



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 2009

*For identification purposes only

CORPORATE INFORMATION

Board of directors

Executive Directors

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

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

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

Company secretary

TSE Kam Fai, ACIS, ACS, MHKIoD

Authorised representatives

WU Cheng-Tao
 TSE Kam Fai, ACIS, ACS, MHKIoD

Audit committee

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

Remuneration committee

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

Auditors

KPMG
 Certified Public Accountants
 8/F., 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 the interim report of China Metal International Holdings Inc. (the "Company") and its subsidiaries (collectively the "Group") for the six months ended 30 June 2009.

BUSINESS REVIEW

During the first half of 2009, the global economy and financial market continued to be impacted by the financial tsunami in 2008, which remained a severe challenge to governments, enterprises and individuals around the world. The Group's business was inevitably affected to a considerable extent by the global economic downturn. Fortunately, the Group weathered such volatile market environment steadily with the management's calm, confidence and prudence. Turnover started to pick up from the second quarter 2009, looking ahead to the second half of 2009, we see orders from old customers regaining significantly along with the gradual recovery of the global economy, and development of new customers and new products yielding good results. Therefore, the whole management team has confidence in the Group's future operation performance and expects from the second half of 2009, the operating revenue and profitability could make further progress quarter from quarter, and can regenerate a better profit contribution to the Group.

As of 30 June 2009, the Group's revenue was US\$63,714,000 (30 June 2008: US\$114,272,000). The net profit after tax was US\$7,185,000 (30 June 2008: US\$20,334,000). These were mainly attributable to the plunge of market demand that caused the sales of the three major product lines, namely vehicle, machinery and compressor components and parts, to diminish sharply against a backdrop of global economic downturn. Despite an evident drop in the prices of raw materials as compared with the corresponding period of 2008, and the management's efforts in cost control, some fixed costs were hard to be effectively reduced under the deteriorating market conditions, that as of 30 June 2009, the operating profit margin was around 11.7%, and the net profit margin after tax was 11.3%.

During the six months ended 30 June 2009, the Group's revenue amounted to US\$63,714,000, and the net profit attributable to the equity shareholders of the Company amounted to US\$7,155,000.

INTERIM DIVIDEND

The Directors resolved the payment of interim dividend of US cent 0.28 (equivalent to HK cents 2.17) per ordinary share for the six months ended 30 June 2009 payable on or about 29 September 2009 to the shareholders of the Company whose names appear in the Register of Members of the Company on 22 September 2009.

FUTURE PROSPECTS AND APPRECIATION

During the first half of 2009, our operating results fell back under the global economic downturn. However, we have confidence in the business development for the days after the second half as we have successively undertaken some developments for new project products that will be put into mass production in 2010. As such, we have also re-activated the installation work for new production lines suspended in the third quarter of 2008, and expect to finish the trial run by the end of 2009.

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2009 \$'000	2008 \$'000
Turnover	3	63,714	114,272
Cost of sales	5(b)	(49,726)	(84,340)
Gross profit		13,988	29,932
Other revenue		163	260
Other net income		428	3,500
Selling and distribution costs		(3,546)	(6,397)
Administrative expenses		(3,591)	(3,953)
Profit from operations		7,442	23,342
Finance costs	5(a)	-	(87)
Profit before taxation	5	7,442	23,255
Income tax	6	(257)	(2,921)
Profit for the period		7,185	20,334
Attributable to:			
Equity shareholders of the company		7,155	18,518
Minority interests		30	1,816
Profit for the period		7,185	20,334
Earnings per share	7		
Basic (cents)		0.71	1.80
Diluted (cents)		0.71	1.80

The notes on pages 10 to 26 form part of this interim financial report. Details of dividends payable to equity shareholders of the company are set out in note 14.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in United States dollars)

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Profit for the period	7,185	20,334
Other comprehensive income for the period (after tax):		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<u>(130)</u>	<u>8,733</u>
Total comprehensive income for the period	<u>7,055</u>	<u><u>29,067</u></u>
Attributable to:		
Equity shareholders of the company	<u>7,029</u>	26,477
Minority interests	<u>26</u>	<u>2,590</u>
Total comprehensive income for the period	<u>7,055</u>	<u><u>29,067</u></u>

The notes on pages 10 to 26 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2009 – UNAUDITED*(Expressed in United States dollars)*

	Note	30 June 2009 \$'000	31 December 2008 \$'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	8	122,033	129,770
– Interests in leasehold land held for own use under operating leases		5,429	5,494
Construction in progress		43,876	36,669
Other non-current financial assets		233	301
		<u>171,571</u>	<u>172,234</u>
Current assets			
Inventories		26,208	33,678
Trade and other receivables	9	51,007	53,422
Amounts due from related companies	16(b)	1,167	1,546
Current tax recoverable		95	965
Pledged bank deposits		3,369	916
Cash and cash equivalents	10	20,700	15,996
		<u>102,546</u>	<u>106,523</u>
Current liabilities			
Bank loans	12	6,669	10,798
Trade and other payables	11	20,638	24,721
Amounts due to related companies	16(c)	92	98
Current tax payable		200	–
		<u>27,599</u>	<u>35,617</u>
Net current assets		<u>74,947</u>	<u>70,906</u>
Total assets less current liabilities		<u>246,518</u>	<u>243,140</u>
Non-current liabilities			
Deferred tax liabilities		200	200
NET ASSETS		<u>246,318</u>	<u>242,940</u>
Capital and reserves			
Share capital	13	1,295	1,306
Reserves		221,554	218,191
Total equity attributable to equity shareholders of the company		<u>222,849</u>	<u>219,497</u>
Minority interests		23,469	23,443
TOTAL EQUITY		<u>246,318</u>	<u>242,940</u>

The notes on pages 10 to 26 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in United States dollars)

	Attributable to equity shareholders of the company										
	Share Capital \$'000	Share redemption premium \$'000	Capital reserve \$'000	Statutory surplus reserve \$'000	Exchange fluctuation reserve \$'000	Other reserve \$'000	Share repurchase reserve \$'000	Retained profits \$'000	Sub-total \$'000	Minority interests \$'000	Total \$'000
At 1 January 2008	1,328	47,160	5	7,041	13,760	34,920	(878)	91,304	194,640	20,584	215,224
Changes in equity for the six months ended 30 June 2008:											
Purchase and cancellation of own shares (note 13(b))											
- par value paid	(5)	-	-	-	-	-	-	-	(5)	-	(5)
- premium paid	-	(973)	-	-	-	-	878	-	(95)	-	(95)
- transfer between reserves	-	-	5	-	-	-	-	(5)	-	-	-
Transfer to statutory surplus reserve	-	-	-	2,509	-	-	-	(2,509)	-	-	-
Dividends approved in respect of previous financial year (note 14(b))	-	-	-	-	-	-	-	(4,736)	(4,736)	-	(4,736)
Total comprehensive income for the period	-	-	-	-	7,959	-	-	18,518	26,477	2,590	29,067
Balance at 30 June 2008 and 1 July 2008	1,323	46,187	10	9,550	21,719	34,920	-	102,572	216,281	23,174	239,455
Changes in equity for the six months ended 31 December 2008:											
Purchase and cancellation of own shares (note 13(b))											
- par value paid	(17)	-	-	-	-	-	-	-	(17)	-	(17)
- premium paid	-	(1,439)	-	-	-	-	-	-	(1,439)	-	(1,439)
- transfer between reserves	-	-	17	-	-	-	-	(17)	-	-	-
Repurchase of own shares pending for cancellation	-	-	-	-	-	-	(19)	-	(19)	-	(19)
Transfer to statutory surplus reserve	-	-	-	1,461	-	-	-	(1,461)	-	-	-
Dividends approved in respect of previous financial year	-	-	-	-	-	-	-	(5,457)	(5,457)	-	(5,457)
Total comprehensive income for the period	-	-	-	-	531	-	-	9,617	10,148	269	10,417
Balance at 31 December 2008	<u>1,306</u>	<u>44,748</u>	<u>27</u>	<u>11,011</u>	<u>22,250</u>	<u>34,920</u>	<u>(19)</u>	<u>105,254</u>	<u>219,497</u>	<u>23,443</u>	<u>242,940</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

	Attributable to equity shareholders of the company										
	Share Capital \$'000	Share redemption premium \$'000	Capital reserve \$'000	Statutory surplus reserve \$'000	Exchange fluctuation reserve \$'000	Other repurchase reserve \$'000	Share repurchase reserve \$'000	Retained profits \$'000	Sub-total \$'000	Minority interests \$'000	Total \$'000
Balance at 1 January 2009	1,306	44,748	27	11,011	22,250	34,920	(19)	105,254	219,497	23,443	242,940
Changes in equity for the six months ended 30 June 2009:											
Purchase and cancellation of own shares (note 13(b))											
– par value paid	(11)	-	-	-	-	-	-	-	(11)	-	(11)
– premium paid	-	(762)	-	-	-	-	19	-	(743)	-	(743)
– transfer between reserves	-	-	11	-	-	-	-	(11)	-	-	-
Repurchase of own shares pending for cancellation	-	-	-	-	-	-	(61)	-	(61)	-	(61)
Transfer to statutory surplus reserve	-	-	-	105	-	-	-	(105)	-	-	-
Dividends approved in respect of previous financial year (note 14(b))	-	-	-	-	-	-	-	(2,862)	(2,862)	-	(2,862)
Total comprehensive income for the period	-	-	-	-	(126)	-	-	7,155	7,029	26	7,055
Balance at 30 June 2009	<u>1,295</u>	<u>43,986</u>	<u>38</u>	<u>11,116</u>	<u>22,124</u>	<u>34,920</u>	<u>(61)</u>	<u>109,431</u>	<u>222,849</u>	<u>23,469</u>	<u>246,318</u>

The notes on pages 10 to 26 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009 – UNAUDITED

(Expressed in United States dollars)

	Note	Six months ended 30 June	
		2009 \$'000	2008 \$'000
Cash generated from operations		21,430	20,875
Net income tax refunded/(paid)		813	(1,982)
Net cash generated from operating activities		22,243	18,893
Net cash used in investing activities		(7,593)	(17,535)
Net cash used in financing activities		(9,951)	(7,497)
Net increase/(decrease) in cash and cash equivalents		4,699	(6,139)
Cash and cash equivalents at 1 January	10	15,996	20,960
Effect of foreign exchange rate changes		5	103
Cash and cash equivalents at 30 June	10	20,700	14,924

The notes on pages 10 to 26 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in United States dollars unless otherwise indicated)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issuance on 28 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 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 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by the Audit Committee of the company and by the independent auditors, 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 27.

The financial information relating to the financial year ended 31 December 2008 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 2008 are available from the company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2009.

2 Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the group and the company. Of these, the following developments are relevant to the group's financial statements:

- HKFRS 8, *Operating segments*
- HKAS 1 (revised 2007), *Presentation of financial statements*
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to HKFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- HKAS 23 (revised 2007), *Borrowing costs*

The amendments to HKAS 23 and Improvements to HKFRSs (2008) have had no material impact on the group's financial statements as the amendments and interpretations were consistent with policies already adopted by the group. In addition, the amendments to HKFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the group's chief operating decision maker regards and manages the group, with the amounts reported for each reportable segment being the measures reported to the group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the group's most senior executive management and has resulted in additional reportable segments being identified and presented (see note 3). As it is the first period in which the group has presented segment information in accordance with HKFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.
- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2 Changes in accounting policies (continued)

- The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the company's profit or loss and the carrying amount of the investment in the subsidiary will not be reduced unless that carrying amount is assessed to be impaired as a result of the subsidiary declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3 Segment reporting

The group manages its businesses by the operating subsidiaries in the People's Republic of China (the "PRC") which are engaged in the design, development, manufacture and sale of customised metal castings. On first-time adoption of HKFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the group's most senior executive management for the purposes of resource allocation and performance assessment, the group has identified four reportable segments, namely, Tian Jin CMT Industry Company Limited ("CMT"), Suzhou CMS Machinery Company Limited ("CMS"), CMW (Tianjin) Industry Company Limited ("CMWT") and Suzhou CMB Machinery Company Limited ("CMB"). No operating segments have been aggregated to form the above reporting segments.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, interests in leasehold land held for own use under operating leases and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment and bank borrowings managed directly by the segments.

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

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

3 Segment reporting (continued)

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

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

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

	CMT		CMS		CMWT		CMB		Total	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
For the six months ended										
Revenue from external customers	27,309	38,094	23,254	53,445	12,761	22,544	390	189	63,714	114,272
Intersegment revenue	214	67	280	227	2,119	7,500	217	388	2,830	8,182
Reportable segment revenue	27,523	38,161	23,534	53,672	14,880	30,044	607	577	66,544	122,454
Reportable segment profit/(loss) (earnings/(loss) after taxation)	4,300	3,490	3,250	10,955	183	7,293	(74)	(115)	7,659	21,623
Reportable segment assets	68,257	73,373	71,960	81,428	108,511	105,676	6,243	6,289	254,971	266,766
Additions to non-current segment assets during the period	101	2,187	387	12,247	7,748	25,314	-	1,042	8,236	40,790
Reportable segment liabilities	4,327	5,142	6,281	6,389	10,041	12,772	1,396	1,404	22,045	25,707

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

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Revenue		
Reportable segment revenue	66,544	122,454
Elimination of inter-segment revenue	(2,830)	(8,182)
	<hr/> 63,714 <hr/>	<hr/> 114,272 <hr/>
Consolidated turnover		
Profit		
Reportable segment profit	7,659	21,623
Elimination of inter-segment profits	(267)	(1,134)
	<hr/> 7,392 <hr/>	<hr/> 20,489 <hr/>
Reportable segment profit derived from the group's external customers		
Unallocated head office and corporate expenses	(207)	(155)
	<hr/> 7,185 <hr/>	<hr/> 20,334 <hr/>
Consolidated profit after taxation		

3 Segment reporting (continued)

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Assets		
Reportable segment assets	254,971	266,766
Elimination of inter-segment receivables	(801)	(1,128)
	254,170	265,638
Non-current financial assets	233	301
Unallocated head office and corporate assets	19,714	12,818
	274,117	278,757
Liabilities		
Reportable segment liabilities	22,045	25,707
Elimination of inter-segment payables	(801)	(1,128)
	21,244	24,579
Unallocated head office and corporate liabilities	6,555	11,238
	27,799	35,817

4 Seasonality of operations

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

5 Profit before taxation

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

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	121	177
Less: interest expense capitalised into construction in progress	(121)	(90)
	<u>-</u>	<u>87</u>
(b) Other items:		
Amortisation of land lease premium	65	51
Depreciation	8,392	8,338
Interest income	(78)	(257)
Carrying amount of inventories sold	49,726	84,340
Loss on disposal of fixed assets	<u>-</u>	<u>19</u>

6 Income tax

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Current tax		
Provision for PRC Corporate Income Tax for the period	257	2,763
Under-provision in respect of prior year	<u>-</u>	<u>2</u>
	<u>257</u>	<u>2,765</u>
Deferred tax		
Origination and reversal of temporary differences	<u>-</u>	<u>156</u>
	<u>257</u>	<u>2,921</u>

6 Income tax (continued)

(i) Overseas income tax

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

(ii) Hong Kong Profits Tax

No provision for Hong Kong Profits Tax is made for the period as the group did not generate any income subject to Hong Kong Profits Tax during the periods presented.

(iii) PRC Corporate Income Tax

Pursuant to the income tax rules and regulations of the PRC, the provision for Corporate Income Tax ("CIT") of the Group is calculated based on the following rates:

	Note	2009	2008
Tian Jin CMT Industry Company Limited ("CMT")	(1)	15%	25%
Suzhou CMS Machinery Company Limited ("CMS")	(1)	15%	25%
CMW (Tianjin) Industry Company Limited ("CMWT")	(2)	10%	0%
Suzhou CMB Machinery Company Limited ("CMB")	(2)	0%	0%

Notes:

- (1) In December 2008, CMT and CMS were granted the status of a "High and New Technology Enterprise" that entitled them to a preferential CIT rate of 15% for the period ended 30 June 2009.
- (2) Pursuant to the income tax rules and regulations of the PRC, CMWT and CMB are eligible for a 100% relief from PRC corporate income tax for the two years from their first profit-making year of operations and thereafter, they are subject to PRC corporate income tax at 50% of the standard income tax rate for the following three years. The current period is the third and the second year of the tax holidays for CMWT and CMB respectively. CMWT and CMB are eligible for a 50% and 100% relief from PRC corporate income tax respectively.

6 Income tax (continued)

(iii) PRC Corporate Income Tax (continued)

In addition, pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law") effective on 1 January 2008 and the Implementation Rules to the CIT Law, dividends payable by subsidiaries in the PRC to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax treaty between the PRC and Hong Kong, the holding companies of CMB and CMT are established in Hong Kong, and therefore, dividends payable by CMB and CMT are subject to a reduced withholding tax rate of 5%. Dividends receivable by the group from subsidiaries established in the PRC in respect of their undistributed profits prior to 31 December 2007 are exempted from withholding tax.

7 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to the equity shareholders of the company of \$7,155,000 (six months ended 30 June 2008: \$18,518,000) and the weighted average number of 1,011,195,000 ordinary shares in issue during the period (six months ended 30 June 2008: 1,029,783,000), calculated as follows:

	Number of shares	
	(thousand)	<i>(thousand)</i>
	Six months ended 30 June	
	2009	2008
Issued ordinary shares at 1 January	1,015,858	1,032,822
Effect of shares repurchased (<i>note 13(b)</i>)	(4,663)	(3,039)
	<hr/>	<hr/>
Weighted average number of ordinary shares at 30 June	1,011,195	<u>1,029,783</u>

(b) Diluted earnings per share

There were no dilutive potential shares during the six months ended 30 June 2008 and 2009, and diluted earnings per share are the same as basic earnings per share.

8 Fixed assets

During the six months ended 30 June 2009, the group acquired items of plant and machinery with a cost of \$318,000 (six months ended 30 June 2008: \$879,000) and transferred items from construction in progress with a cost of \$450,000 (six months ended 30 June 2008: \$563,000). Items of plant and machinery with a net book value of \$115,000 were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: \$137,000) with no gain or loss on disposal (six months ended 30 June 2008: loss on disposal of \$19,000).

9 Trade and other receivables

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Current and less than 3 months past due	42,887	45,576
3 to 12 months past due	1,140	1,015
More than 12 months but less than 24 months past due	148	307
	<hr/>	<hr/>
Total trade receivables and bills receivables, net of allowance for doubtful debts	44,175	46,898
Other receivables, deposits and prepayments	6,832	6,524
	<hr/>	<hr/>
	51,007	53,422
	<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 \$1,375,000 (31 December 2008: \$2,130,000), details of which are disclosed in note 16(b).

10 Cash and cash equivalents

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Cash at bank and in hand	11,577	5,323
Deposits with banks	9,123	10,673
	<hr/>	<hr/>
	20,700	15,996
	<hr/> <hr/>	<hr/> <hr/>

11 Trade and other payables

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

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Due within 1 month or on demand	6,297	12,251
Due after 1 month but within 3 months	4,514	4,166
Due after 3 months but within 6 months	2,633	65
Due after 6 months or more	166	4
	<hr/>	<hr/>
Total trade payables and bills payable	13,610	16,486
Other payables	7,028	8,235
	<hr/>	<hr/>
	20,638	24,721
	<hr/> <hr/>	<hr/> <hr/>

Bills payable of \$3,163,000 (31 December 2008: \$4,238,000) as at 30 June 2009 were secured by bank deposits of \$768,000 (31 December 2008: \$770,000).

12 Bank loans

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
Bank loans repayable within 1 year or on demand	6,669	10,798
	<hr/>	<hr/>

Bank loans of \$1,979,000 (31 December 2008: \$Nil) as at 30 June 2009 were secured by bank deposits of \$2,601,000 (31 December 2008: \$Nil).

13 Share capital**(a) Authorised and issued share capital**

	At 30 June 2009		At 31 December 2008	
	Number of shares (thousand)	\$'000	Number of shares (thousand)	\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>10,000,000</u>	<u>12,853</u>	<u>10,000,000</u>	<u>12,853</u>
Issued:				
At 1 January	1,015,858	1,306	1,032,822	1,328
Share repurchased and cancelled	<u>(8,586)</u>	<u>(11)</u>	<u>(16,964)</u>	<u>(22)</u>
	<u>1,007,272</u>	<u>1,295</u>	<u>1,015,858</u>	<u>1,306</u>

(b) Repurchase of own shares

During the six months ended 30 June 2009, the company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Period	<i>Note</i>	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate price paid <i>\$'000</i>
15-31 December 2008	(i)	164,000	1.00	0.85	19
January 2009	(ii)	580,000	0.92	0.73	61
February 2009	(ii)	6,196,000	0.86	0.55	496
March 2009	(ii)	64,000	0.68	0.64	7
April 2009	(ii)	714,000	1.02	0.66	81
May 2009	(ii)	220,000	1.04	0.97	28
1-25 June 2009	(ii)	648,000	1.01	0.93	81
		<u>8,586,000</u>			<u>773</u>
26-30 June 2009	(iii)	<u>468,000</u>	1.03	0.99	<u>61</u>
		<u><u>9,054,000</u></u>			<u><u>834</u></u>

13 Share capital (continued)**(b) Repurchase of own shares (continued)***Notes:*

- (i) The repurchased shares were pending for cancellation at 31 December 2008 and the amount paid for the repurchase of the shares of \$19,000 was charged to the share repurchase reserve. The repurchased shares were cancelled on 23 January 2009. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of \$1,000 was transferred from retained profits to the capital redemption reserve. The par value of the shares cancelled of \$1,000 and the premium paid on the repurchased shares of \$19,000 was transferred from the share repurchase reserve to issued share capital and share premium respectively.
- (ii) 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 (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of \$10,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of \$743,000 was charged to share premium.
- (iii) The repurchased shares were pending for cancellation at 30 June 2009 and the amount paid on the repurchase of the shares of \$61,000 was charged to the share repurchase reserve. The repurchased shares were subsequently cancelled on 29 July 2009.

14 Dividends**(a) Dividends payable to equity shareholders of the company attributable to the interim period:**

	Six months ended 30 June	
	2009	2008
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 0.28 cents per share (six months ended 30 June 2008: 0.53 cents per share)	2,817	<u>5,457</u>

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

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

Final dividend in respect of previous financial year, approved and paid during the interim period of 0.28 cents per share (six months ended 30 June 2008: 0.46 cents per share)

Six months ended 30 June

2009
\$'000

2008
\$'000

2,862

4,736

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

Contracted for

At
30 June
2009
\$'000

At
31 December
2008
\$'000

9,738

14,125

16 Material related party transactions

During the six months ended 30 June 2009, transactions with the following parties are considered as related party transactions.

Name of party**Relationship**

Taiwan Asahi Bearing Co., Ltd ("Asahi")

Shareholder of the company

China Metal Products Company Limited ("CMP")

Shareholder of the company

TRAS Shokai Co., Ltd ("TRAS")

Shareholder of the company

Dairitsu Industry Company Limited ("Dairitsu")

Shareholder of the company

Vald. Birn A/S ("Birn")

Shareholder of the company

United Elite Agent Limited ("UEA")

Shareholder of the company

China Metal Japan Company Limited ("CMJ")

Affiliated company

China Metal Automotive International Co., Limited ("CMAI")

Affiliated company

Fuzhou Xin Mi Mechanical and Electrical Products Co., Ltd ("Fuzhou Xin Mi")

Affiliated company

Yanmar Diesel Engine Co., Ltd. ("Yanmar")

Affiliated company

16 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	
	2009	2008
	\$'000	\$'000
Sales of goods to		
– Asahi	20	30
– Fuzhou Xin Mi	194	377
– TRAS	165	519
– Yanmar	2,652	11,815
– Birn	351	191
	<u>3,382</u>	<u>12,932</u>
Commission to		
– CMAI	270	492
– CMJ	52	231
	<u>322</u>	<u>723</u>
Reimbursement of expenses to		
– CMAI	71	2,571
– CMP	58	75
	<u>129</u>	<u>2,646</u>
Royalties to		
– Yanmar	–	44

Included in the reimbursement of expenses to CMP is the group's share of contributions to retirement schemes of certain eligible employees in Taiwan of \$22,000 for the six months ended 30 June 2009 (six months ended 30 June 2008: \$24,000). The schemes are administered by CMP. Based on an agreement between the group and CMP, CMP is responsible for the retirement liability of these employees. The group is not obliged to incur any liability beyond the contributions.

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	
	2009	2008
	\$'000	\$'000
Short-term employee benefits	<u>1,608</u>	<u>1,508</u>

(b) Amounts due from related companies

	At	At
	30 June	31 December
	2009	2008
	\$'000	\$'000
Trade		
– Yanmar	864	1,617
– Fuzhou Xin Mi	282	313
– Birn	229	200
	<u>1,375</u>	<u>2,130</u>
Non-trade		
– CMAI	1,078	1,546
– Birn	85	–
– UEA	4	–
	<u>1,167</u>	<u>1,546</u>
	<u>2,542</u>	<u>3,676</u>

All amounts due from related companies are unsecured, interest-free and are expected to be recovered within one year. There was no provision made against these amounts at 30 June 2009 and 31 December 2008.

16 Material related party transactions (continued)
(c) Amounts due to related companies

	At 30 June 2009 \$'000	At 31 December 2008 \$'000
CMP	5	5
CMJ	16	22
Dairitsu	71	71
	<hr/> 92 <hr/>	<hr/> 98 <hr/>

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

17 Non-adjusting post balance sheet event

After the balance sheet date, the Directors proposed an interim dividend. Further details are disclosed in note 14.

18 Comparative figures

As a result of the application of HKAS 1 (revised 2007), *Presentation of financial statements*, and HKFRS 8, *Operating Segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are discussed in note 2.



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 26 which comprises the consolidated balance sheet of China Metal International Holdings Inc. as of 30 June 2009 and the related consolidated income statement, statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The Directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 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
28 August 2009

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2009 amounted to US\$63,714,000 and US\$7,155,000 (six months ended 30 June 2008: US\$114,272,000 and US\$18,518,000), representing a decline of 44.2% and 61.4% respectively as compared to the same period in 2008. Gross profit for the six months ended 30 June 2009 amounted to approximately US\$13,988,000 (six months ended 30 June 2008: US\$29,932,000), representing a gross profit margin of approximately 22% (six months ended 30 June 2008: 26.2%). Operating profit for the six months ended 30 June 2009 was approximately US\$7,442,000 (six months ended 30 June 2008: US\$23,342,000) or 11.7% (six months ended 30 June 2008: 20.4%) of recorded turnover. Net profit for the six months ended 30 June 2009 was approximately US\$7,185,000 (six months ended 30 June 2008: US\$20,334,000) or 11.3% (six months ended 30 June 2008: 17.8%) of recorded turnover.

Liquidity and financial resources

As at 30 June 2009, the Group had outstanding bank borrowings amounted to US\$6,669,000 (31 December 2008: US\$10,798,000) and all are repayable within one year. The Group's cash and cash equivalents amounted to US\$20,700,000 (31 December 2008: US\$15,996,000). The Group's current ratio and the gearing ratio (a ratio of total liabilities to total assets) is 3.7 (31 December 2008: 3.0) and 10.1% (31 December 2008: 12.8%), respectively.

Capital structure

The Company's issued share capital as at 30 June 2009 is HK\$10,072,720 divided into 1,007,272,000 shares of HK\$0.01 each.

Significant investments

As at 30 June 2009, the Group held unlisted equity securities outside Hong Kong of US\$233,000 (31 December 2008: US\$301,000).

Material acquisition and disposals of subsidiaries or affiliated companies

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

Segmental information

Details of segmental information of the Group as at 30 June 2009 are set out in note 3 above.

Employee benefits

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

The Directors and all members of the senior management of the Group, being non-PRC citizens, are not entitled to the state-managed social welfare scheme operated by the local government in the PRC. However, the senior management of the Group, being non-PRC citizens, are participants to a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the period. During the period under review, the Group reimbursed US\$22,000 (six months ended 30 June 2008: US\$24,000) to CMP as the Group's share of contributions to such retirement scheme. The Group is not obliged to incur any liability beyond the contributions.

Charges on group assets

As at 30 June 2009, bank deposits amounting to US\$3,369,000 (31 December 2008: US\$916,000) were pledged to secure banking facilities granted to the Group.

Future plans for material investments or capital assets

During the first half of 2009, our operating results fell back under the global economic downturn. However, we have confidence in the business development for the days after the second half as we have successively undertaken some developments for new project products that will be put into mass production in 2010. As such, we have also re-activated the installation work for new production lines suspended in the third quarter of 2008, and expect to finish the trial run by the end of 2009.

Foreign currency exposure

The Group's sales are mostly denominated in Renminbi and United States dollars. The Group has not experienced any material difficulties or negative impact on its operations as a result of fluctuations in currency exchange rates. Nevertheless, the Group will continue to monitor the foreign exchange exposure and will take prudent measures when needed.

The Renminbi currently is not a freely convertible currency. A portion of the Group's Renminbi revenue or profit must be converted into other currencies to meet foreign currency obligations of the Group such as the payment of dividends, if declared.

Contingent liabilities

As at 30 June 2009, the Group has no material contingent liabilities.

Share option scheme

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

Details of the Scheme are set out in the Prospectus.

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

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

At 30 June 2009, the interest or short positions of the Directors or chief executives in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), are set out below:

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

Name of Director	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. Ho Ming-Shiann	Beneficial interest	Long position	6,024,923	0.60%
Mr. Tsao Ming-Hong	Beneficial Interest	Long position	6,373,766	0.63%
	Family interest (Note i)	Long position	1,566,386	0.16%
Mr. Guu Herng-Chang	Beneficial interest	Long position	8,231,083	0.82%
Mr. Wu Cheng-Tao	Beneficial interest	Long position	8,081,435	0.80%
	Family interest (Note ii)	Long position	783,193	0.08%
Mr. Wong Tin Yau, Kelvin	Beneficial interest	Long position	1,000,000	0.10%

Notes:

- (i) Pursuant to section 316 of the SFO, Mr. Tsao Ming-Hong is deemed to be interested in 1,566,386 shares held by his spouse, Ms. Lin Hsiu Man.
- (ii) Pursuant to section 316 of the SFO, Mr. Wu Cheng-Tao is deemed to be interested in 783,193 shares held by his spouse, Ms. Ho Pei-Lin.

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

At 30 June 2009, 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	450,374,059	44.71%
United Elite Agents Limited ("UEA") (Note)	Beneficial interest	Long position	450,374,059	44.71%
Vald Birns Holding A/S	Beneficial interest	Long position	102,298,922	10.16%

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 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2009, the Company repurchased 8,890,000 shares of HK\$0.01 each in the capital of the Company at prices ranging from HK\$0.55 to HK\$1.04 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share		Aggregate purchase consideration HK\$
		Highest HK\$	Lowest HK\$	
January 2009	580,000	0.92	0.73	471,880
February 2009	6,196,000	0.86	0.55	3,828,200
March 2009	64,000	0.68	0.64	42,720
April 2009	714,000	1.02	0.66	625,580
May 2009	220,000	1.04	0.97	218,300
June 2009	1,116,000	1.03	0.93	1,092,160
Total	<u>8,890,000</u>			<u>6,278,840</u>

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 set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

During the period ended 30 June 2009, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separated. The roles of chairman and chief executive officer were not separated as the Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the period ended 30 June 2009.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 8 December 2004 with written terms of reference in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors, Dr. Wong Tin-Yau, Kelvin (as chairman), Mrs. Chiu Lin Mei-Yu and Mr. Hsu Shan-Ko. The Audit Committee has reviewed the unaudited interim financial report of the Group for the period ended 30 June 2009.

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

Hong Kong, 28 August 2009