



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 2014

*For identification purposes only

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 Odagaard 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
 TSE Kam Fai, *ACIS, ACS, MHKIoD*

Auditor

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

Registered office

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

Place of business in Hong Kong

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

Principal share registrar and transfer office

Appleby Corporate Services (Cayman) Ltd.
 Clifton House
 75 Fort Street
 P.O. Box 1350 GT
 George Town, Grand Cayman
 Cayman Islands

Hong Kong branch share registrar and transfer office

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

Principal bankers

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

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

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

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

Stock code

319

WEBSITE

http://www.hkstockinfo.com/china_metal

CHAIRMAN'S STATEMENT

On behalf of the directors (the "Directors") of the board (the "Board") of China Metal International Holdings Inc. (the "Company") and its subsidiaries (collectively the "Group"), I would like to present to the shareholders of the Company (the "Shareholders") the six months results and unaudited consolidated financial statements of the Group for the six months ended 30 June 2014.

BUSINESS REVIEW

The Company has completed the target of the great increase in profit last year; the target of operation of this year was to focus on the growth of "Revenue" and "Profit". The revenue of the first half of the year exceeds US\$177 million with an increase of approximately 14.9% a compared with the corresponding period of 2013. At the pure business view, the profit before taxation of the first half of the year increased as compared with the corresponding period of 2013. The business of the first half of the year was aligned with our plan.

FINANCIAL PERFORMANCE

For the six months ended 30 June 2014, the Group's revenue was US\$177,753,000 and the profit attributable to shareholders was US\$19,015,000.

MANAGEMENT UPGRADE

The Company has lots of important objectives to be achieved this year: (1) implementing the new generation of ERP system; (2) making CMB meets breakeven as soon as possible; and (3) implementing data management to reduce adverse effect etc.. The above 3 measures have been put in full force in all our operating plants, the relevant progress also under close follow-up. We believe under the full attention of the Group's management, the Company will have an exciting new page in 2015.

INTERIM DIVIDEND

The Directors resolved the declaration of an interim dividend of US cent 0.88 (equivalent to HK cents 6.82) per ordinary share for the six months ended 30 June 2014 and a special dividend of US cent 0.49 (equivalent to HK cents 3.79) payable on Friday, 17 October 2014 to the Shareholders whose names appear on the register of members of the Company on Monday, 6 October 2014.

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 Friday, 3 October 2014 to Monday, 6 October 2014, 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 Tuesday, 30 September 2014.

APPRECIATION

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

King Fong-Tien
Chairman

Hong Kong, 12 August 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED

(Expressed in United States dollars)

		Six months ended 30 June	
		2014	2013
		\$'000	\$'000
	Note		
Turnover	3	177,753	154,686
Cost of sales		(134,127)	(117,087)
Gross profit		43,626	37,599
Other revenue		795	3,927
Other net loss		(464)	(188)
Selling and distribution costs		(10,670)	(10,185)
Administrative expenses		(7,550)	(7,080)
Profit from operations		25,737	24,073
Finance costs	4(a)	(658)	(639)
Profit before taxation		25,079	23,434
Income tax	5	(6,064)	(2,135)
Profit for the period		19,015	21,299
Attributable to:			
Equity shareholders of the Company		19,015	21,387
Non-controlling interests		-	(88)
Profit for the period		19,015	21,299
Earnings per share	6		
Basic (cents)		1.89	2.13
Diluted (cents)		1.89	2.13

The notes on pages 11 to 25 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 2014 – UNAUDITED**

(Expressed in United States dollars)

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Profit for the period	19,015	21,299
Other comprehensive income for the period (after tax and reclassification adjustment):		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	<u>(4,135)</u>	<u>4,911</u>
Total comprehensive income for the period	<u>14,880</u>	<u><u>26,210</u></u>
Attributable to:		
Equity shareholders of the Company	<u>14,880</u>	25,808
Non-controlling interests	<u>–</u>	<u>402</u>
Total comprehensive income for the period	<u>14,880</u>	<u><u>26,210</u></u>

The notes on pages 11 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014

(Expressed in United States dollars)

	Note	At 30 June 2014 \$'000 (Unaudited)	At 31 December 2013 \$'000 (Audited)
Non-current assets			
Property, plant and equipment	7	205,813	191,220
Lease prepayments		8,109	8,335
Construction in progress		11,798	30,825
Other financial assets		37	37
		<u>225,757</u>	<u>230,417</u>
Current assets			
Inventories		50,959	57,042
Trade and other receivables	8	136,876	129,637
Amounts due from related companies	15(b)	444	618
Pledged bank deposits		1,539	1,801
Cash and cash equivalents	9	46,259	30,384
		<u>236,077</u>	<u>219,482</u>
Current liabilities			
Trade and other payables	10	57,584	61,548
Bank loans	11	38,782	10,532
Amounts due to related companies	15(c)	1,143	66
Current taxation		4,952	4,492
		<u>102,461</u>	<u>76,638</u>
Net current assets		<u>133,616</u>	<u>142,844</u>
Total assets less current liabilities		<u>359,373</u>	<u>373,261</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2014 (CONTINUED)

(Expressed in United States dollars)

	Note	At 30 June 2014 \$'000 (Unaudited)	At 31 December 2013 \$'000 (Audited)
Non-current liabilities			
Long-term loans	11	33,250	43,250
		<u>33,250</u>	<u>43,250</u>
NET ASSETS			
		<u>326,123</u>	<u>330,011</u>
CAPITAL AND RESERVES			
Share capital		1,291	1,291
Reserves		<u>324,832</u>	<u>328,720</u>
Total equity attributable to equity shareholders of the Company			
		<u>326,123</u>	<u>330,011</u>
Non-controlling interests		<u>—</u>	<u>—</u>
TOTAL EQUITY			
		<u>326,123</u>	<u>330,011</u>

The notes on pages 11 to 25 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED

(Expressed in United States dollars)

Note	Attributable to equity shareholders of the Company										
	Share capital \$'000	Share premium \$'000	Capital redemption reserve \$'000	Statutory surplus reserve \$'000	Exchange fluctuation reserve \$'000	Capital reserve-share option \$'000	Other reserve \$'000	Retained profits \$'000	Sub-total \$'000	Non-controlling interests \$'000	Total \$'000
Balance at 1 January 2013	1,291	43,484	42	19,647	39,299	965	18,036	170,454	293,218	11,336	304,554
Changes in equity for the six months ended 30 June 2013:											
Profit for the period	-	-	-	-	-	-	-	21,387	21,387	(88)	21,299
Other comprehensive income	-	-	-	-	4,421	-	-	-	4,421	490	4,911
Total comprehensive income	-	-	-	-	4,421	-	-	21,387	25,808	402	26,210
Acquisition of non-controlling interests in a subsidiary	15	-	-	-	-	-	2,038	-	2,038	(11,738)	(9,700)
Dividends approved in respect of the previous year	13(b)	-	-	-	-	-	-	(5,824)	(5,824)	-	(5,824)
Equity settled share-based transactions	12	-	-	-	-	172	-	-	172	-	172
Balance at 30 June 2013 and 1 July 2013	1,291	43,484	42	19,647	43,720	1,137	20,074	186,017	315,412	-	315,412
Changes in equity for the six months ended 31 December 2013:											
Profit for the period	-	-	-	-	-	-	-	19,730	19,730	-	19,730
Other comprehensive income	-	-	-	-	4,188	-	-	-	4,188	-	4,188
Total comprehensive income	-	-	-	-	4,188	-	-	19,730	23,918	-	23,918
Transferred to statutory reserve	-	-	-	3,534	-	-	-	(3,534)	-	-	-
Dividends approved in respect of the current year	13(a)	-	-	-	-	-	-	(9,515)	(9,515)	-	(9,515)
Equity settled share-based transactions	12	-	-	-	-	196	-	-	196	-	196
Balance at 31 December 2013	1,291	43,484	42	23,181	47,908	1,333	20,074	192,698	330,011	-	330,011

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED (CONTINUED)

(Expressed in United States dollars)

		Attributable to equity shareholders of the Company										
		Share capital	Share redemption premium	Capital reserve	Statutory surplus reserve	Exchange fluctuation reserve	Capital reserve-share option	Other reserve	Retained profits	Sub-total	Non-controlling interests	Total
Note		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2014		1,291	43,484	42	23,181	47,908	1,333	20,074	192,698	330,011	-	330,011
Changes in equity for the six months ended 30 June 2014:												
Profit for the period		-	-	-	-	-	-	-	19,015	19,015	-	19,015
Other comprehensive income		-	-	-	-	(4,135)	-	-	-	(4,135)	-	(4,135)
Total comprehensive income		-	-	-	-	(4,135)	-	-	19,015	14,880	-	14,880
Dividends approved in respect of the previous year		-	-	-	-	-	-	-	(18,771)	(18,771)	-	(18,771)
Equity settled share-based transactions		-	-	-	-	-	3	-	-	3	-	3
Balance at 30 June 2014		<u>1,291</u>	<u>43,484</u>	<u>42</u>	<u>23,181</u>	<u>43,773</u>	<u>1,336</u>	<u>20,074</u>	<u>192,942</u>	<u>326,123</u>	<u>-</u>	<u>326,123</u>

The notes on pages 11 to 25 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 – UNAUDITED

(Expressed in United States dollars)

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
	<i>Note</i>	
Operating activities		
Cash generated from operations	33,653	28,192
Tax paid	(5,506)	(2,210)
Tax refund received	-	636
	<hr/>	<hr/>
Net cash generated from operating activities	28,147	26,618
Investing activities		
Payment for the construction in progress	(9,742)	(19,647)
Payment for the purchase of property, plant and equipment	(1,889)	(2,435)
Purchase of shares from non-controlling interest	-	(9,700)
Other cash flows arising from investing activities	529	1,081
	<hr/>	<hr/>
Net cash used in investing activities	(11,102)	(30,701)
Financing activities		
Dividends paid to equity shareholders of the company	(18,771)	(5,824)
Other cash flows arising from financing activities	17,754	9,822
	<hr/>	<hr/>
Net cash (used in) / generated from financing activities	(1,017)	3,998
Net increase/(decrease) in cash and cash equivalents	16,028	(85)
Cash and cash equivalents at 1 January	30,384	43,342
Effect of foreign exchange rates changes	(153)	615
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	46,259	43,872
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 25 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 2014 comprises the Company and its subsidiaries (together referred to as the "Group").

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 12 August 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 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 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA.

The financial information relating to the financial year ended 31 December 2013 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 2013 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2014.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group and the Company.

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment entities*
- Amendments to HKAS 32, *Offsetting financial assets and financial liabilities*
- Amendments to HKAS 36, *Recoverable amount disclosures for non-financial assets*
- Amendments to HKAS 39, *Novation of derivatives and continuation of hedge accounting*
- HK(IFRIC) 21, *Levies*

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as China Metal International Holdings Inc. does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or CGU whose recoverable amount is based on fair value less costs of disposal. The amendments do not have an impact on the Group's interim financial report as the Group does not have impaired non-financial assets whose recoverable amount is based on fair value less costs of disposal.

2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Amendments to HKAS 39, Novation of derivatives and continuation of hedge accounting

The amendments to HKAS 39 provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The amendments do not have an impact on the Group's interim financial report as the Group has not novated any of its derivatives.

HK(IFRIC) 21, Levies

The Interpretation provides guidance on when a liability to pay a levy imposed by a government should be recognised. The amendments do not have an impact on the Group's interim financial report as the guidance is consistent with the Group's existing accounting policies.

3 SEGMENT REPORTING

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

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

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

	CMT		CMS		CMWT		CMB		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
For the six months ended										
Revenue from external customers	37,143	35,106	66,714	59,445	66,956	58,837	6,940	1,298	177,753	154,686
Inter-segment revenue	183	9	601	432	150	112	2,364	1,086	3,298	1,639
Reportable segment revenue	37,326	35,115	67,315	59,877	67,106	58,949	9,304	2,384	181,051	156,325
Reportable segment profit (adjusted EBITDA)	8,774	7,366	14,080	13,841	14,397	13,004	(1,346)	1,436	35,905	35,647
As at 30 June/31 December										
Reportable segment assets	87,013	79,398	109,068	104,433	155,181	167,247	104,177	94,157	445,439	445,235
Reportable segment liabilities	10,626	11,067	16,683	15,980	34,185	31,134	11,051	7,522	72,545	65,703

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

3 SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment profit or loss

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
Reportable segment profit	35,905	35,647
Elimination of depreciation related to inter-segment fixed assets transfer	279	387
Elimination of inter-segment loss/(profit)	802	(571)
Reportable segment profit derived from Group's external customers	36,986	35,463
Depreciation and amortisation	(11,335)	(11,658)
Interest income	451	537
Finance costs	(658)	(639)
Unallocated head office and corporate expenses	(365)	(269)
Consolidated profit before taxation	25,079	23,434

4 PROFIT BEFORE TAXATION

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

	Six months ended 30 June	
	2014 \$'000	2013 \$'000
(a) Finance costs:		
Interest on bank loans	758	639
Less: Interest expense capitalised used into construction in progress	(100)	-
	658	639

The borrowing costs have been capitalised at a rate of 0.45%-2.90% per annum.

(b) Other items:

Amortisation of lease prepayment	99	435
Depreciation	10,958	10,836
Interest income	(451)	(537)

5 INCOME TAX

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Current tax		
Provision for PRC corporate income tax for the period	6,162	2,711
Over-provision in respect of prior year	(98)	(576)
	6,064	2,135

At 30 June 2014, temporary differences relating to the undistributed profits of subsidiaries in the PRC amounted to \$109,264,632 (2013: \$108,921,898). Deferred tax liabilities of \$7,063,346 (2013: \$6,637,977) 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.

- (i) *Overseas income tax*
Pursuant to the rules and regulations of the Cayman Islands, the Company and CMW (Cayman Islands) Co., Ltd. ("CMW(CI)") is not subject to any income tax in the Cayman Islands.
- (ii) *Hong Kong Profits Tax*
No provision for Hong Kong Profits Tax is made for the period as the Group did not generate any income subject to Hong Kong Profits Tax during the periods presented.
- (iii) *PRC Corporate Income Tax*
Pursuant to the income tax rules and regulations of the PRC, the provision for Corporate Income Tax ("CIT") of the Group is calculated based on the following rates:

	Note	2014	2013
CMT	(1)	25%	15%
CMS	(1)	25%	15%
CMWT	(2)	15%	15%
CMB	(3)	15%	25%

5 INCOME TAX (CONTINUED)

(iii) PRC Corporate Income Tax (continued)

Notes:

- (1) In September 2011 and October 2011, CMS and CMT were granted the status of "Advanced and New Technology Enterprise" ("ANTE") that entitled them to a preferential CIT rate of 15% for the three-year-period ended 31 December 2013. The ANTE Certificates expired in 2014.
- (2) In May 2013, CMWT was granted the status of "ANTE" that entitled it to a preferential CIT rate of 15% for the three-year-period ended 31 December 2014.
- (3) In May 2014, 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 2016.

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

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 \$19,015,000 (six months ended 30 June 2013: \$21,387,000) and the weighted average number of 1,004,332,000 ordinary shares (2013: 1,004,332,000) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the parent of \$19,015,000 (six months ended 30 June 2013: \$21,387,000) and the weighted average number of ordinary shares of 1,004,735,377 (2013: 1,004,332,000 shares).

7 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group acquired items of plant and machinery with a cost of \$1,989,000 (six months ended 30 June 2013: \$2,435,000) and transferred items from construction in progress with a cost of \$26,081,000 (six months ended 30 June 2013: \$3,536,000). Items of plant and machinery with a net book value of \$75,000 were disposed of during the six months ended 30 June 2014 (six months ended 30 June 2013: \$240,000), resulting a gain on disposal of \$4,000 (six months ended 30 June 2013: a gain of \$302,000).

8 TRADE AND OTHER RECEIVABLES

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Within 3 months	118,532	108,869
3 to 12 months	2,131	6,436
12 to 24 months	669	534
Over 24 months	20	62
	<hr/>	<hr/>
Total trade receivables and bills receivables, net of allowance for doubtful debts	121,352	115,901
Other receivables, deposits and prepayments	15,524	13,736
	<hr/>	<hr/>
	136,876	129,637

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 90 days from the date of billings except for receivables related to mould development which are not due until the mass production of related products. Normally, the Group does not obtain collateral from customers.

Included in trade receivables are amounts due from related companies of \$2,947,000 (31 December 2013: \$1,142,000), details of which are disclosed in note 15(b).

9 CASH AND CASH EQUIVALENTS

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Cash at bank and in hand	34,509	22,944
Deposits with banks	11,750	7,440
	<hr/>	<hr/>
Cash and cash equivalents in the statement of financial position and in the cash flow statement	46,259	30,384
	<hr/> <hr/>	<hr/> <hr/>

10 TRADE AND OTHER PAYABLES

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Within 1 month	17,269	15,507
1 to 3 months	15,123	15,652
Over 3 months but within 6 months	3,051	7,074
Over 6 months	71	233
	<hr/>	<hr/>
Total trade payables and bills payable	35,514	38,466
Other payables	22,070	23,082
	<hr/>	<hr/>
	57,584	61,548
	<hr/> <hr/>	<hr/> <hr/>

Bills payable of \$6,403,000 (31 December 2013: \$5,195,000) as at 30 June 2014 were secured by bank deposits of \$1,539,000 (31 December 2013: \$1,801,000).

11 BANK LOANS

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Within 1 year or on demand	38,782	10,532
After 1 year but within 2 years	10,000	10,000
After 2 years but within 5 years	23,250	33,250
	33,250	43,250

At 30 June 2014, the Group had banking facilities totalling \$121,377,000 (31 December 2013: \$121,481,000) which were utilised to the extent of \$76,698,000 (31 December 2013: \$58,484,000).

12 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

The Company adopted new Share Option Scheme on 13 May 2014 and the existing Share Option Scheme was terminated from 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 exercised during the six months ended 30 June 2014 (2013: nil).

13 DIVIDENDS

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Interim dividend declared and payable after the interim period of 0.88 cent per share (2013: 0.95 cent per share)	8,838	9,515
Special dividend declared and payable after the interim period of 0.49 cent per share (2013: nil)	4,921	–
	<u>13,759</u>	<u>9,515</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.

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Final dividend in respect of previous financial year, approved and paid during the following interim period, of 0.88 cent per share (six months ended 30 June 2013: 0.58 cent per share)	8,833	5,824
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 2013: nil)	9,938	–
	<u>18,771</u>	<u>5,824</u>

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Contracted for	<u>2,119</u>	<u>2,421</u>

15 MATERIAL RELATED PARTY TRANSACTIONS

During the six months ended 30 June 2014, 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., Limited ("CMAI")	Affiliated company

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

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Sales of goods to		
– Yanmar	9,122	8,820
– Birn	621	522
	9,743	9,342
Commission to		
– CMAI	749	355
– CMJ	237	207
	986	562
Reimbursement of expenses to		
– CMAI	4,167	3,817
– CMP	168	135
	4,335	3,952
Loan repaid to		
–Birn	–	3,800
Purchase of equity interest of CMB(HK) from		
–Birn	–	9,700

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 \$117,000 for the six months ended 30 June 2014 (six months ended 30 June 2013: \$81,000). The schemes are administered by CMP. Based on an agreement between the Group and CMP, CMP is responsible for the retirement liability of these employees. The Group is not obliged to incur any liability beyond the contribution.

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

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

	Six months ended 30 June	
	2014	2013
	\$'000	\$'000
Employee benefits	1,693	1,381
Equity-settled share-based transactions	3	172
	<hr/> 1,696 <hr/>	<hr/> 1,553 <hr/>

(b) Amounts due from related companies

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Trade		
– Yanmar	2,947	1,142
Non-trade		
– CMAI	–	618
– Birn	444	–
	<hr/> 3,391 <hr/>	<hr/> 1,760 <hr/>

All amounts due from related companies are unsecured, interest-free and are expected to be recovered within one year. There was no provision made against these amounts at 30 June 2014.

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

	At 30 June 2014 \$'000	At 31 December 2013 \$'000
Non-trade		
– CMP	25	2
– CMJ	127	49
– Birn	–	15
– CMAI	991	–
	<hr/> 1,143 <hr/>	<hr/> 66 <hr/>

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



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 25 which comprises the consolidated statement of financial position of China Metal International Holdings Inc. (the "Company") as at 30 June 2014 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.

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 2014 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

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

12 August 2014

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

The Group's recorded turnover and profit attributable to equity shareholders for the six months ended 30 June 2014 amounted to US\$177,753,000 and US\$19,015,000 (six months ended 30 June 2013: US\$154,686,000 and US\$21,387,000). Gross profit for the six months ended 30 June 2014 amounted to approximately US\$43,626,000 (six months ended 30 June 2013: US\$37,599,000), representing a gross profit margin of approximately 24.5% (six months ended 30 June 2013: 24.3%). Operating profit for the six months ended 30 June 2014 was approximately US\$25,737,000 (six months ended 30 June 2013: US\$24,073,000 or US\$21,555,000 excluding the government grants) or 14.5% (six months ended 30 June 2013: 15.6% or 13.9% excluding the government grants) of recorded turnover. Net profit for the six months ended 30 June 2014 was approximately US\$19,015,000 (six months ended 30 June 2013: US\$21,299,000 or US\$18,781,000 excluding the government grants) or 10.7% (six months ended 30 June 2013: 13.8% or 12.2% excluding the government grants) of recorded turnover.

The financial results of the last corresponding period ended 30 June 2013 included the government grants to CMB for its relocation of plant amounted to US\$2,518,000 where no such grant was received by CMB during the period under review.

The provision of PRC corporate income tax ("CIT") for the six months ended 30 June 2014 amounted to US\$6,162,000 (six months ended 30 June 2013: US\$2,711,000). The substantial increase in the CIT was due to expiry of the "Advanced and New Technology Enterprise" ("ANTE") status of CMS and CMT in 2014, where the two companies cannot enjoy the preference CIT of 15%. The current tax rate for CMS and CMT is 25%. The Group is in the process of applying for renewal of the ANTE status and expected that the approval will be granted in the second half of 2014. Upon the approval of the ANTE status, the CIT rate would be reduced from 25% to 15%, and the Company anticipated that the above provision of CIT would be reduced accordingly. In addition, there was tax effect of the withholding income tax of about US\$1,169,000 during the period under review arising from payment of dividend by PRC subsidiaries (six months ended 30 June 2013: Nil).

Liquidity and financial resources

As at 30 June 2014, the Group had a total banking facilities amounted to US\$121,377,000 (31 December 2013: US\$121,481,000) which were utilized to the extent of US\$76,698,000 (31 December 2013: US\$58,484,000). Unsecured bank loans amounted to US\$38,782,000 were repayable within one year, US\$10,000,000 were repayable after one year but within two years, and US\$23,250,000 were repayable after two years but within five years respectively (31 December 2013: US\$10,532,000, US\$10,000,000 and US\$33,250,000).

The Group's cash and cash equivalents amounted to US\$46,259,000 (31 December 2013: US\$30,384,000).

Charges on assets

As at 30 June 2014, bank deposits amounting to US\$1,539,000 (31 December 2013: US\$1,801,000) were pledged to secure banking facilities granted to the Group.

Capital structure

The Company's issued share capital as at 30 June 2014 is HK\$10,043,320 divided into 1,004,332,000 shares of HK\$0.01 each.

The Group adopts a prudent financial policy, and its debt-to-asset ratio (a ratio of total liabilities to total assets) and the gearing ratio (a ratio of total loans to total assets) is 29.4% (31 December 2013: 26.6%) and 15.6% (31 December 2013: 12%), respectively. The Group continued to monitor debt collection policy so as to minimize the risks of sales on credit and to ensure that funds are timely collected.

As at 30 June 2014, earnings per share was US cents 1.89 (30 June 2013: US cents 2.13).

Significant investments

As at 30 June 2014, the Group held unlisted equity securities outside Hong Kong of US\$37,000 (31 December 2013: US\$37,000).

Material acquisition and disposals of subsidiaries or affiliated companies

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

Segmental information

Details of segmental information of the Group as at 30 June 2014 are set out in note 3 above.

Employee benefits

The remuneration policy of the Company is reviewed annually by the Remuneration Committee so as to keep the policy in line with the prevailing market practice.

The Directors and all members of the senior management of the Group, being non-PRC citizens, are not entitled to the state-managed social welfare scheme operated by the local government in the PRC. However, the senior management of the Group, being non-PRC citizens, has been provided a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the period. During the period under review, the Group reimbursed US\$117,000 (six months ended 30 June 2013: US\$81,000) to CMP as the Group's share of contribution to such retirement scheme. The Group is not obliged to incur any liability beyond the contribution.

Foreign currency exposure

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

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

Contingent Liabilities

As at 30 June 2014, no contingent liabilities were noted by the Directors.

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

At 30 June 2014, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange 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	7,373,766 (Note 1)	0.73%
	Family interest	Long position	166,386 (Note 2)	0.02%
Ms. CHEN Shun Min	Beneficial interest	Long position	5,595,320 (Note 3)	0.56%
Ms. HO Pei-Lin	Beneficial interest	Long position	783,193	0.08%
	Family interest	Long position	2,761,435 (Note 4)	0.27%
Mr. Christian Odgaard PEDERSEN	Beneficial interest	Long position	1,800,000 (Note 5)	0.18%
Mrs. CHIU LIN Mei-Yu	Beneficial interest	Long position	300,000 (Note 5)	0.03%
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 Scheme".
- Pursuant to section 316 of the SFO, Mr. Tsao Ming-Hong is deemed to be interested in 166,386 shares held by his spouse, Ms. Lin Hsiu Man.
- Included interest in 900,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".
- Pursuant to section 316 of the SFO, Ms. Ho Pei-Lin is deemed to be interested in 2,761,435 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 Scheme".

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

At 30 June 2014, 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	522,266,059	52.00%
United Elite Agents Limited ("UEA") (Note)	Beneficial interest	Long position	522,266,059	52.00%
Vald Birns Holding A/S	Beneficial interest	Long position	102,298,922	10.19%
Delta Lloyd Asset Management NV	Investment manager	Long position	70,316,000	7.00%

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 2014.

Share Option Scheme

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 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 optimize their performance and efficiency for the benefit of the Group, and attract and retain or otherwise maintain on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Details of the movement in the share options granted under the Old Scheme during the six months ended 30 June 2014 are as follows:

Grantee	Date of grant of share options	Exercisable period	Exercise price of share options (HK\$)	Number of share options		
				Outstanding at 1 January 2014	Lapsed during the period	Outstanding at 30 June 2014
Directors						
Mr. TSAO Ming-Hong	03.01.2011	03.01.2014 to 02.01.2021 (Note 1)	2.52	1,000,000	-	1,000,000
Ms. CHEN Shun Min	03.01.2011	03.01.2014 to 02.01.2021 (Note 1)	2.52	900,000	-	900,000
Mr. Christian Odgaard PEDERSEN	03.01.2011	03.01.2014 to 02.01.2021 (Note 1)	2.52	300,000	-	300,000
Mrs. CHIU LIN Mei-Yu	03.01.2011	03.01.2014 to 02.01.2021 (Note 1)	2.52	300,000	-	300,000
Sub-total				2,500,000	-	2,500,000
Former Director						
Mr. WU Cheng-Tao (Note 2)	03.01.2011	03.01.2014 to 02.01.2021	2.52	600,000	(600,000)	-
Employees						
In aggregate	03.01.2011	03.01.2014 to 02.01.2021	2.52	9,600,000	(400,000)	9,200,000
Total				12,700,000	(1,000,000)	11,700,000

Notes:

- 40% of the above share options are exercisable from 3 January 2014; 30% of the share options are exercisable from 3 January 2015; and the remaining 30% of the share options are exercisable from 3 January 2016.
- Mr. WU Cheng-Tao retired as an executive Director of the Company on 9 May 2014.

No options were granted during the six months ended 30 June 2014 under the Old Scheme or the New Scheme.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to 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 2014.

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 2014.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, which came into effect on 1 January 2005 and was revised and renamed as Corporate Governance Code and Corporate Governance Report ("CG Code") with effect from 1 April 2012.

During the six months ended 30 June 2014, the Company was in compliance with all code provisions set out in the CG Code except for the deviations as explained below:

- under code provision A.2.1 of the CG Code, the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but the Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.

- under code provision D.1.4 of the CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors except Mr. Chen Pou-Tsang, who was appointed as an independent non-executive Director of the Company on 15 May 2012, Ms. Chen Shun-Min, who was appointed as an executive Director of the Company on 28 March 2013, and Mr. Lam Ting Lok, who was appointed as an independent non-executive Director of the Company on 7 August 2013. However, all Directors shall be subject to retirement in accordance with the Articles of Association of the Company. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. On 26 March 2014, the Company entered into service agreement with each of Mr. King Fong-Tien, Mr. Tsao Ming-Hong, Ms. Chen Shun-Min and Ms. Ho Pei-Lin and appointment letter with each of Mr. Christian Odgaard Pedersen and Mrs. Chiu Lin Mei-Yu.
- under code provision A.4.1 of the CG Code, the non-executive director should be appointed for a specific term and subject to re-election. Mr. Christian Odgaard Pederson, the non-executive Director, and Mrs. Chiu Lin Mei-Yu, an independent non-executive Director, were not appointed for a specific term. However, all the non-executive Directors are subject to the retirement by rotation at least once every three years in accordance with the Articles. Following the signing of the appointment letters issued by the Company by Mr. Christian Odgaard Pedersen and Mrs. Chiu Lin Mei-Yu on 26 March 2014, all the non-executive Directors were appointed for a specific term.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2014.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 8 December 2004 with written terms of reference and revised on 28 March 2012 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 reporting process 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 2014.

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

Hong Kong, 12 August 2014