appointed for a specific term except Mr. Chen Pou-Tsang, who was appointed as an independent non-executive Director on 15 May 2012 for a term of three years commencing from 15 May 2012, but they are all subject to the retirement by rotation at least once every three years in accordance with the articles of association of the Company (the "Articles").

- under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors except Mr. Chen Pou-Tsang, who was appointed as an independent non-executive Director on 15 May 2012 and Ms. Chen Shun Min, who was appointed as an executive Director on 28 March 2013. However, all Directors shall be subject to retirement in accordance with the Articles. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

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 six months ended 30 June 2013.

AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2004 with written terms of reference, which was revised on 28 March 2012 to comply with the relevant code provisions set out in the CG Code. 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, namely Mr. Lam Ting Lok (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Chen Pou-Tsang. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2013.

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

Hong Kong, 12 August 2013