



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



2016

INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

KING Fong-Tien (*Chairman*)
TSAO Ming-Hong (*Vice Chairman*)
CHEN Shun Min
HO Pei-Lin

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

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

COMPANY SECRETARY

TSE Kam Fai, *FCIS, FCS, MHKIoD*

AUTHORISED REPRESENTATIVES

CHEN Shun Min
TSE Kam Fai, *FCIS, FCS, MHKIoD*

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

KING Fong-Tien (*Chairman*)
TSAO Ming-Hong
CHEN Shun Min
HO Pei-Lin
TSE Kam Fai

RISK COMMITTEE

CHIU LIN Mei-Yu
(*also known as Mary Lin Chiu*)
CHEN Pou-Tsang
(*also known as Angus P.T. Chen*)
CHEN Shun Min

AUDITOR

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

CORPORATE INFORMATION (Continued)

REGISTERED OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

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

STOCK CODE

319

WEBSITE

http://www.hkstockinfo.com/china_metal

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present to the shareholders the interim results and unaudited consolidated financial statements of China Metal International Holdings Inc. (the "Company") and its subsidiaries (the "Group") for the first half year ended 30 June 2016.

Financial Performance

Global economic climate remains low in the year 2016, the Group's revenue dropped about 4.3% to US\$149,027,000 from US\$155,801,000 in the same period in the year 2015. However, due to comparatively low price of raw material and effective operations, net profit rose by about 22.5% to US\$22,003,000 from US\$17,965,000 in the same period in the year 2015.

Management Highlight

1. Under the unified business units structure of CMI plants, top management requests the business results of various plants should be practically "predictable" and the relevant figures would be used as a yardstick for performance assessment.
2. A "Process Engineering" consulting company was hired and started from the beginning of the year. The consultant company would be in Tianjin to provide lectures to relevant personnel in various plants for a week every calendar month. Relevant personnel would design implementation plans in the second half year to put through what they learned into practical production processing.

Future Prospect

CMI would focus on moving towards a more dedicated ferrous casting foundry and machining group, therefore need to establish "functional" based organization structure. Certain achievement was seen in sales and business units after the first step restructuring. The next step would be to unify the "Accounting" department. This "restructuring" would take a long time but would eventually turn CMI into a stronger team.

CHAIRMAN'S STATEMENT (Continued)

Interim Dividend

The Directors resolved the declaration of an interim dividend of US cent 1.00 (equivalent to HK cents 7.78) per ordinary share for the six months ended 30 June 2016 and a special dividend of US cent 1.00 (equivalent to HK cents 7.78) per ordinary share payable on Friday, 30 September 2016 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 15 September 2016.

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, 11 August 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED

(Expressed in United States dollars)

		Six months ended 30 June	
	<i>Note</i>	2016 \$'000	2015 \$'000
Revenue	3	149,027	155,801
Cost of sales		(106,366)	(119,109)
Gross profit		42,661	36,692
Other revenue		277	493
Other net income		1,558	650
Selling and distribution costs		(8,579)	(8,300)
Administrative expenses		(9,080)	(8,002)
Profit from operations		26,837	21,533
Finance costs	4(a)	(344)	(487)
Profit before taxation	4	26,493	21,046
Income tax	5	(4,490)	(3,081)
Profit for the period		22,003	17,965
Attributable to:			
Equity shareholders of the Company		22,003	17,965
Non-controlling interests		–	–
Profit for the period		22,003	17,965
Earnings per share	6		
Basic (cents)		2.20	1.79
Diluted (cents)		2.20	1.79

The notes on pages 14 to 35 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED

(Expressed in United States dollars)

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Profit for the period	22,003	17,965
Other comprehensive income for the period (after tax and reclassification adjustment):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries in the People's Republic of China ("PRC") and in Hong Kong	(6,997)	884
Total comprehensive income for the period	15,006	18,849
Attributable to:		
Equity shareholders of the Company	15,006	18,849
Non-controlling interests	—	—
Total comprehensive income for the period	15,006	18,849

The notes on pages 14 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016 – UNAUDITED

(Expressed in United States dollars)

	<i>Note</i>	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Non-current assets			
Property, plant and equipment	7	179,439	191,119
Lease prepayments		7,154	7,402
Financial assets		37	37
Other non-current assets		4,223	3,874
		190,853	202,432
Current assets			
Inventories		41,910	41,157
Trade and other receivables	8	133,571	142,059
Amounts due from related companies	16(b)	296	–
Pledged bank deposits		3,065	4,614
Cash and cash equivalents	9	30,631	31,665
Time deposits		151	–
		209,624	219,495
Current liabilities			
Trade and other payables	10	50,748	53,555
Bank loans	11	5,100	24,000
Amounts due to related companies	16(c)	111	172
Current taxation		2,756	3,372
		58,715	81,099
Net current assets			
		150,909	138,396
Total assets less current liabilities			
		341,762	340,828

The notes on pages 14 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2016 – UNAUDITED (Continued)

(Expressed in United States dollars)

	Note	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Non-current liabilities			
Long-term loans	11	23,000	15,000
Deferred tax liabilities		1,669	1,248
		<u>24,669</u>	<u>16,248</u>
NET ASSETS		<u>317,093</u>	<u>324,580</u>
CAPITAL AND RESERVES			
Share capital	13(b)	1,280	1,293
Reserves		315,813	323,287
		<u>317,093</u>	<u>324,580</u>
Total equity attributable to equity shareholders of the Company		<u>317,093</u>	<u>324,580</u>
Non-controlling interests		—	—
		<u>317,093</u>	<u>324,580</u>
TOTAL EQUITY		<u>317,093</u>	<u>324,580</u>

Approved and authorised for issue by the board of directors on 11 August 2016.

King Fong-Tien
Director

Chen Shun-Min
Director

The notes on pages 14 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED

(Expressed in United States dollars)

Attributable to equity shareholders of the Company

Note	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Statutory surplus reserve \$'000	Exchange fluctuation reserve \$'000	Capital reserve-			Sub-total \$'000	Non-controlling interests \$'000	Total \$'000
						share option \$'000	Other reserve \$'000	Retained profits \$'000			
Balance at 1 January 2015	1,293	44,330	42	25,975	45,546	1,170	20,074	198,382	336,812	-	336,812
Changes in equity for the six months ended 30 June 2015:											
Profit for the period	-	-	-	-	-	-	-	17,965	17,965	-	17,965
Other comprehensive income	-	-	-	-	884	-	-	-	884	-	884
Total comprehensive income	-	-	-	-	884	-	-	17,965	18,849	-	18,849
Dividends approved in respect of the previous year	13(a)	-	-	-	-	-	-	(10,062)	(10,062)	-	(10,062)
Equity settled share-based transactions	12	-	-	-	-	(60)	-	-	(60)	-	(60)
Balance at 30 June 2015	1,293	44,330	42	25,975	46,430	1,110	20,074	206,285	345,539	-	345,539

The notes on pages 14 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED (Continued)

(Expressed in United States dollars)

Attributable to equity shareholders of the Company

Note	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Statutory surplus reserve \$'000	Exchange fluctuation reserve \$'000	Capital reserve-			Sub-total \$'000	Non-controlling interests \$'000	Total \$'000
						share option \$'000	Other reserve \$'000	Retained profits \$'000			
Balance at 1 July 2015	1,293	44,330	42	25,975	46,430	1,110	20,074	206,285	345,539	-	345,539
Changes in equity for the six months ended											
31 December 2015:											
Profit for the period	-	-	-	-	-	-	-	21,987	21,987	-	21,987
Other comprehensive income	-	-	-	-	(20,999)	-	-	-	(20,999)	-	(20,999)
Total comprehensive income	-	-	-	-	(20,999)	-	-	21,987	988	-	988
Transfer to statutory surplus reserve	-	-	-	2,157	-	-	-	(2,157)	-	-	-
Dividends approved in respect of the current year	(13(a))	-	-	-	-	-	-	(22,036)	(22,036)	-	(22,036)
Equity settled share-based transactions	12	-	-	-	-	89	-	-	89	-	89
Balance at 31 December 2015	1,293	44,330	42	28,132	25,431	1,199	20,074	204,079	324,580	-	324,580

The notes on pages 14 to 35 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED (Continued)

(Expressed in United States dollars)

Attributable to equity shareholders of the Company

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

The notes on pages 14 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED

(Expressed in United States dollars)

	Six months ended 30 June	
Note	2016 \$'000	2015 \$'000
Operating activities		
Cash generated from operations	40,546	33,329
Tax paid	(4,591)	(2,110)
	<hr/>	<hr/>
Net cash generated from operating activities	35,955	31,219
Investing activities		
Payment for purchase of property, plant and equipment	(4,899)	(6,240)
Increase in time deposits with maturity over 3 months	(151)	–
Other cash flows arising from investing activities	397	1,638
	<hr/>	<hr/>
Net cash used in investing activities	(4,653)	(4,602)
Financing activities		
Dividends paid to equity shareholders of the company	13(a) (19,574)	(10,062)
Payment for repurchase of shares	13(c) (2,920)	–
Proceeds from bank loans	13,100	98,500
Repayment of bank loans	(24,000)	(113,179)
Interest paid	(344)	(487)
Decrease in pledged bank deposits	1,549	2,138
	<hr/>	<hr/>
Net cash used in financing activities	(32,189)	(23,090)

The notes on pages 14 to 35 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016 – UNAUDITED (Continued)
 (Expressed in United States dollars)

		Six months ended 30 June	
	<i>Note</i>	2016 \$'000	2015 \$'000
Net (decrease)/increase in cash and cash equivalents		(887)	3,527
Cash and cash equivalents at 1 January	9	31,665	38,838
Effect of foreign exchange rates changes		(147)	255
Cash and cash equivalents at 30 June	9	30,631	42,620

The notes on pages 14 to 35 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 2016 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 11 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any 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 2015 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”).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

1 Basis of Preparation (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the board of directors is included on pages 36 to 37.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements for the year ended 31 December 2015 are available from the Company's principal place of business in Hong Kong. The Company's auditor has expressed an unqualified audit opinion on those financial statements in the auditor's report dated 29 March 2016.

2 Changes in Accounting Policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- *Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative*

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

2 Changes in Accounting Policies (Continued)

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, *Interim financial reporting*, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, *Presentation of financial statements: Disclosure initiative*

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

3 Segment Reporting

The Group manages its businesses according to the manufacturing source of its products, i.e. its operating subsidiaries in the PRC, which are engaged in the design, development, manufacture and sale of customised metal castings. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified four reportable segments, namely: Tianjin CMT Industry Company Limited ("CMT"), Suzhou CMS Machinery Company Limited ("CMS"), CMW (Tianjin) Industry Company Limited ("CMWT") and Suzhou CMB Machinery Company Limited ("CMB"), respectively. No operating segments have been aggregated to form the following reportable segments.

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

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

	CMT		CMS		CMWT		CMB		Total	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>For the six months ended</i>										
Revenue from external customers	6,523	27,182	47,801	53,196	71,319	65,653	23,384	9,770	149,027	155,801
Inter-segment revenue	952	1,141	1,654	1,449	1,345	7,701	1,354	1,792	5,305	12,083
Reportable segment revenue	7,475	28,323	49,455	54,645	72,664	73,354	24,738	11,562	154,332	167,884
Reportable segment profit (adjusted EBITDA)	36	2,419	12,120	13,118	22,320	21,098	3,598	(179)	38,074	36,456
<i>As at 30 June/31 December</i>										
Reportable segment assets	49,867	56,238	86,504	101,872	159,363	159,549	102,962	106,588	398,696	424,247
Reportable segment liabilities	964	1,517	13,621	14,703	31,801	30,221	15,272	18,215	61,658	64,656

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

3 Segment Reporting (Continued)

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

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.

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Reportable segment profit	38,074	36,456
Elimination of depreciation related to inter-segment fixed assets transfer	78	177
Elimination of inter-segment profit	(247)	(3,143)
Reportable segment profit derived from the Group’s external customers	37,905	33,490
Depreciation and amortisation	(10,755)	(11,694)
Interest income	103	283
Finance costs	(344)	(487)
Unallocated head office and corporate expenses	(416)	(546)
Consolidated profit before taxation	26,493	21,046

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

4 Profit Before Taxation

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
(a) Finance costs:		
Interest on bank loans	344	487
(b) Other items:		
Amortisation of lease prepayments	95	99
Depreciation	10,582	11,418
Interest income	(103)	(283)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

5 Income Tax

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Provision for PRC corporate income tax for the period	4,115	3,107
(Over)/under provision in respect of prior year	(78)	1
Deferred taxation	453	(27)
	<u>4,490</u>	<u>3,081</u>

At 30 June 2016, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to \$130,969,000 (30 June 2015: \$140,091,000). Deferred tax liabilities of \$10,203,000 (30 June 2015: \$9,631,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

5 Income Tax (Continued)

(i) Overseas income tax

Pursuant to the rules and regulations of the Cayman Islands, the Company and CMW (Cayman Islands) Co., Ltd. ("CMW(CI)") are not subject to 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>	2016	2015
CMT	(1)	25%	15%
CMS	(1)	15%	15%
CMWT	(2)	15%	15%
CMB	(3)	25%	15%

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

5 Income Tax (Continued)

(iii) PRC Corporate Income Tax (Continued)

Notes:

- (1) In October 2014, CMT and CMS renewed and obtained the “Advanced and New Technology Enterprise” (“ANTE”) certificate respectively and are entitled to a preferential CIT rate of 15% for a period of three years from 2014 to 2016. Pursuant to the restructuring of CMT in 2015, CMT did not satisfy all the criteria for an ANTE set out in the relevant PRC tax regulations in 2016 and is subject to a statutory CIT rate of 25%.
- (2) In August 2015, CMWT renewed and obtained the ANTE certificate and are entitled to a preferential CIT rate of 15% for a period of three years from 2015 to 2017.
- (3) In December 2013, CMB was granted the status of ANTE that entitled it to a preferential CIT rate of 15% for the three-year period ended 31 December 2015. CMB is currently in the process of renewing the ANTE certificate and is subject to a statutory CIT rate of 25% before obtaining the renewed certificate.

In addition, pursuant to the CIT Law effective on 1 January 2008 and the Implementation Rules to the CIT Law, dividends payable by subsidiaries in the PRC to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Pursuant to a tax treaty between the PRC and Hong Kong, the holding companies of CMB, CMT and CMS are established in Hong Kong, and therefore, provided these companies meet the criteria for “beneficial owner” set out in the relevant PRC tax circular, dividends payable by CMB, CMT and CMS are subject to a reduced withholding tax rate of 5%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

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 \$22,003,000 (six months ended 30 June 2015: \$17,965,000) and the weighted average number of 1,001,714,000 ordinary shares (six months ended 30 June 2015: 1,006,212,000) in issue during the interim period.

(b) Diluted earnings per share

The diluted earnings per share for the six months ended 30 June 2016 is the same as the basic earnings per share as all ordinary share options do not have a dilutive effect for the six months ended 30 June 2016.

The calculation of diluted earnings per share for the six months ended 30 June 2015 is based on the profit attributable to ordinary equity shareholders of the Company of \$17,965,000 and the weighted average number of ordinary shares of 1,006,297,000 shares.

7 Property, Plant and Equipment

During the six months ended 30 June 2016, the Group acquired items of plant and machinery with a cost of \$3,178,000 (six months ended 30 June 2015: \$2,277,000) and transferred items from construction in progress with a cost of \$2,069,000 (six months ended 30 June 2015: \$6,471,000). Items of plant and machinery with a net book value of \$374,000 were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: \$1,382,000), resulting in a loss on disposal of \$80,000 (six months ended 30 June 2015: a loss of \$26,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

8 Trade and Other Receivables

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

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 3 months	87,426	104,968
3 to 12 months	35,850	27,512
12 to 24 months	1,703	924
Over 24 months	298	178
	<hr/>	<hr/>
Total trade receivables and bills receivables, net of allowance for doubtful debts	125,277	133,582
Other receivables, deposits and prepayments	8,294	8,477
	<hr/>	<hr/>
	133,571	142,059

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 to 120 days from the date of billings. Normally, the Group does not obtain collateral from customers.

Included in trade receivables are amounts due from related companies of \$881,000 (31 December 2015: \$1,129,000), details of which are disclosed in note 16(b).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

8 Trade and Other Receivables (Continued)

As at 30 June 2016, \$6,138,000 bank acceptance bills (31 December 2015: \$3,420,000) that have not matured were transferred to certain suppliers of the Group and derecognised in their entirety as all the risk and rewards of ownership of these bank acceptance bills were substantially transferred. The maximum exposure of the Group in relation to the continuing involvement in these bills is represented by the carrying amount of these bills in the event that these bills not be settled by the issuing banks when they fall due.

9 Cash and Cash Equivalents

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Cash at bank and in hand	<u>30,631</u>	<u>31,665</u>
Cash and cash equivalents in the statement of financial position and in the cash flow statement	<u>30,631</u>	<u>31,665</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

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 2016 \$'000	At 31 December 2015 \$'000
Within 1 month	22,239	17,336
1 to 3 months	11,584	11,988
Over 3 months but within 6 months	1,691	6,275
Over 6 months	277	42
	<hr/>	<hr/>
Total trade payables and bills payable	35,791	35,641
Other payables and accrued expenses	14,957	17,914
	<hr/>	<hr/>
	50,748	53,555

Bills payable of \$10,805,000 (31 December 2015: \$16,633,000) as at 30 June 2016 were secured by pledged bank deposits of \$3,065,000 (31 December 2015: \$4,614,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

11 Bank Loans

At 30 June 2016, unsecured bank loans were repayable as follows:

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Within 1 year or on demand	5,100	24,000
After 1 year but within 2 years	10,000	–
After 2 years but within 5 years	13,000	15,000
	23,000	15,000

At 30 June 2016, the Group had banking facilities totalling \$121,765,000 (31 December 2015: \$134,320,000) which were utilised to the extent of \$36,292,000 (31 December 2015: \$43,681,000).

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 within 10 years from the date of grant. The exercise price is HK\$2.52, being the weighted average closing price of the Company's ordinary shares immediately before the grant.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

12 Equity Settled Share-Based Transactions (Continued)

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

No options were granted or exercised during the six months ended 30 June 2016 (six months ended 30 June 2015: nil).

13 Capital, Reserves and Dividends

(a) Dividends

- (i) *Dividends payable to equity shareholders attributable to the interim period:*

	Six months ended 30 June	
	2016 \$'000	2015 \$'000
Interim dividend declared and payable after the interim period of 1.00 cent per share (2015: 0.80 cent per share)	9,963	8,050
Special dividend declared and payable after the interim period of 1.00 cent per share (2015: 1.39 cents per share)	9,963	13,986
	<u>19,926</u>	<u>22,036</u>

The interim and special dividends proposed after the end of the reporting period have not been recognised as liabilities at the end of the reporting period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

13 Capital, Reserves and Dividends (Continued)

(a) Dividends (Continued)

- (ii) *Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:*

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the following interim period, of 0.97 cent per share (six months ended 30 June 2015: 1.00 cent per share)	9,664	10,062
Special dividend in respect of previous financial year, approved and paid during the following interim period, of 0.99 cent per share (six months ended 30 June 2015: nil)	9,910	—
	19,574	10,062

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

13 Capital, Reserves and Dividends (Continued)

(b) Share Capital

	2016		2015	
	No. of shares ('000)	\$'000	No. of shares ('000)	\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	10,000,000	12,853	10,000,000	12,853
Issued:				
At 1 January	1,006,212	1,293	1,006,212	1,293
Share repurchased and cancelled	(9,956)	(13)	—	—
At 30 June/31 December	996,256	1,280	1,006,212	1,293

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

13 Capital, Reserves and Dividends (Continued)

(c) Repurchase of own shares

During the six months ended 30 June 2016, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

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

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

14 Fair Value Measurement of Financial Instruments

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2016 and 31 December 2015.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

15 Capital Commitments Outstanding Not Provided For In the Interim Financial Report

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Contracted for	4,137	4,693

16 Material Related Party Transactions

During the six months ended 30 June 2016, transactions with the following parties are considered as related party transactions.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

16 Material Related Party Transactions (Continued)

(a) Recurring transactions

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

	Six months ended 30 June	
	2016	2015
	\$'000	\$'000
Sales of goods to		
– Yanmar	5,093	5,110
– Birn	279	379
	5,372	5,489
Commission to		
– CMAI	537	618
– CMJ	164	120
– QSST	22	–
	723	738
Reimbursement of expenses to		
– CMAI	2,007	2,018
– CMP	117	144
	2,124	2,162

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 \$77,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: \$94,000). 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

16 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	
	2016	2015
	\$'000	\$'000
Employee benefits	1,727	1,793
Equity-settled share-based transactions	1	–
	<u>1,728</u>	<u>1,793</u>

(b) Amounts due from related companies

	At	At
	30 June	31 December
	2016	2015
	\$'000	\$'000
Trade		
– Yanmar	533	688
– Birn	348	441
	<u>881</u>	<u>1,129</u>
Non-trade		
– CMAI	296	–

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 2016 and 31 December 2015.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in United States dollars)

16 Material Related Party Transactions (Continued)

(c) Amounts due to related companies

	At 30 June 2016 \$'000	At 31 December 2015 \$'000
Non-trade		
– CMP	19	21
– CMJ	92	24
– CMAI	–	127
	111	172

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

17 Non-Adjusting Events After the Reporting Period

Subsequent to the end of the reporting period, the directors proposed an interim dividend and special dividend. Further details are disclosed in note 13(a).

18 Comparative Figures

Certain comparative figures in the consolidated statement of financial position have been reclassified to conform to the current period's presentation.



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

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 5 to 35 which comprises the consolidated statement of financial position of China Metal International Holdings Inc. (the "Company") as at 30 June 2016 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

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

(Incorporated in the Cayman Islands with limited liability)

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 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

11 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded revenue and profit attributable to equity shareholders for the six months ended 30 June 2016 amounted to US\$149,027,000 and US\$22,003,000 (six months ended 30 June 2015: US\$155,801,000 and US\$17,965,000). Gross profit for the six months ended 30 June 2016 amounted to approximately US\$42,661,000 (six months ended 30 June 2015: US\$36,692,000), representing a gross profit margin of approximately 28.6% (six months ended 30 June 2015: 23.6%). Operating profit for the six months ended 30 June 2016 was approximately US\$26,837,000 (six months ended 30 June 2015: US\$21,533,000) or 18.0% (six months ended 30 June 2015: 13.8%) of recorded revenue. Net profit for the six months ended 30 June 2016 was approximately US\$22,003,000 (six months ended 30 June 2015: US\$17,965,000) or 14.8% (six months ended 30 June 2015: 11.5%) of recorded revenue.

Liquidity and financial resources

As at 30 June 2016, the Group had a total banking facilities amounting to US\$121,765,000 (31 December 2015: US\$134,320,000) which were utilised to the extent of US\$36,292,000 (31 December 2015: US\$43,681,000). Unsecured bank loans amounting to US\$5,100,000 were repayable within one year, US\$10,000,000 were repayable after one year but within two years, and US\$13,000,000 were repayable after two years but within five years respectively (31 December 2015: US\$24,000,000, US\$- and US\$15,000,000).

The Group's cash and cash equivalents amounted to US\$30,631,000 (31 December 2015: US\$31,665,000).

Charges on assets

As at 30 June 2016, bank deposits amounting to US\$3,065,000 (31 December 2015: US\$4,614,000) were pledged to secure banking facilities granted to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Capital structure

The Company's issued share capital as at 1 January 2016 is HK\$10,062,120 divided into 1,006,212,000 shares of HK\$0.01 each. During the six months ended 30 June 2016, the Company repurchased and cancelled 9,956,000 shares of its own ordinary shares on The Stock Exchange of Hong Kong Limited.

The Group adopts a prudent financial policy, and its debt-to-asset ratio (a ratio of total liabilities to total assets) is 20.8% (31 December 2015: 23.1%) and the gearing ratio (a ratio of total loans to total assets) is 7.0% (31 December 2015: 9.2%), respectively. The Group continued to monitor debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

For the six months ended 30 June 2016, earnings per share was US cents 2.20 (six months ended 30 June 2015: US cents 1.79).

Material acquisition and disposals of subsidiaries or affiliated companies

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

Segmental information

Details of segmental information of the Group as at and for the six months ended 30 June 2016 are set out in note 3 above.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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\$77,000 (six months ended 30 June 2015: US\$94,000) to CMP as the Group’s share of contribution to such retirement scheme. The Group is not obliged to incur any liability beyond the contribution.

Foreign currency exposure

The Group’s sales are mostly denominated in Renminbi and United States dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Nevertheless, the Group will continue to monitor 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 2016, no contingent liabilities were noted by the Directors.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Interim Dividend

The Directors resolved the declaration of an interim dividend of US cent 1.00 (equivalent to HK cents 7.78) per ordinary share for the six months ended 30 June 2016 and a special dividend of US cent 1.00 (equivalent to HK cents 7.78) payable on Friday, 30 September 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, 15 September 2016.

Closure of Register of Members

For determining the entitlement of the shareholders to the interim and special dividends, the register of members of the Company will be closed from Thursday, 15 September 2016 to Monday, 19 September 2016, both days inclusive, during which period no transfer of shares shall be registered. In order to qualify for the interim and special dividends, 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 Wednesday, 14 September 2016.

OTHER INFORMATION

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

As at 30 June 2016, the interests or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

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

Name of Directors	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	6,540,149 (Note 1)	0.66%
Ms. CHEN Shun Min	Beneficial interest	Long position	5,595,320 (Note 2)	0.56%
Ms. HO Pei-Lin	Beneficial interest	Long position	783,193	0.08%
	Family interest	Long position	861,435 (Note 3)	0.09%

OTHER INFORMATION (Continued)

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. Christian Odgaard PEDERSEN	Beneficial interest	Long position	1,800,000 (Note 4)	0.18%
Mrs. CHIU LIN Mei-Yu	Beneficial interest	Long position	180,000 (Note 5)	0.02%
	Family interest	Long Position	120,000 (Note 6)	0.01%
Mr. CHEN Pou-Tsang	Beneficial interest	Long position	212,000	0.02%

Notes:

- Included interest in 1,000,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".
- Included interest in 900,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".
- Pursuant to section 316 of the SFO, Ms. Ho Pei-Lin is deemed to be interested in 861,435 shares held by her spouse, Mr. Wu Cheng-Tao.
- Included interest in 300,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".
- These 180,000 shares are derived from the share options granted by the Company, details are set out in the section headed "Share option Schemes".
- Pursuant to section 316 of the SFO, Mrs. Chiu Lin Mei-Yu is deemed to be interested in 120,000 shares held by her spouse, Mr. Chiu Tsong Juh.

OTHER INFORMATION (Continued)

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

As at 30 June 2016, so far as is known to the Directors and chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
China Metal Products Company Limited ("CMP")	Controlled corporation	Long position	597,032,059	59.93%
United Elite Agents Limited ("UEA") (Note)	Beneficial interest	Long position	597,032,059	59.93%
Vald Birns Holding A/S	Beneficial interest	Long position	103,900,922	10.43%

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 2016.

OTHER INFORMATION (Continued)

Share Option Schemes

The Company adopted a new share option scheme (the “New Scheme”) on 13 May 2014 pursuant to the resolution passed by the shareholders of the Company at the annual general meeting held on 9 May 2014, and simultaneously terminated the share option scheme adopted on 8 December 2004 (the “Old Scheme”). The purpose of the New Scheme and the Old Scheme is to enable the Board to grant options to the selected eligible participants including, among others, employees and Directors of the Company, to motivate them and to optimise their performance and efficiency for the benefit of the Group, and attract and retain or otherwise maintain 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 Old Scheme during the six months ended 30 June 2016 are as follows:

Grantees	Date of grant of share options	Exercisable period	Exercise price of share options (HK\$)	Number of share options			
				Outstanding at 1 January 2016	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2016
Directors							
Mr. TSAO Ming-Hong	03.01.2011	03.01.2014 to 02.01.2021 (Note)	2.52	1,000,000	-	-	1,000,000
Ms. CHEN Shun Min	03.01.2011	03.01.2014 to 02.01.2021 (Note)	2.52	900,000	-	-	900,000

OTHER INFORMATION (Continued)

Grantees	Date of grant of share options	Exercisable period	Exercise price of share options (HK\$)	Number of share options			
				Outstanding at 1 January 2016	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2016
Mr. Christian Odgaard PEDERSEN	03.01.2011	03.01.2014 to 02.01.2021 (Note)	2.52	300,000	-	-	300,000
Mrs. CHIU LIN Mei-Yu	03.01.2011	03.01.2014 to 02.01.2021 (Note)	2.52	180,000	-	-	180,000
Sub-total				<u>2,380,000</u>	<u>-</u>	<u>-</u>	<u>2,380,000</u>
Employees							
In aggregate	03.01.2011	03.01.2014 to 02.01.2021 (Note)	2.52	4,800,000	-	-	4,800,000
Total				<u>7,180,000</u>	<u>--</u>	<u>-</u>	<u>7,180,000</u>

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

No options were granted under the New Scheme since its adoption, and the number of share options available for grant is 100,433,200, representing approximately 10.08% of the issued share capital of the Company as at the date of this report.

OTHER INFORMATION (Continued)

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, the Company repurchased 9,956,000 shares of HK\$0.01 each in the capital of the Company at prices ranged from HK\$2.24 to HK\$2.39 per share on the Stock Exchange. Details of the repurchases are as follows:

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

Save as disclosed above, 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 as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors.

The Company confirms that, having made specific 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 2016.

OTHER INFORMATION (Continued)

CODE ON 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 2016.

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

During the six months ended 30 June 2016, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of code provision A.2.1 of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but the Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.

Save as the above-mentioned 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 2016.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 8 December 2004 with written terms of reference, which was revised on 28 March 2012 and further revised on 31 December 2015 to comply 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 control and reporting systems and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Mr. Lam Ting Lok (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Chen Pou-Tsang. The Audit Committee has reviewed the unaudited interim financial report of the Group for the six months ended 30 June 2016.

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

Hong Kong, 11 August 2016