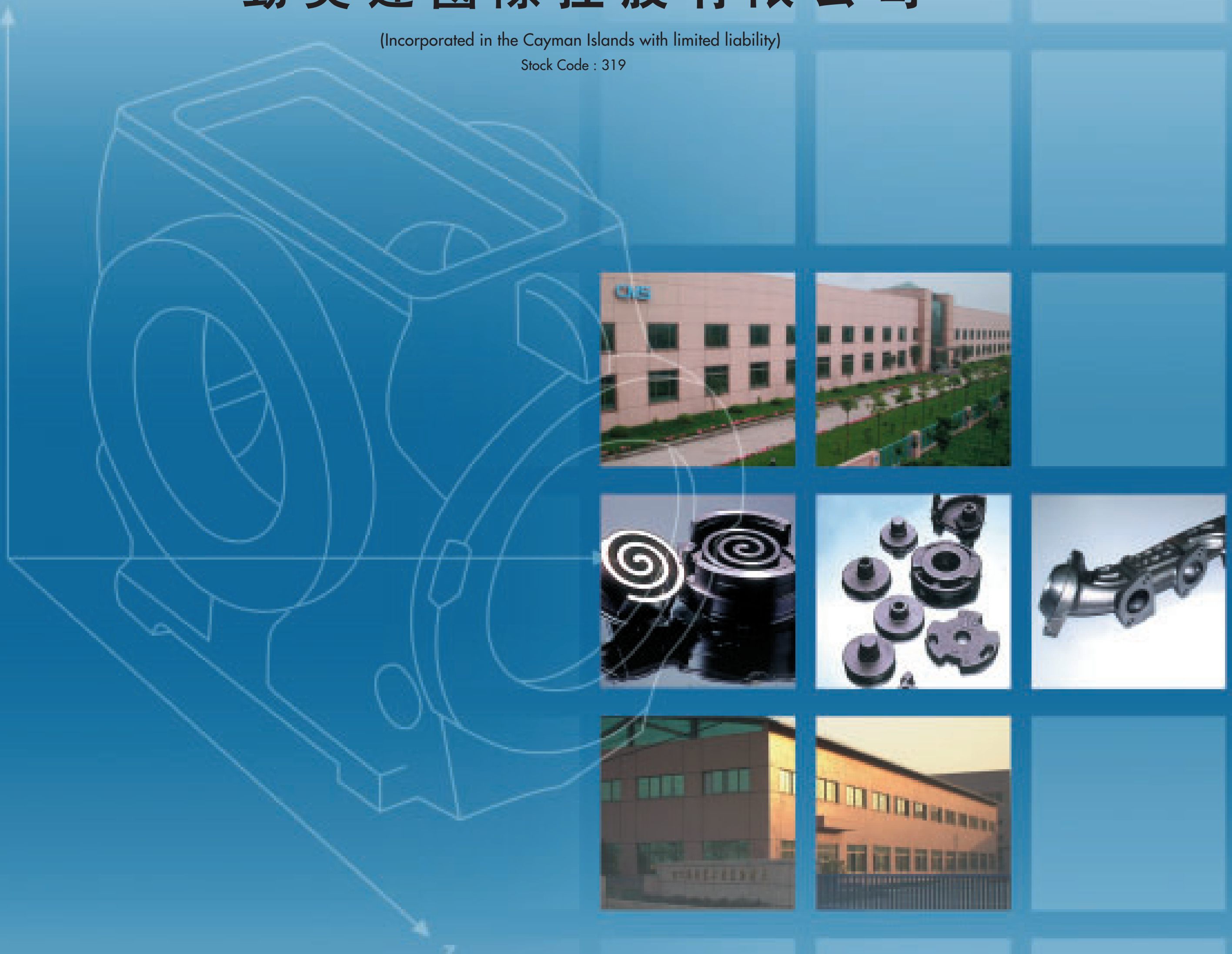
CHINA METAL INTERNATIONAL HOLDINGS INC.

勤美達國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 319



ANNUAL REPORT 2008

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

HO Ming-Shiann *(Chairman)*
TSAO Ming-Hong *(Vice Chairman)*
GUU Herng-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 Charter 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

International Bank of Taipei
No. 36, Nanking East Road, Section 3
Taipei
Taiwan

STOCK CODE

319

WEBSITE

http://www.irasia.com/listco/hk/chinametal/index.htm

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present to the shareholders the annual report of China Metal International Holdings Inc. (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2008.

BUSINESS REVIEW

During the year 2008, faced with the drastic change in the global economic and financial market, governments, corporations and individual all over the world were facing severe challenges. The Group was also confronted with severe attack but it was lucky that the Group's management was using its greatest patience and hard work to overcome and eventually achieved satisfactory results.

For the year ended 31 December 2008, the Group achieved a revenue growth of about 13.6% to US$205,092,000, and profit after tax amounted to US$30,181,000, which represented a year-by-year decline of about 7.8%. Although overall performance was slightly below our expectation, the results for the year are not easy taking into account the drastic market change ever experienced before. Of the three major products, the growth of mechanical parts rank first and achieved annual revenue growth of 43.0%, automotive parts achieved annual revenue growth of 11.8% and these two products continue driving the growth of the Group's results. Compressor parts recorded a decline of 12.0% caused by comparatively heavier attack due to the drastic market change.

In order to cope with the market change, apart from improving various costs and risk controls, the Group continues to adopt a conservative treasury policy. During the year ended 31 December 2008, the Group recorded net cash inflows from operations. Going forward, the Group continues to monitor the capital expenditure and maintain a strong financial position. On the business side, the Group works hard to explore new clients and products. Currently, the Group has obtained new clients, from both inside and out of China, and productions and delivery would gradually start from the second half of 2009. The Group believes this could provide satisfactory contributions to the Group's performance ahead.

In addition, the original plan to expand phase two production plant of CMW (Tianjin) Industry Company Limited ("CMWT") and to add an additional production line to Suzhou CMS Machinery Company Limited ("CMS") was to complete by the end of 2008. Due to the drastic change of economic environment, we reviewed the expansion plan in the second half of 2008 and extend the completion to the end of 2009 so as to coincide with our new business plan and taking advantages of the economic recovery.

FINANCIAL PERFORMANCE

For the year ended 31st December 2008, the Group's revenue was US$205,092,000 and the profit distributable to equity shareholders of the Company was US$28,135,000.

FINAL DIVIDEND

The Board of Directors recommend the payment of a final dividend to the shareholders of US cent 0.28 (equivalent to HK cents 2.2) per share for the year ended 31 December 2008 payable on or about 29 May 2009 to the shareholders whose names appear on the register of members of the Company on 15 May 2009. Taking into account the interim dividend of US cent 0.53 per share (equivalent to HK cents 4.13), dividend per share for the whole year is US cent 0.81 (equivalent to HK cents 6.33).

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 the year.

Ho Ming-Shiann
Chairman

Hong Kong, 27 March 2009

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's recorded turnover and profit attributable to shareholders for the year ended 31 December 2008 amounted to US$205,092,000 and US$28,135,000 respectively (2007: US$180,544,000 and US$30,659,000 respectively). Turnover growth was led by the strong growth in the mechanical sector and the healthy growth in the automotive sector while the slowdown in the air compressor sector set back the overall growth. Compared to 2007, turnover from mechanical parts grew 43.0% year on year; turnover from automotive parts and components were up by 11.8%; and turnover from compressor parts were down by about 12.0%. Gross profit for the year ended 31 December 2008 amounted to US$48,704,000 (2007: US$51,390,000), representing a gross profit margin of 23.7% (2007: 28.5%). Profit from operations for the year ended 31 December 2008 was US$32,850,000 (2007: US$36,087,000) or 16.0% (2007: 20.0%) of the recorded turnover.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2008, the Group's unsecured bank loans amounted to US$10,798,000 (2007: US$8,847,000) and all were repayable within 1 year. At 31 December 2008, the Company had total banking facilities amounting to approximately US$31,000,000 (2007: US$26,000,000) which were utilized to the extent of US$9,334,000 (2007: US$3,713,000). The Group's cash and cash equivalents amounted to US$15,996,000 (2007: US$20,960,000). The Group's current ratio is 3.0 (2007: 2.7) and the gearing ratio (a ratio of total loans to total assets) was 3.9% (2007: 3.4%).

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2008 was HK$10,158,580 divided into 1,015,858,000 shares of HK$0.01 each.

The Company maintains an efficient capital structure using a combination of equity shareholders' funds and borrowings. The structure is consistent with the Company's risk profile and the regulatory and market requirements of the business of the Group.

In managing the Group's capital, the Board seeks to:

1. Match the profile of the Group's assets and liabilities, taking into account the risks inherent in each business.

2. Maintain financial strength to support new business growth whilst still satisfying the requirements of creditors, regulators and rating agencies.

3 Retain financial flexibility by maintaining liquidity, accessibility to capital markets and committed credit lines.

4. Allocate capital efficiently to support growth and repatriate excess capital where appropriate.

5. Manage exposures to movements in exchange rates by aligning the deployment of capital by currency with the Group's capital requirements by currency.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

SEGMENTAL INFORMATION

As at 31 December 2008, details of segmental information of the Company are set out in note 13 to the annual financial statements.

EMPLOYEE BENEFITS

During the year ended 31 December 2008, the average number of employees of the Group was 2,932 (2007: 2,957). The Group's staff costs (excluding directors' fees) amounted to US$12,273,000 (2007: US$10,736,000). The remuneration policy of the Company is reviewed annually by the Remuneration Committee and is in line with the prevailing market practice. During the year 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 employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions.

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, participate in a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the year. During the year under review, the Group reimbursed US$46,000 to CMP as the Group's share of contribution to such retirement scheme (2007: US$44,000). The Group is not obliged to incur any liability beyond the contribution.

CHARGES ON ASSETS

As at 31 December 2008, bank deposits of US$916,000 (2007: US$1,775,000) were pledged to secure banking facilities granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue exploring new business opportunities. The Group will continue the construction of new production lines in CMWT and CMS, which are scheduled to be completed by the end of 2009.

FOREIGN CURRENCY EXPOSURE

Most of the sales made to overseas customers are denominated in United States dollars. As the Group focuses on developing an international customer base and its export sales are expected to grow, the Group may be exposed to higher currency risk in relation to sales denominated in United States dollars, Euros and other currencies and the profitability of the Group may be affected by significant currency rate fluctuations.

Renminbi is currently 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.

CAPITAL COMMITMENTS

Capital commitments in respect of purchase of property, plant and equipment outstanding and not provided for in the financial statements of the Group as at 31 December 2008 amounted to US$14,125,000 (2007: US$1,912,000).

CONTINGENT LIABILITIES

As at 31 December 2008, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Directors recommend the payment of a final dividend to the shareholders of US cent 0.28 per share (equivalent to HK cents 2.2) for the year ended 31 December 2008 payable on or about 29 May 2009 to the shareholders whose names appear on the register of members of the Company on 15 May 2009.

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value.

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

During the year ended 31 December 2008, the Company was in compliance with the code provisions set out in the CG Code except that code A.2.1 requires 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 officer and the role 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 year ended 31 December 2008.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules. All the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of eight Directors including four executive Directors, one non-executive Director and three independent non-executive Directors:

Executive Directors

Mr. HO Ming-Shiann *(Chairman)*
Mr. TSAO Ming-Hong *(Vice-Chairman)*
Mr. GUU Herng-Chang *(also known as Stanley Guu)*
Mr. WU Cheng-Tao

Non-executive Director

Mr. Christian Odgaard PEDERSEN

Independent non-executive Directors

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

Mr. WU Cheng-Tao is Mr. HO Ming-Shiann's son-in-law. Save as aforesaid, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on pages 18 to 23 under the section headed "Biographical Details of Directors and Senior Management".

CORPORATE GOVERNANCE REPORT

The Board decides on corporate strategies, approves overall business plans and evaluates the Group's financial performance and management. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures, and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

Chairman and Chief Executive Officer

Up to the date of this report, the Company has not appointed a chief executive officer and the role and functions of the chief executive officer have been performed by all the executive Directors, including the Chairman, of the Company collectively. The Board considered this has the advantages of allowing contributions from all executive Directors with different expertise.

Non-executive Directors

The non-executive Director and the three independent non-executive Directors are persons of high caliber, with academic and professional qualifications in the fields of accounting, financial management, securities investment and consultancy. With their experience gained from various sectors, they provide strong support towards the effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The non-executive Director and the three independent non-executive Directors were not appointed for a specific term and so they are subject to retirement by rotation in accordance with the Articles of Association.

Board Meetings

The Board has four scheduled meetings a year at quarterly interval and additional meetings will be held as and when required. The four scheduled Board meetings for a year are planned in advance. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual, interim or quarterly results.

During the financial year ended 31 December 2008, the Board held 5 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Directors	**Number of attendance**
Mr. HO Ming-Shiann	5/5
Mr. TSAO Ming-Hong	5/5
Mr. GUU Herng-Chang	5/5
Mr. WU Cheng-Tao	5/5
Mr. Christian Odgaard PEDERSEN	5/5
Dr. WONG Tin Yau, Kelvin	4/5
Mrs. CHIU LIN Mei-Yu	5/5
Mr. HSU Shan-Ko	5/5

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every Board member is entitled to have access to Board papers and related materials and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

Appropriate insurance cover has been arranged in respect of relevant actions against its directors.

CORPORATE GOVERNANCE REPORT

NOMINATION OF DIRECTORS

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the metals casting industry and/or other professional area.

Furthermore, as the Board as a whole is responsible for the selection and approval of candidate for appointment as Director to the Board, therefore the Company has not established a Nomination Committee for the time being.

During the year ended 31 December 2008, there was no change in the composition of the Board, hence, no Board meeting was held to consider the nomination of Director.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee (the "Remuneration Committee") on 8 December 2004 and consists of two independent non-executive Directors, namely Mrs. CHIU LIN Mei-Yu (as chairman) and Mr. HSU Shan-Ko, and one executive Director, namely Mr. HO Ming-Shiann.

The functions of the Remuneration Committee are to review human resources management policies, determine the compensation and benefit plans of senior executives, as well as setting performance goals for senior executives.

During the financial year ended 31 December 2008, the Remuneration Committee held 1 meeting for reviewing the remuneration packages of the Directors and senior management.

Remuneration Committee members	Number of attendance
Mrs. CHIU LIN Mei-Yu	1/1
Mr. HSU Shan-Ko	1/1
Mr. HO Ming-Shiann	1/1

The Remuneration Committee reviewed the remuneration package of the Directors and senior executives for year 2008 and discussed the proposals for their remuneration package for 2009 by reference to the prevailing market conditions, the business development of the Group as well as the performance of individual Directors and senior executives.

The Company has adopted a share option scheme on 8 December 2004. The purpose of the share option scheme is to enable the Board to grant options to the selected eligible participants to motivate them and to optimize their performance and efficiency for the benefit of the Group. Details of the share option scheme are set out in the Report of the Directors. The emolument payable to Directors will depend on their respective contractual terms under the service agreements, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 8 to the financial statements.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") on 8 December 2004. The Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. WONG Tin-Yau, Kelvin (as chairman), Mrs. CHIU LIN Mei-Yu and Mr. HSU Shan-Ko.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the quarterly, interim and annual reports and accounts of the Group; and overseeing the Company's financial reporting system and internal control procedures.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code.

The Audit Committee meets the external auditors at least two times a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report. The Audit Committee reviewed annually the existing internal control system of the Group.

During the financial year ended 31 December 2008, the Audit Committee held 4 meetings.

Audit Committee members	Number of attendance
Dr. WONG Tin Yau, Kelvin	3/4
Mrs.CHIU LIN Mei-Yu	4/4
Mr. HSU Shan-Ko	4/4

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's auditor, KPMG, is set out below:

Services rendered	Fee paid/payable *HK$'000*
Audit services	1,700
Non-audit services	390
	2,090

SHAREHOLDER RIGHTS

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Articles. Details of such rights to demand a poll were included in the circular to shareholders in relation to the holding of general meeting and explained, together with the procedures for conducting a poll, at the commencement of the meetings.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholder at a general meeting must be taken by poll. As such, all resolutions set out in the notice of the 2009 Annual General Meeting of the Company will be voted by poll.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Mr. Ho Ming-Shiann, the Chairman of the Company, and Dr. Wong Tin Yau, Kelvin, the chairman of the Audit Committee attended the 2008 annual general meeting of the Company. The annual report together with the relevant circular are distributed to all the shareholders at least 20 clear business days before, the annual general meeting.

INVESTOR RELATIONS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- Delivery of annual and interim results and reports to all shareholders;
- Publication of announcements on the annual and interim results on the Stock Exchange website and the Company's website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and
- The general meeting of the Company is also an effective communication channel between the Board and shareholders.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2008, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROL

Management had implemented a system of internal controls to provide reasonable assurance that the Group's assets are safeguarded, proper accounting records are maintained, appropriate legislation and regulations are complied with, reliable financial information are provided for management and publication purpose and investment and business risks affecting the Group are identified and managed.

During the year ended 31 December 2008, the Board has conducted a review of the system of internal control to ensure the effectiveness and adequacy of the system. The Board shall conduct such review at least once annually.

REPORT OF THE DIRECTORS

The Board of Directors ("Board") of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the subsidiaries are principally engaged in design, development, manufacture and sale of customized metal castings for use in various industries. As part of its integrated services, the Group also provides moulding, machining and coating services to its customers.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 December 2008 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 25 to 74.

An interim dividend of US cent 0.53 (equivalent to HK cents 4.13) per ordinary share was paid to the shareholders during the year. The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on 15 May 2009 ("2009 AGM"), a final dividend of US cent 0.28 per share (equivalent to HK cents 2.2) for the year ended 31 December 2008 to be paid on or about 29 May 2009 to the shareholders whose names appear on the register of members of the Company on 15 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 14 May 2009 to Friday, 15 May 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend and to attend the annual general meeting of the Company to be held on Friday, 15 May 2009 ("2009 AGM"), all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 13 May 2009.

SHARE CAPITAL

Details of movements in the Company's share capital for to the year ended 31 December 2008 are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, the Company repurchased 14,322,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.62 to HK$2.23 per share on the Stock Exchange. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Lowest	Aggregate purchase consideration
		HK$	*HK$*	*HK$*
January 2008	360,000	2.23	1.90	770,760
September 2008	1,560,000	1.20	1.00	1,651,220
October 2008	3,362,000	1.18	0.78	3,132,420
November 2008	8,490,000	0.86	0.62	6,126,060
December 2008	550,000	1.00	0.85	489,940
Total	14,322,000			12,170,400

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 year.

DISTRIBUTABLE RESERVES

As at 31 December 2008, the Company's reserves available for distribution to the shareholders amounted to approximately US$131,927,000 (2007: US$132,296,000).

DIRECTORS

The Directors of the Company during the year and up to the date of this report were as follows:

Executive Directors

Mr. Ho Ming-Shiann *(Chairman)*
Mr. Tsao Ming-Hong *(Vice Chairman)*
Mr. Guu Herng-Chang *(also known as Stanley Guu)*
Mr. Wu Cheng-Tao

Non-executive Director

Mr. Christian Odgaard Pedersen

Independent non-executive Directors

Dr. Wong Tin Yau, Kelvin
Mrs. Chiu Lin Mei-Yu *(also known as Mary Lin Chiu)*
Mr. Hsu Shan-Ko

In accordance with Article 108 of the Articles, Mr. Guu Herng-Chang, Mr. Wu Cheng-Tao and Mr. Christian Odgaard Pedersen will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming 2009 AGM.

INDEPENDENCE CONFIRMATION

The Company has received, from each of independent non-executive Directors, an annual confirmation of the independence pursuant to Rule 3.13 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company considers all of the independent non-executive Directors are independent.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 8 December 2004. The purpose of the Scheme is to enable the Board to grant options to the selected eligible participants (as defined in the prospectus of the Company dated 20 December 2004 (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.

The principal terms of the Scheme are summarized as follows:

(1) The maximum number of shares in respect of which options may be granted under the Scheme and under any other share option scheme of the Company must not exceed 10% of total issued shares of the Company in issue immediately following completion of the share offer and capitalisation issue as referred to in the Prospectus, being 100,000,000 shares, unless the Company obtains a fresh approval from the shareholders, and which must not in aggregate exceed 30% of the shares in issue from time to time.

As at the date of this report, the total number of shares available for issue under the Scheme is 100,000,000 shares, which represents approximately 9.91% of the existing issued shares.

(2) The total number of shares which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to date of grant shall not exceed 1% of the issued shares as at the date of grant.

(3) The exercise price shall be determined by the Board in its absolute discretion, but will not be less than the highest of (i) the closing price of the share as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(4) An option may be exercised in accordance with the terms of the Scheme at any time after the date the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may exercise will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(5) Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(6) Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 8 December 2004.

Details of the Scheme are set out in the Prospectus.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors to acquire such rights in any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The executive Directors have not entered into any service agreement with the Company, there is no specific term for the length of their services and they are subject to retirement by rotation at least once every three years and in accordance with the Articles. The executive Directors are entitled to an annual discretionary bonus, the amount of which will be determined by the remuneration committee of the Company.

The non-executive Director and independent non-executive Directors have not entered into any service contract with the Company and upon their expiry of their two-year term with the Company on 7 December 2006, there is no specific term for the length of their appointment and they are subject to retirement by rotation of at least once every three years and in accordance with the Articles.

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or its subsidiary was a party during the year.

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

At 31 December 2008, 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 Companies ("Model Code"), are set out below:

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

Name	Type of interest	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	0.59%
Mr. Tsao Ming-Hong	Beneficial Interest	Long position	6,373,766	0.63%
	Family interest *(Note i)*	Long position	1,566,386	0.15%
Mr. Guu Herng-Chang	Beneficial interest	Long position	8,231,083	0.81%
Mr. Wu Cheng-Tao	Beneficial interest	Long position	8,081,435	0.80%
	Family interest *(Note ii)*	Long position	783,193	0.08%
Dr. 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 31 December 2008, 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 shared 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
United Elite Agents Limited ("UEA") *(Note 1)*	Beneficial interest	Long position	450,374,059	44.33%
China Metal Products Company Limited ("CMP")	Controlled corporation	Long position	450,374,059	44.33%
Vald Birns Holdings A/S *(Note 2)*	Beneficial Interest	Long position	85,379,037	8.40%
	Controlled corporation	Long position	7,343,885	0.73%
Government of Singapore Investment Corporation Pte Ltd	Beneficial Interest	Long position	51,248,000	5.04%

Notes:

1. UEA is wholly and beneficially owned by CMP, a company incorporated in Taiwan whose shares are listed on the Taiwan Stock Exchange Corporation.

2. 7,343,885 shares are held through Kenbridge Asia Limited, a wholly-owned subsidiary of Vald Birns Holdings A/S.

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 31 December 2008.

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. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code during the year ended 31 December 2008.

CONNECTED TRANSACTIONS

For the year ended 31 December 2008, the Group has the following connected transactions:

Continuing Connected Transaction

The following continuing connected transactions (as defined in the Listing Rules) for the Company are exempt from the independent shareholders' approval under Rule 14A.34 of the Listing Rules:

1. On 19 December 2006, the Company and China Metal Automotive International Co., Limited ("CMAI"), a non-wholly owned subsidiary of China Metal Products Company ("CMP"), entered into a services agreement, pursuant to which, the Group will continue to appoint CMAI to provide logistic agency service to the Group for its sales in the US, Canada and Europe from 1 January 2007 to 31 December 2009.

   For the year ended 31 December 2008, the aggregate fees paid by the Group to CMAI amounted to US$901,571.

2. On 19 December 2006, the Company and China Metal Japan Co., Ltd. ("CMJ"), a non-wholly owned subsidiary of CMP entered into a services agreement, pursuant to which, the Group will continue to appoint CMJ to provide logistic agency services to the Group for its sales in Japan from 1 January 2007 to 31 December 2009.

   For the year ended 31 December 2008, the aggregate fees paid by the Group to CMJ amounted to US$392,549.

   The Company has published an announcement on 20 March 2008 to increase the annual caps for the financial year ended 31 December 2008 in respect of the above continuing connected transactions with CMAI and CMJ to US$1,130,000 and US$470,000 respectively.

3. On 9 May 2008, CMB (Hong Kong) Limited ("CMB (HK)"), a 51% subsidiary of the Company, entered into a master supply agreement ("Agreement") with Vald Birn A/S ("Birn"), a 49% shareholder of CMB (HK), pursuant to which, CMB (HK) shall supply to Birn the Relevant Products (as defined in the Agreement) from the date of the Agreement up to 31 December 2010.

   For the year ended 31 December 2008, the sale of the Relevant Products amounted to Euro 399,744 (equivalent to approximately HK$4,548,071).

   The Company has published an announcement on 13 May 2008 for the continuing connected transaction with Birn, the annual cap for sale of the Relevant Products to Birn for the year ended December 2008 is HK$9,900,000.

The independent non-executive Directors of the Company have reviewed the above continuing connected transactions and confirmed that the transactions have been entered into:

1. in the ordinary and usual course of the Group's business;

2. on normal commercial terms or on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

3. have been carried out in accordance with the terms of the agreement governing such transactions.

REPORT OF THE DIRECTORS

The Directors have requested the auditors of the Company to perform certain agreed upon procedures on the continuing connected transactions and have received a letter from the Company's auditors stating their findings that the continuing connected transactions:

(i) had received the approval of the Board of Directors;

(ii) had an agreement in place governing the continuing connected transactions;

(iii) were charged at prices consistent with the prices charged for comparable transactions that were identified by management; and

(iv) had not exceeded the annual cap amount as set out in the relevant announcements.

MAJOR CUSTOMERS AND SUPPLIERS

The Group focuses on developing an international customer base which mainly includes air conditioner manufacturers and air conditioner compressor manufacturers, refrigerator compressor manufacturer, automobile manufacturers and automobile part and component manufacturers; and other industrial manufacturers. Most of the suppliers of the Group were located in the PRC. During the year, the Group did not enter into any long-term procurement contract with its suppliers.

During the year, the percentage of sales attributable to the largest customer and the five largest customers of the Group is 10% and 44% respectively.

The largest supplier and the five largest suppliers of the Group accounted for approximately 25% and 50% of the total purchases of the Group respectively.

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year and up to the date of this report.

AUDIT COMMITTEE

The Company established an audit committee ("Audit Committee") on 8 December 2004 with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Dr. Wong Tin Yau, Kelvin (Chairman of Audit Committee), Mrs. Chiu Lin Mei-Yu and Mr. Hsu Shan-Ko. The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2008.

AUDITORS

KPMG shall retire at the forthcoming 2009 AGM and, being eligible, offer themselves for re-appointment.

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

Hong Kong, 27 March 2009

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ho Ming-Shiann, aged 62, is the chairman of the Company and a founder of the Group. He is a member of the Remuneration Committee. He is responsible for the formulation of the overall business strategies of the Group. Mr. Ho graduated from World College of Journalism in Taiwan, majoring in journalism administration in July 1969. Mr. Ho has more than 35 years of experience in casting industry. He is currently the chairman of China Metal Products Company Limited ("CMP"), the controlling shareholder of the Company and a company listed on the Taiwan Stock Exchange Corporation, a director of each of Capital Charm Associates Limited, CMP (Hong Kong) Industry Company Limited ("CMP (HK)"), CMTS (Cayman Islands) Industry Company Limited, Tian Jin CMT Industry Company Limited ("CMT"), Suzhou CMS Machinery Company Limited ("CMS"), CMW (Tianjin) Industry Company Ltd. ("CMWT"), and Suzhou CMB Machinery Co., Limited ("CMB"), all are wholly-owned subsidiaries of the Company, and a director of CMW (Cayman Islands) Co., Ltd. and CMB (Hong Kong) Company Limited ("CMB HK"), both are non-wholly owned subsidiaries of the Company, as well as the chairman of Far Hsing Enterprise Co., Ltd. and Unison Cast Material Corp.. Mr. Ho is also a committee member of Taiwan Casting Industry Association and a member of Taiwan Foundry Society. Save as aforesaid, he did not have any directorship in other listed companies in the past three years.

Upon the expiration of the term of the service agreement with the Company on 8 December 2006, there is no service agreement between the Company and Mr. Ho. There is no agreement between the Company and Mr. Ho in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to his engagement as an executive Director. He is subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company ("Articles"). There is no fixed amount of remuneration and is subject to review at the sole and absolute discretion of the Board. The proposed remuneration of Mr. Ho for the year ending 31 December 2009 is HK$400,000, which is determined by the Remuneration Committee of the Company with reference to the performance of the Group and the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Remuneration Committee of the Company.

As at the date of this report, Mr. Ho is interested in 6,024,923 Shares, representing approximately 0.60% of the existing issued Shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Mr. Wu Cheng-Tao, an executive Director of the Company, is a son-in-law of Mr. Ho. Save as disclosed above, he does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Tsao Ming-Hong, aged 60, is the vice-chairman of the Company. He is responsible for the supervision of the execution of the overall business strategies of the Group. Mr. Tsao graduated from World College of Journalism in Taiwan, majoring in journalism administration in July 1969. Mr. Tsao has more than 35 years of experience in casting industry. He joined the Group in 1994. He is currently the vice chairman of CMP, a director of each of CMT, CMS, CMWT and CMB. Save as aforesaid, he did not have any directorship in other listed companies in the past three years.

Upon the expiration of the term of the service agreement with the Company on 8 December 2006, there is no service agreement entered into between the Company and Mr. Tsao. There is no agreement between the Company and Mr. Tsao in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to his engagement as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. There is no fixed amount of remuneration and is subject to review at the sole and absolute discretion of the Board. The proposed remuneration of Mr. Tsao for the year ending 31 December 2009 is HK$400,000, which is determined by the Remuneration Committee of the Company with reference to the performance of the Group and the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Remuneration Committee of the Company.

As at the date of this report, Mr. Tsao is interested and deemed to be interested in an aggregate of 7,940,152 Shares, representing approximately 0.78% of the existing issued Shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, Mr. Tsao does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Guu Herng-Chang (also known as Stanley Guu), aged 54, is the general manager of the Company. He is responsible for the execution of the overall business strategies and the management of the production operations of the Group. Mr. Guu graduated from National Taipei Institute of Technology, majoring in mechanical engineering in 1975. Mr. Guu has more than 28 years of experience in casting industry. He joined the Group in 1994 and is currently a director and the general manager of each of CMT, CMS and CMWT, and a director of each of CMP (HK), CMB and CMB HK. He did not have any directorship in other listed companies in the past three years.

Upon the expiration of the term of the service agreement with the Company on 8 December 2006, there is no service agreement between the Company and Mr. Guu. There is no agreement between the Company and Mr. Guu in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to his engagement as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. There is no fixed amount of remuneration and is subject to review at the sole and absolute discretion of the Board. The proposed remuneration of Mr. Guu for the year ending 31 December 2009 is HK$400,000, which is determined by the Remuneration Committee of the Company with reference to the performance of the Group and the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Remuneration Committee of the Company.

As at the date of this report, Mr. Guu is interested in 8,231,083 Shares, representing approximately 0.82% of the existing issued Shares of the Company within the meaning of Part XV of the SFO.

Mr. Guu does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Wu Cheng-Tao, aged 41. He is responsible for the supervision of the execution of the overall business strategies of the Group. Mr. Wu graduated from National Central University in Taiwan with a bachelor degree in business administration in 1993 and from Troy State University in the United States with an executive master degree in business administration in 2002. Mr. Wu is currently working on his Doctoral degree in management in University of Maryland University College. Mr. Wu worked in China Motor Corporation from June 1993 to March 1995 and in M.A. Cargill Trading Co., Ltd. from July 1995 to October 1999. Mr. Wu joined the Group in October 1999 and is currently a director of CMP, CMWT, the vice chairman of China Metal Automotive International Co., Limited and a supervisor of China Metal Japan Co., Ltd. Save as disclosed above, he did not have any directorship in other listed public companies in the past three years.

Upon the expiration of the term of the service agreement with the Company on 8 December 2006, there is no service agreement between the Company and Mr. Wu. There is no agreement between the Company and Mr. Wu in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to his engagement as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. There is no fixed amount of remuneration and is subject to review at the sole and absolute discretion of the Board. The proposed remuneration of Mr. Wu for the year ending 31 December 2009 is HK$400,000, which is determined by the Remuneration Committee of the Company with reference to the performance of the Group and the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Remuneration Committee of the Company.

As at the date of this report, Mr. Wu is interested and deemed to be interested in an aggregate of 8,864,628 Shares, representing approximately 0.88% of the existing issued Shares of the Company within the meaning of Part XV of the SFO.

Mr. Wu is a son-in-law of Mr. Ho Ming-Shiann, chairman of the Company. Save as disclosed above, he does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Mr. Christian Odgaard Pedersen, aged 62, was appointed as the non-executive Director on 8 December 2004. Mr. Pedersen graduated from Arhus School of Business with a diploma in business administration in 1973. Mr. Pedersen is currently managing director of The Birn Concern. Mr. Pedersen is a honorary board member of the group companies of The Birn Concern, Jysk-Fynsk Kapitalanlag A/S and the chairman of Danspin A/S. Mr. Pedersen is also the deputy chairman of the Faerch Foundation, and a member of the Council of Provinsindustriens Arbejdsgiverforening and Energy Committee of the Danish Association of Industry. Mr. Pedersen did not have any directorship in other listed companies in the past three years.

Mr. Pedersen has not entered into any service contract with the Company. Upon the expiration of the two-year term on 8 December 2006, there is no agreement between the Company and Mr. Pedersen in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to his engagement as a non-executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. Mr. Pedersen is entitled to an annual remuneration of HK$200,000 per annum which is determined by the Remuneration Committee of the Company with reference to the prevailing market conditions.

As at the date of this report, Mr. Pedersen does not have any interest in the Shares of the Company within the meaning of Part XV of the SFO.

Mr. Pedersen does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wong Tin Yau, Kelvin, aged 48, was appointed as an independent non-executive Director on 8 December 2004. He is also the chairman of the Audit Committee of the Company. Dr. Wong is a deputy chairman, chairman of the Corporate Governance Committee and fellow member of The Hong Kong Institute of Directors, council advisor and immediate past chairman of the Hong Kong Chinese Orchestra Limited, a member of the China Trade Advisory Committee of the Hong Kong Trade Development Council, a member of the OECD / World Bank Asian Corporate Governance Roundtable, a member of Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of The Board of Review (Inland Revenue Ordinance) and board director of Business Environment Council. He was a member of the Auditing and Assurance Standards Committee of the Hong Kong Institute of Certified Public Accountants. He obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business of Administration from The Hong Kong Polytechnic University in 2007. He is an associate member of the Chartered Institute of Bankers, a member of the Hong Kong Securities Institute, a member of the Chartered Institute of Marketing and a member of the National Investor Relations Institute in the USA. He has more than 24 years of working experience in management, banking and securities industries. Currently, Dr. Wong is currently an executive director and deputy managing director of COSCO Pacific Limited, the shares of which are listed on the Main Board of the Stock Exchange and is a Hang Seng Index Constituent stock. He is the chairman of Corporate Governance Committee and the member of the executive committee of COSCO Pacific Limited. He is also an independent non-executive director of CIG Yangtze Ports PLC, an independent non-executive Director of I.T Limited and was an independent non-executive director and chairman of the audit committee of Tradelink Electronic Commerce Limited up to 9 May 2008, all these companies are listed on the Stock Exchange. Save as disclosed above, he did not have any directorship in other listed companies in the past three years.

Dr. Wong has not entered into any service agreement with the Company and upon the expiry of his two years term with the Company on 7 December 2006, there is no specific term for the length of his appointment and he is subject to retirement by rotation at least once in every three years in accordance with the Articles. He is entitled to a director's fee of HK$150,000 per annum which is determined by the Remuneration Committee of the Company with reference to the prevailing market conditions.

As at the date of this report, Dr. Wong is interested in 1,000,000 Shares, representing approximately 0.1% of the issued Shares within the meaning of Part XV of the SFO.

Dr. Wong does not have any relationship with any other directors, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mrs. Chiu Lin Mei-Yu (also known as Mary Lin Chiu), aged 61, was appointed as an independent non-executive Director on 8 December 2004. She is also the chairman of the Remuneration Committee of the Company and a member of the Audit Committee of the Company. Mrs. Chiu graduated from National Taiwan University with a bachelor degree of law in 1969 and from University of San Francisco with a master degree of public administration in 1986. Mrs. Chiu is currently the responsible person of Jiu Mau Management Consulting Co., Ltd. Mrs. Chiu is a licensed realtor in California, the USA. She did not have any directorship in other listed companies in the past three years.

Mrs. Chiu has not entered into any service agreement with the Company and upon the expiry of her two years term with the Company on 7 December 2006, there is no specific term for the length of her appointment and she is subject to retirement by rotation of at least once in every three years and in accordance with the Articles. She is entitled to a director's fee of HK$150,000 per annum which is determined by the Remuneration Committee of the Company with reference to the prevailing market conditions.

Mrs. Chiu does not have any interest in the shares of the Company. She does not have any relationship with any other Director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Hsu Shan-Ko, aged 55, was appointed as an independent non-executive Director on 8 December 2004. He is also a member of each of the Audit Committee and the Remuneration Committee of the Company. Mr. Hsu graduated from National Chiao Tung University with a bachelor degree in management science in 1976 and from National Chengchi University with a master degree in business administration in 1979. He also studied the Wharton Advanced Management Program of the Wharton School of the University of Pennsylvania in May 1989. Mr. Hsu has extensive experience in financial management, securities and investment. He is currently a chairman of four companies, the shares of which are listed on the Taiwan Stock Exchange Corporation. Mr. Hsu has been accredited with Outstanding Financial Executive by Financial Executive Institute of the Republic of China and awarded Mr. Lu Feng-Chang Management Science Commemoration Medal by Chinese Management Association. Mr. Hsu is a certified securities analyst in Taiwan. Save as disclosed above, he did not have any directorship in other listed companies in the past three years.

Mr. Hsu has not entered into any service agreement with the Company and upon the expiry of his two years term with the Company on 7 December 2006, there is no specific term for the length of his appointment and he is subject to retirement by rotation of at least once in every three years in accordance with the Articles. He is entitled to a director's fee of HK$150,000 per annum which is determined by the Remuneration Committee of the Company with reference to the prevailing market conditions.

Mr. Hsu does not have any interest in the shares of the Company. He does not have any relationship with any other director, senior management, substantial shareholders (as defined in the Listing Rules) or controlling shareholders (as defined in the Listing Rules) of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Chen Shun-Min (also known as Emily Chen), aged 49, is the Chief Financial Officer of the Company. Ms. Chen is responsible for the financial planning and supervision of the Group. Ms. Chen graduated from Chihlee Institute of Technology in Taiwan, majoring in international business in 1981. Ms. Chen joined the Group in 1994 and still holds position as the special assistant to chairman of CMP. Ms. Chen was appointed as the Chief Financial Officer of the Company in 2005.

Mr. Yen Fu-Shan, aged 47, is the vice president of CMS. He is responsible for the execution of the overall business and the management of the production operations of the CMS. Mr. Yan graduated from Shu-tech Junior Technology College in Taiwan, majoring in industrial engineering in 1988. Mr. Yan has more than 17 years of experience in casting industry. Mr. Yan joined the Group in 1996 and had held the position of the manager of the administration division of CMT. He was appointed as the director of the administration division of CMT and CMS in 2002. And he was also appointed as the director of the administration division of CMS and CMWT in 2005. He was appointed as the vice president of CMS in 2009.

Mr. Wang Kuo-Nien, aged 39, is the manager of the a production management division of CMS. He is responsible for the production and delivery of CMS. Mr. Wang graduated from National Taipei University of Technology with a diploma in mining and metallurgical engineering in June 1992. Mr. Wang joined the Group in 2000 and had held the position of assistant manager of the administration division of CMT and CMS. He was appointed as the manager of the administration division of CMS in November 2002 and the manager of the production management division of CMS in November 2006.

Mr. Lee Chun-Chang, aged 48, is the manager of the sales and marketing division of CMS. He is responsible for the administration and supervision of overall sales and marketing activities of CMS. Mr. Lee graduated from Chung Yuan Christian University, majoring in mechanical engineering in 1984. Mr. Lee joined the Group in 1998 and had held the position of manager of the sales and marketing division of CMT. He was appointed as the manager of the sales and marketing division of CMS in March 2004.

Mr. Tsao Chia-Jen, aged 34, is the manager of the sales and marketing division of CMS. He is responsible for the administration and supervision of overall sales and marketing activities of CMS. Mr. Tsao graduated from University of Leeds in England. Mr. Tsao joined the Group in 2001 and had held the position of manager of the sales and marketing division of CMT. He was appointed as the manager of the sales and marketing division of CMS in 2005.

Mr. Wang Yu-Li, aged 37, is the manager of the casting division of CMT. He is responsible for the administration and supervision of the production of the casting division of CMT. Mr. Wang graduated from National Taipei Institute of Technology, majoring in industrial engineering and administration studies. Mr. Wang joined the Group in 1998 and had held the position of assistant manager of the casting division of CMT. He was appointed as the manager of the casting division of CMT in 2003.

Mr. Lee Hsiu-Hu, aged 56, is the manager of the casting division of CMS. He is responsible for the operations of the casting division of CMS and participates in the construction and maintenance of new foundry. Mr. Lee graduated from Oriental Institute of Technology, majoring in electrical and mechanical studies in 1975. He has more than 25 years of experience in casting industry. Mr. Lee joined the Group in 1993 and had held the position of manager of the engineering division of CMS. He was appointed as the manager of the casting division of CMS in 2007.

Mr. Wu Ching-Sung, aged 53, is the director of the R&D and machining division of CMT. He is responsible for the administration and supervision of the production and quality control of the machining division of CMT. Mr. Wu graduated from Siao Yang Vocational Senior High School in 1981. Mr. Wu joined the Group in 1997 and had held the position of manager of the machining division of CMT. He was appointed as the director of the R&D and machining division of CMT in 2002.

Mr. Lin Shih-Chieh, aged 40, is the vice president of CMT. He is responsible for the execution of the overall business and the management of the production operations of the CMT. Mr. Lin graduated from National Yunlin Industrial Junior College in Taiwan in 1990. Mr. Lin joined the Group in 2001 and had held the position of assistant manager of the machining division of CMT. Mr. Lin obtained the CQDC quality certification issued by Ford in 2004. He was appointed as the plant manager of CMWT in 2006. He was appointed as the vice president of CMT in 2009.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu Chin-Hsiu, aged 47, is the manager of the machining division of CMS. He is responsible for the operations of the production and technology R&D of the machining division of CMS. Mr. Wu joined the Group in 1999 and had held the position of assistant manager of the machining division of CMT and CMS. He was appointed as the manager of the machining division of CMS in 2002.

Mr. Lu Jui-Pin, aged 55, is the manager of the quality assurance division of CMS. He is responsible for the administration and supervision of the production, R&D and quality control of the casting division of CMS. Mr. Lu graduated from Oriented Institute of Technology in Taiwan, majoring in industrial management. Mr. Lu has more than 20 years of experience in casting industry. Mr. Lu joined the Group in 2000 and held the position of assistant manager of the casting division of CMT and CMS. He was appointed as the manager of the casting division of CMS in 2002. Mr. Lu is a quality control engineer as certified by Chinese Society for Quality Control. He was appointed as the manager of the quality assurance division of CMS in 2007.

Mr. Chang Shih-Chuan, aged 54, is the vice president of CMWT. He is responsible for the execution of the overall business and the management of the production operations of the CMWT. Mr. Chang graduated from National Taipei University of Technology in Taiwan, majoring in mining and metallurgical engineering. Mr. Chang has more than 25 years of experience in casting industry. Mr. Chang joined the Group in 2005 and held the position of assistant manager of the casting division of CMT and CMS. He was appointed as the director of the casting division of CMS in 2006. He was appointed as the vice president of CMWT in 2009.

Mr. Jonathan LC Guu, aged 27, is the manager of the sales and marketing division of CMT and CMWT. He is responsible for the administration and supervision of overall sales and marketing activities of CMT and CMWT. Mr. Guu graduated from The University of Auckland, majoring in acoustoelectronics and electrical engineering. Mr. Guu joined the Group in 2007 and had held the production management of manager of the sales and marketing division of CMT. He was appointed as the manager of the sales and marketing division of CMT and CMWT in 2008.

Mr. Wu Tseng-Chia, aged 39, is the manager of the casting division of CMS. He is responsible for the administration and supervision of the production, R&D and quality control of the casting division of CMS. Mr. Wu graduated from Lee-Ming Institute of Technology, majoring in machinery. Mr. Wu has more than 25 years of experience in casting industry. Mr. Wu joined the Group in 2007 and had held the manager of the casting division of CMS.

Mr. Wu Ching-long, aged 42, is the manager of the administration division of CMS. He is responsible for the administration and supervision of the finance, human resources and purchasing of CMS. Mr. Wu graduated from Army Academy R.O.C, majoring in industrial engineering in 1988. Mr. Wu joined the Group in 2007 and had held the position of the manager of the administration division of CMS.

Mr. Chen Hung-Yi, aged 36, is the manager of the sales and marketing division of CMT and CMWT. He is responsible for the administration and supervision of overall sales and marketing activities of CMT and CMWT. Mr. Chen graduated from Tunghai University in Taiwan with a bachelor degree in laws in June 1996. Mr. Chen joined the Group in 2003 and had held the production management of manager of the sales and marketing division of CMT. He was appointed as the manager of the sales and marketing division of CMT in 2004. He was appointed as the director of the sales and marketing division of CMT and CMWT in 2005.

COMPANY SECRETARY

Mr. Tse Kam Fai, *ACIS, ACS, MHKIoD*, aged 45, was appointed as the company secretary of the Company on 8 December 2004. Mr. Tse is an associate member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries. He is also a member of Hong Kong Securities Institute and a member of the Hong Kong Institute of Directors. He is currently the company secretary of two other companies whose shares are listed on the Stock Exchange and has more than 15 years' experience in handling listed company secretarial and compliance related matters.

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of
China Metal International Holdings Inc.
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Metal International Holdings Inc. (the "Company") set out on pages 25 to 74, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

27 March 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Turnover	3 & 13	**205,092**	180,544
Cost of sales		**(156,388)**	(129,154)
Gross profit		**48,704**	51,390
Other revenue	4	**614**	1,199
Other net income	5	**3,038**	2,650
Selling and distribution costs		**(11,083)**	(12,235)
Administrative expenses		**(8,423)**	(6,917)
Profit from operations		**32,850**	36,087
Finance costs	6(a)	**-**	(946)
Profit before taxation	6	**32,850**	35,141
Income tax	7(a)	**(2,669)**	(2,421)
Profit for the year		**30,181**	32,720
Attributable to:			
Equity shareholders of the Company	12 & 26	**28,135**	30,659
Minority interests	26	**2,046**	2,061
Profit for the year	26	**30,181**	32,720
Dividends payable to equity shareholders of the Company attributable to the year:	11		
Interim dividend declared during the year		**5,457**	4,461
Final dividend proposed after the balance sheet date		**2,825**	4,736
		8,282	9,197
Earnings per share	12		
Basic (cents)		**2.74**	2.96
Diluted (cents)		**N/A**	N/A

The notes on pages 31 to 74 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2008

(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	14	**129,770**	125,390
– Interests in leasehold land held for own use under operating leases	14	**5,494**	5,261
Construction in progress	15	**36,669**	6,740
Other financial assets	17	**301**	500
		172,234	137,891
Current assets			
Inventories	18	**33,678**	33,529
Trade and other receivables	19	**53,422**	65,143
Amount due from a related company	29(b)	**1,546**	1,683
Current tax recoverable	23(a)	**965**	–
Pledged bank deposits	22	**916**	1,775
Cash and cash equivalents	20	**15,996**	20,960
		106,523	123,090
Current liabilities			
Bank loans	21	**10,798**	8,847
Trade and other payables	22	**24,721**	35,887
Amounts due to related companies	29(c)	**98**	324
Current tax payable	23(a)	**–**	699
		35,617	45,757
Net current assets		**70,906**	77,333
Total assets less current liabilities		**243,140**	215,224
Non-current liabilities			
Deferred taxation	23(b)	**200**	–
NET ASSETS		**242,940**	215,224

CONSOLIDATED BALANCE SHEET *At 31 December 2008*

(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
CAPITAL AND RESERVES			
Share capital	25	**1,306**	1,328
Reserves	26	**218,191**	193,312
Total equity attributable to equity shareholders of the Company		**219,497**	194,640
Minority interests	26	**23,443**	20,584
TOTAL EQUITY		**242,940**	215,224

Approved and authorised for issue by the board of directors on 27 March 2009

Ho Ming-Shiann
Director

Guu Herng-Chang
Director

The notes on pages 31 to 74 form part of these financial statements.

BALANCE SHEET

At 31 December 2008

(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Non-current assets			
Investments in subsidiaries	16	**112,483**	116,683
Current assets			
Inventories	18	**5,300**	4,513
Trade and other receivables	19	**19,048**	19,180
Amounts due from subsidiaries	24	**61,813**	45,810
Amounts due from related companies		**1,298**	1,279
Cash and cash equivalents	20	**9,685**	11,053
		97,144	81,835
Current liabilities			
Bank loans	21	**9,334**	3,713
Trade and other payables	22	**1,882**	1,109
Amounts due to subsidiaries	24	**65,089**	59,782
Amounts due to related companies		**89**	290
		76,394	64,894
Net current assets		**20,750**	16,941
NET ASSETS		**133,233**	133,624
CAPITAL AND RESERVES			
Share capital	25	**1,306**	1,328
Reserves	26	**131,927**	132,296
TOTAL EQUITY		**133,233**	133,624

Approved and authorised for issue by the board of directors on 27 March 2009

Ho Ming-Shiann
Director

Guu Herng-Chang
Director

The notes on pages 31 to 74 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2008

(Expressed in United States dollars)

	Note	2008 $'000	2008 $'000	2007 $'000	2007 $'000
Total equity at 1 January			215,224		182,404
Net income recognised directly in equity:					
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	26		9,303		8,343
Net profit for the year			30,181		32,720
Total recognised income and expense for the year			39,484		41,063
Attributable to:					
– Equity shareholders of the Company		36,625		38,293	
– Minority interests		2,859		2,770	
		39,484		41,063	
Dividends declared or approved during the year	11		(10,193)		(8,092)
Movements in equity arising from capital transactions:					
Shares repurchased and cancelled		(1,556)		(1,723)	
Shares repurchased pending for cancellation	26	(19)		(878)	
Capital contributions by minority shareholders	26	-		2,450	
			(1,575)		(151)
Total equity at 31 December			242,940		215,224

The notes on pages 31 to 74 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2008

(Expressed in United States dollars)

	Note	2008 $'000	2007 $'000
Operating activities			
Profit before taxation		32,850	35,141
Adjustments for:			
– Amortisation of land lease premium		128	117
– Depreciation		15,728	15,106
– Impairment loss on unlisted equity securities		130	–
– Finance costs		–	946
– Loss/(gain) on disposal of fixed assets		49	(10)
– Interest income		(410)	(1,062)
– Foreign exchange gain		(3,389)	(1,959)
Operating profit before changes in working capital		45,086	48,279
Decrease/(increase) in inventories		1,386	(5,304)
Decrease/(increase) in trade and other receivables		14,375	(19,643)
Decrease/(increase) in amount due from A related company		137	(395)
(Decrease)/increase in amounts due to related companies		(226)	126
(Decrease)/increase in trade and other Payables		(13,581)	9,507
Cash generated from operations		47,177	32,570
Income tax paid		(4,215)	(2,169)
Net cash generated from operating Activities		42,962	30,401
Investing activities			
Interest received		410	1,062
Refund of capital from unlisted equity securities		69	–
Proceeds from disposal of fixed assets		147	1,279
Payment for construction in progress		(38,145)	(11,818)
Payment for purchase of fixed assets		(1,998)	(5,732)
Net cash used in investing activities		(39,517)	(15,209)
Financing activities			
Proceeds from bank loans		72,037	43,549
Capital contributions by minority shareholders		–	2,450
Payment for repurchase of shares		(1,575)	(2,601)
Repayment of bank loans		(69,835)	(60,692)
Dividends paid		(10,193)	(8,092)
Decrease in pledged bank deposits		982	666
Interest paid		(327)	(1,160)
Net cash used in financing activities		(8,911)	(25,880)
Net decrease in cash and cash equivalents		(5,466)	(10,688)
Cash and cash equivalents at 1 January		20,960	30,967
Effect of foreign exchange rate changes		502	681
Cash and cash equivalents at 31 December	20	15,996	20,960

The notes on pages 31 to 74 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that derivative financial instruments (see note 1(i)) are stated at their fair value.

The functional currencies of the Company and its subsidiaries in the People's Republic of China ("PRC") are United States dollars and Renminbi respectively. For the purposes of presenting the consolidated financial statements, the Group adopted United States dollars as its presentation currency.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgement made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 31.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Subsidiaries and minority interests *(Continued)*

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(g)).

(d) Property, plant and equipment

The property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour and an appropriate proportion of production overheads and borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 35 years after the date of completion.

Leasehold improvements	2 – 10 years
Machinery and equipment	6 – 14 years
Motor vehicles	5 – 6 years
Office equipment, furniture and fixtures	5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Construction in progress

Construction in progress represents fixed assets under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(g)). Cost comprises direct costs of construction as well as interest charges during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to fixed assets when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risk and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(g) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 1(g)(ii)) and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included in trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- interests in leasehold land held for own use under operating leases; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

  The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of an asset in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

- Reversals of impairment losses

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 1(g)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unlisted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 1(g)).

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(o) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Income tax *(Continued)*

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, the movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iii) Dividends

Dividend income from unlisted investments is recognised when the shareholder's right to received payment is established.

(iv) Government grants

Government grants are recognised in the balance sheet initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of operations outside of Hong Kong are translated into United States dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into United States dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences recognised in equity which relate to that operation outside of Hong Kong is included in the calculation of the profit or loss on disposal.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Borrowing costs

Borrowing costs are expensed in profit and loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and fixed assets. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Segment reporting *(Continued)*

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances and corporate and financing expenses.

2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments is relevant to the Group's or the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

3 TURNOVER

The Group is principally engaged in design, development, manufacture and sale of customised metal castings for use in various industries.

Turnover represents the sales value of casting products to customers after allowances for goods returned, excludes VAT and is after the deduction of any trade discounts.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	$'000	*$'000*
Sales of:		
– Automobile parts and components	**84,781**	75,850
– Mechanical parts	**73,276**	51,256
– Compressor parts	**47,035**	53,438
	205,092	180,544

4 OTHER REVENUE

	2008	2007
	$'000	*$'000*
Interest income	**410**	1,062
Government grants	**159**	116
Sundry income	**45**	21
	614	1,199

During the year ended 31 December 2008, Tian Jin CMT Industry Company Limited ("CMT") was granted a subsidy of $159,000 (2007: $116,000) by a municipal government authority of Tianjin as incentives for engaging in manufacturing of automobile parts and components.

(Expressed in United States dollars unless otherwise indicated)

5 OTHER NET INCOME

	2008 $'000	2007 $'000
Net foreign exchange gain	2,232	1,959
Net (loss)/gain on disposal of fixed assets	(49)	10
Net fair value gain on foreign exchange forward contracts	857	651
Others	(2)	30
	3,038	2,650

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2008 $'000	2007 $'000
(a) Finance costs:		
Interest expense on bank advances wholly repayable within five years	327	1,123
Less: Interest expense capitalised into construction in progress#	(327)	(214)
	–	909
Discounting charges	–	37
	–	946

Borrowing costs have been capitalised at rates of 1.41% – 6.26% per annum (2007: 3.28 % – 5.62%).

	2008 $'000	2007 $'000
(b) Staff costs:		
Salaries, wages and other benefits	12,273	10,736
Contributions to retirement benefit schemes	1,391	831
	13,664	11,567
(c) Other items:		
Amortisation of land lease premium	128	117
Auditor's remuneration	270	266
Depreciation	15,728	15,106
Impairment loss on unlisted equity securities	130	–
Impairment loss on trade receivables	300	–

7 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2008 $'000	2007 $'000
Current tax		
PRC corporate income tax for the year	2,395	2,407
Under-provision in respect of prior years	74	14
	2,469	2,421
Deferred tax		
Origination and reversal of temporary differences	200	–
	2,669	2,421

(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 year as the Group did not generate any income subject to Hong Kong Profits Tax during the years presented.

(iii) *PRC corporate income tax*

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC Foreign Enterprise Income Tax ("FEIT") (effective prior to 1 January 2008)/Corporate Income Tax ("CIT") (effective from 1 January 2008) of the Group is calculated based on the following rates:

	Note	2008	2007
Tian Jin CMT Industry Company Limited ("CMT")	(1)	15%	15%
Suzhou CMS Machinery Company Limited ("CMS")	(1)	15%	10%
CMW (Tianjin) Industry Company Limited ("CMWT")	(2)	0%	0%
Suzhou CMB Machinery Company Limited ("CMB")	(3)	N/A	N/A

7 INCOME TAX *(CONTINUED)*

(a) Taxation in the consolidated income statement represents: *(Continued)*

(iii) PRC corporate income tax

Notes:

(1) In 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 year ended 31 December 2008. In 2007, CMT and CMS were subject to FEIT at the rate of 15% applicable to High and New Technology Enterprises located in the Tianjin Hi-Tech District and Suzhou Hi-Tech District respectively in the PRC. Furthermore, CMS was regarded as an "Advanced Technology Enterprise with Foreign Investment" and therefore granted a further reduced FEIT rate of 10% by the local tax authority in Suzhou.

(2) Being a production-oriented foreign investment enterprise, CMWT commenced its tax holiday in 2007. As such, CMWT was exempted from FEIT/CIT in 2007 and 2008.

(3) No provision for FEIT/CIT has been made by CMB as it did not have assessable profits during the current and prior years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the CIT Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, the State Council released the Implementation Rules to the CIT Law on 6 December 2007, and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa 2007 No. 39) ("Notice 39") on 26 December 2007.

According to the New Tax Law, effective 1 January 2008, the standard income tax rate for PRC enterprises is reduced from 33% to 25%. Further, according to the Notice 39, production-oriented foreign investment enterprises can continue to enjoy the tax holiday which have been previously granted by the local tax authorities during a 5-year transition period (i.e. from 2008 to 2012).

In addition, pursuant to the New Tax Law of the PRC effective on 1 January 2008 and the Implementation Rules to the New Tax 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 INCOME TAX *(CONTINUED)*

(b) Reconciliation between actual tax expense and accounting profit at applicable tax rates:

	2008 $'000	2007 $'000
Profit before taxation	32,850	35,141
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	4,429	4,103
Income and expenses not subject to tax	(178)	(344)
Tax effect of distributable profits of subsidiaries	200	–
Tax effect of unused tax losses not recognised	56	–
Under-provision in respect of prior years	74	14
Tax effect of tax concessions	(1,912)	(1,352)
Actual tax expense	2,669	2,421

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Contributions to retirement benefit schemes $'000 (note 28(a))	Bonus $'000	2008 Total $'000
Executive directors					
Mr Ho Ming-Shiann	51	–	–	–	51
Mr Guu Herng-Chang	51	110	–	146	307
Mr Tsao Ming-Hong	51	–	–	–	51
Mr Wu Cheng-Tao	51	–	–	–	51
Non-executive director					
Mr Christian Odgaard Pedersen	26	–	–	–	26
Independent non-executive directors					
Mrs Chiu Lin Mei-Yu	19	–	–	–	19
Mr Hsu Shan-Ko	19	–	–	–	19
Dr Wong Tin Yau, Kelvin	19	–	–	–	19
Total	287	110	–	146	543

8 DIRECTORS' REMUNERATION *(CONTINUED)*

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows: *(Continued)*

	Directors' fees $'000	Basic salaries, allowances and other benefits $'000	Contributions to retirement benefit schemes $'000 (note 28(a))	Bonus $'000	2007 Total $'000
Executive directors					
Mr Ho Ming-Shiann	51	–	–	–	51
Mr Guu Herng-Chang	51	121	–	133	305
Mr Tsao Ming-Hong	51	–	–	–	51
Mr Wu Cheng-Tao	51	–	–	–	51
Non-executive director					
Mr Christian Odgaard Pedersen	26	–	–	–	26
Independent non-executive directors					
Mrs Chiu Lin Mei-Yu	19	–	–	–	19
Mr Hsu Shan-Ko	19	–	–	–	19
Dr Wong Tin Yau, Kelvin	19	–	–	–	19
Total	287	121	–	133	541

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2007: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2007: four) individuals are as follows:

	2008 ***$'000***	2007 *$'000*
Basic salaries, allowances and other benefits	**281**	242
Bonuses	**176**	185
	457	427

The emoluments of the four (2007: four) individuals with the highest emoluments are within the following bands:

	2008 Number of individuals	2007 Number of individuals
Nil to HK$1,000,000 (US$128,205 equivalent)	**3**	3
HK$1,000,001 (US$128,206 equivalent) to HK$1,500,000 (US$192,308 equivalent)	**1**	1
	4	4

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $11,377,000 (2007: $6,298,000) which has been dealt with in the financial statements of the Company.

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2008	2007
	$'000	*$'000*
Interim dividend declared and paid of 0.53 cents (2007: 0.43 cents) per ordinary share	**5,457**	4,461
Final dividend proposed after the balance sheet date of 0.28 cents (2007: 0.46 cents) per ordinary share	**2,825**	4,736
	8,282	9,197

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

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

	2008	2007
	$'000	*$'000*
Final dividend in respect of previous financial year, approved and paid during the year of 0.46 cents (2007: 0.35 cents) per ordinary share	**4,736**	3,631

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to the Company's ordinary equity shareholders of $28,135,000 (2007: $30,659,000) and the weighted average number of 1,028,148,426 (2007: 1,036,491,255) ordinary shares in issue during the year, calculated as follows:

	Number of shares	
	2008	2007
Issued ordinary shares at 1 January	**1,032,822,000**	1,037,500,000
Effect of shares repurchased *(note 25(b))*	**(4,673,574)**	(1,008,745)
Weighted average number of ordinary shares at 31 December	**1,028,148,426**	1,036,491,255

12 EARNINGS PER SHARE *(CONTINUED)*

(b) Diluted earnings per share

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares during the years ended 31 December 2008 and 2007.

13 SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

No business segment information is presented as all the Group's turnover and operating results are generated from the design, development, manufacture and sale of customised metal castings.

(b) Geographical segments

The Group's geographical segments are classified according to the location of customers. There are four customer-based geographical segments. The PRC is the major market of the Group's business. Segment revenue from external customers by location of customers is analysed as follows:

	2008 ***$'000***	2007 *$'000*
The PRC	**102,390**	88,212
United States of America	**65,895**	63,471
Japan	**23,739**	20,332
Others	**13,068**	8,529
	205,092	180,544

Most of the assets of the Group are located in the PRC. Accordingly, no geographical segment analysis based on the location of assets is presented.

14 FIXED ASSETS

The Group

	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment, furniture and fixtures	Sub-total	Interests in leasehold land held for own use under operating leases	Total fixed assets
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:								
At 1 January 2007	29,867	4,277	114,722	1,815	6,234	156,915	5,666	162,581
Exchange adjustments	2,065	329	9,154	126	431	12,105	383	12,488
Additions	-	1,651	763	514	1,582	4,510	-	4,510
Transfer from construction in progress *(note 15)*	2,500	926	7,398	-	-	10,824	-	10,824
Disposals	(267)	(2,409)	(1,810)	(223)	(225)	(4,934)	-	(4,934)
At 31 December 2007	34,165	4,774	130,227	2,232	8,022	179,420	6,049	185,469
Accumulated amortisation and depreciation:								
At 1 January 2007	3,534	2,126	29,969	722	2,520	38,871	624	39,495
Exchange adjustments	300	233	2,913	60	212	3,718	47	3,765
Charge for the year	952	1,771	11,136	267	980	15,106	117	15,223
Written back on disposal	(44)	(2,409)	(886)	(191)	(135)	(3,665)	-	(3,665)
At 31 December 2007	4,742	1,721	43,132	858	3,577	54,030	788	54,818
Carrying amount:								
At 31 December 2007	29,423	3,053	87,095	1,374	4,445	125,390	5,261	130,651

14 FIXED ASSETS *(CONTINUED)*

The Group *(Continued)*

	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment, furniture and fixtures	Sub-total	Interests in leasehold land held for own use under operating leases	Total fixed assets
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:								
At 1 January 2008	34,165	4,774	130,227	2,232	8,022	179,420	6,049	185,469
Exchange adjustments	2,363	363	10,226	154	555	13,661	418	14,079
Additions	369	504	432	67	626	1,998	-	1,998
Transfer from construction in progress *(note 15)*	161	-	8,477	169	310	9,117	-	9,117
Disposals	-	(954)	(471)	(174)	(239)	(1,838)	-	(1,838)
At 31 December 2008	37,058	4,687	148,891	2,448	9,274	202,358	6,467	208,825
Accumulated amortisation and depreciation:								
At 1 January 2008	4,742	1,721	43,132	858	3,577	54,030	788	54,818
Exchange adjustments	343	150	3,650	64	265	4,472	57	4,529
Charge for the year	1,080	1,198	11,820	324	1,306	15,728	128	15,856
Written back on disposal	-	(1,030)	(360)	(127)	(125)	(1,642)	-	(1,642)
At 31 December 2008	6,165	2,039	58,242	1,119	5,023	72,588	973	73,561
Carrying amount:								
At 31 December 2008	30,893	2,648	90,649	1,329	4,251	129,770	5,494	135,264

Leasehold land and buildings are located in the PRC. The Group was granted the rights to use the leasehold land on which the Group's factories are erected under medium term leases.

15 CONSTRUCTION IN PROGRESS

	The Group	
	2008	2007
	$'000	*$'000*
Cost:		
At 1 January	**6,740**	5,125
Exchange adjustments	**574**	407
Additions	**38,472**	12,032
Transfer to fixed assets *(note 14)*	**(9,117)**	(10,824)
At 31 December	**36,669**	6,740

As at 31 December 2008, the Group had three production lines under construction. Included in the construction in progress is capital expenditure incurred for the construction of these production lines totalling $33,223,000 (2007: $292,000) which are scheduled to complete in periods through 2009.

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	$'000	*$'000*
Unlisted shares, at cost	**112,483**	116,683

The following list sets out the details of the subsidiaries as at 31 December 2008. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by subsidiary %	Principal activity
Capital Charm Associates Limited	British Virgin Islands/Taiwan	$162	100	100	–	Investment holding
CMB (Hong Kong) Company Limited	Hong Kong/ Taiwan	HK$39,000,000	51	51	–	Trading of casting products
CMP (Hong Kong) Industry Company Limited	Hong Kong/ Taiwan	HK$162,203,000	100	–	100	Investment holding
CMTS (Cayman Islands) Industry Company Limited	Cayman Islands/ Taiwan	$21,520,000	100	–	100	Investment holding
Tian Jin CMT Industry Company Limited	PRC	$30,000,000	100	–	100	Manufacturing and sale of casting products
Suzhou CMS Machinery Company Limited	PRC	$24,000,000	100	–	100	Manufacturing and sale of casting products
CMW (Cayman Islands) Co., Ltd.	Cayman Islands/ Taiwan	$35,000,000	70	70	–	Investment holding and trading of casting products
CMW (Tianjin) Industry Co., Ltd	PRC	$32,000,000	70	–	100	Manufacturing and sale of casting products
Suzhou CMB Machinery Co., Ltd	PRC	$5,000,000	51	–	51	Manufacturing and sale of casting products

17 OTHER FINANCIAL ASSETS

	The Group	
	2008	2007
	$'000	*$'000*
Unlisted equity securities outside Hong Kong, at cost	**431**	500
Less: impairment loss	**(130)**	–
	301	500

There is no quoted market price for unlisted equity securities outside Hong Kong held by the Group and accordingly a reasonable estimate of the fair value could not be made without incurring excessive costs.

As at 31 December 2008 the Group's unlisted equity securities were individually determined to be impaired on the basis of a material decline in their estimated future cash flows which indicated that the cost of the Group's investment in them may not be entirely recovered. Impairment losses on these investments were included in "administrative expenses" in the consolidated income statement and were recognised in profit or loss in accordance with the policy set out in note 1(g)(i).

18 INVENTORIES

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Raw materials	**8,141**	7,989	**–**	–
Work in progress	**5,709**	6,781	**–**	–
Finished goods	**17,159**	16,840	**5,300**	4,513
Others	**2,669**	1,919	**–**	–
	33,678	33,529	**5,300**	4,513

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	$'000	*$'000*
Carrying amount of inventories sold	**156,388**	129,154

19 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**46,137**	53,933	**16,243**	17,603
Bills receivable	**761**	2,445	**–**	–
Other receivables, deposits and prepayments	**6,524**	8,765	**2,805**	1,577
	53,422	65,143	**19,048**	19,180

All of the trade and other receivables are expected to be recoverable within one year.

Included in trade receivables are amounts due from related companies of $2,130,000 (2007: $2,975,000), details of which are disclosed in note 29(b).

(a) Ageing analysis

An ageing analysis of trade receivables and bills receivable (net of allowance for impairment of doubtful debts), with the following ageing analysis:

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Current and less than 3 months past due	**45,576**	55,119	**15,072**	16,508
3 to 12 months past due	**1,015**	734	**875**	570
12 to 24 months past due	**307**	525	**296**	525
	46,898	56,378	**16,243**	17,603

Trade receivables and bills receivable are due within 60 to 120 days from the date of billing. Further details on the Group's credit policy are set out in note 27(a).

19 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see note 1(g)(i)).

The movements in the allowance for doubtful debts during the year, including both specific and collective loss components, are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
At 1 January	**–**	–	**–**	–
Impairment loss recognised	**300**	–	**–**	–
At 31 December	**300**	–	**–**	–

At 31 December 2008, the Group's trade receivables and bills receivable of $300,000 (2007: $Nil) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that the prospect of recovery of these receivables is remote. Consequently, specific allowances for doubtful debts of $300,000 (2007: $Nil) were recognised. The Group does not hold any collateral over these balances.

(c) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	*$'000*	***$'000***	*$'000*
Neither past due nor impaired	**41,814**	54,319	**14,211**	16,170
Less than 3 months past due	**3,762**	800	**861**	338
3 to 12 months past due	**1,015**	734	**875**	570
12 to 24 months past due	**307**	525	**296**	525
	5,084	2,059	**2,032**	1,433
	46,898	56,378	**16,243**	17,603

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	**5,323**	10,328	**712**	969
Deposits with banks	**10,673**	10,632	**8,973**	10,084
	15,996	20,960	**9,685**	11,053

21 BANK LOANS

At 31 December 2008, unsecured bank loans were repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Within 1 year or on demand	**10,798**	8,847	**9,334**	3,713

At 31 December 2008, the Group had banking facilities totalling $31,000,000 (2007: $26,000,000) which were utilised to the extent of $9,334,000 (2007: $3,713,000).

22 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade payables	**12,248**	15,521	**–**	–
Bills payable	**4,238**	11,073	**–**	–
Other payables	**8,235**	9,293	**1,882**	1,109
	24,721	35,887	**1,882**	1,109

All of the trade and other payables are expected to be settled within one year.

Bills payable of $4,238,000 (2007: $9,192,000) as at 31 December 2008 were secured by bank deposits of $770,000 (2007: $1,285,000).

An ageing analysis of trade payables and bills payable as of the balance sheet date is as follows:

	The Group	
	2008	2007
	$'000	$'000
Due within 1 month or on demand	**12,251**	6,772
Due after 1 month but within 3 months	**4,166**	17,695
Due after 3 months but within 6 months	**65**	1,944
Due after 6 months or more	**4**	183
	16,486	26,594

23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEET

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2008	2007
	$'000	$'000
Provision for PRC corporate income tax for the year	**2,395**	2,407
PRC corporate income tax paid	**(3,360)**	(1,708)
PRC corporate income tax (recoverable)/payable	**(965)**	699

(b) Deferred tax liabilities recognised:

The deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Distributable profits of subsidiaries *$'000*
At 1 January 2007 and 2008	–
Charged to profit or loss	200
At 31 December 2008	200

(c) Deferred tax assets not recognised

The Group has not recognised deferred tax assets in respect of tax losses of $226,000 (2007: $Nil) as it is not probable that future taxable profits against which the tax losses can be utilised in the relevant tax jurisdiction and entity. The tax losses expire in 2013 under the current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2008, deferred tax liabilities not recognised in respect of temporary differences relating to the undistributed profits of subsidiaries amounted to $12,251,000 (2007: $Nil). Deferred tax liabilities of $1,136,000 (2007: $Nil) have not been recognised in respect of the tax payable upon 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.

24 AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

25 SHARE CAPITAL

(a) Authorised and issued share capital

	2008 Number of shares *(thousand)*	2008 *$'000*	2007 Number of shares *(thousand)*	2007 *$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**12,853**	10,000,000	12,853
Issued:				
At 1 January	**1,032,822**	**1,328**	1,037,500	1,333
Shares repurchased and cancelled	**(16,964)**	**(22)**	(4,678)	(5)
	1,015,858	**1,306**	1,032,822	1,328

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(b) Repurchase of own shares

During the year ended 31 December 2008, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

Period	*Note*	**Number of shares repurchased**	**Highest price paid per share** *HK$*	**Lowest price paid per share** *HK$*	**Aggregate price paid** *$'000*
December 2007	(i)	2,806,000	2.65	2.23	878
January 2008	(ii)	360,000	2.23	1.90	100
September 2008	(ii)	1,560,000	1.20	1.00	214
October 2008	(ii)	3,362,000	1.18	0.78	405
November 2008	(ii)	8,490,000	0.86	0.62	792
1-14 December 2008	(ii)	386,000	0.96	0.86	45
		16,964,000			2,434
15-31 December 2008	(iii)	164,000	1.00	0.85	19
		17,128,000			2,453

25 SHARE CAPITAL *(CONTINUED)*

(b) Repurchase of own shares *(Continued)*

Notes:

(i) The repurchased shares were pending for cancellation at 31 December 2007 and the amount paid on the repurchase of the shares of $878,000 was charged to the share repurchase reserve. The repurchased shares were cancelled on 7 January 2008 and 14 January 2008. 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 $4,000 was transferred from retained profits to the capital redemption reserve. The par value of the shares cancelled of $4,000 and the premium paid on the repurchased shares of $874,000 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 $18,000 was transferred from retained profits to the capital redemption reserve. The premium paid on the repurchase of the shares of $1,538,000 was charged to share premium.

(iii) The repurchased shares were pending for cancellation at 31 December 2008 and the amount paid on the repurchase of the shares of $19,000 was charged to the share repurchase reserve. The repurchased shares were subsequently cancelled on 16 January 2009.

(c) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group actively and regularly monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes bank loans and trade and other payables) less cash and cash equivalents. Capital comprises all components of equity.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the net debt-to-capital ratio at a rate not more than 45%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends payable to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

25 SHARE CAPITAL *(CONTINUED)*

(c) Capital management *(Continued)*

The net debt-to-equity ratio at 31 December 2008 and 2007 was as follows:

	Note	**2008** **$'000**	2007 $'000
Current liabilities			
Bank loans	21	**10,798**	8,847
Trade and other payables	22	**24,721**	35,887
Total debts		**35,519**	44,734
Less: Cash and cash equivalents	20	**(15,996)**	(20,960)
Net debt		**19,523**	23,774
Total equity		**242,940**	215,224
Net debt-to-equity ratio		**8%**	11%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

(Expressed in United States dollars unless otherwise indicated)

26 RESERVES

Movements in reserves during the year are set out below:

(i) The Group

	Attributable to equity shareholders of the Company									
	Share premium $'000 (note (a))	Capital redemption reserve $'000 (note (b))	Statutory surplus reserve $'000 (note (c))	Exchange fluctuation reserve $'000 (note (d))	Other reserve $'000 (note (e))	Share repurchase reserve $'000 (note (f))	Retained profits $'000	Total $'000	Minority interests $'000	Total equity $'000
At 1 January 2007	48,878	-	5,945	6,126	34,920	-	69,838	165,707	15,364	181,071
Dividends approved in respect of the previous year	-	-	-	-	-	-	(3,631)	(3,631)	-	(3,631)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	7,634	-	-	-	7,634	709	8,343
Capital contribution from minority shareholders	-	-	-	-	-	-	-	-	2,450	2,450
Profit for the year	-	-	-	-	-	-	30,659	30,659	2,061	32,720
Purchase and cancellation of own shares:										
- premium paid	(1,718)	-	-	-	-	-	-	(1,718)	-	(1,718)
- transfer between reserves	-	5	-	-	-	-	(5)	-	-	-
Repurchase of own shares pending for cancellation	-	-	-	-	-	(878)	-	(878)	-	(878)
Transfer to statutory reserve	-	-	1,096	-	-	-	(1,096)	-	-	-
Dividends declared in respect of the current year	-	-	-	-	-	-	(4,461)	(4,461)	-	(4,461)
At 31 December 2007	47,160	5	7,041	13,760	34,920	(878)	91,304	193,312	20,584	213,896

26 RESERVES *(CONTINUED)*

Movements in reserves during the year are set out below: *(Continued)*

(i) The Group *(Continued)*

	Attributable to equity shareholders of the Company									
	Share premium	Capital redemption reserve	Statutory surplus reserve	Exchange fluctuation reserve	Other reserve	Share repurchase reserve	Retained profits	Total	Minority interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
	(note (a))	*(note (b))*	*(note (c))*	*(note (d))*	*(note (e))*	*(note (f))*				
At 1 January 2008	47,160	5	7,041	13,760	34,920	(878)	91,304	193,312	20,584	213,896
Dividends approved in respect of the previous year	-	-	-	-	-	-	(4,736)	(4,736)	-	(4,736)
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	-	-	-	8,490	-	-	-	8,490	813	9,303
Profit for the year	-	-	-	-	-	-	28,135	28,135	2,046	30,181
Purchase and cancellation of own shares:										
– premium paid	(2,412)	-	-	-	-	878	-	(1,534)	-	(1,534)
– transfer between reserves	-	22	-	-	-	-	(22)	-	-	-
Repurchase of own shares pending for cancellation	-	-	-	-	-	(19)	-	(19)	-	(19)
Transfer to statutory reserve	-	-	3,970	-	-	-	(3,970)	-	-	-
Dividends declared in respect of the current year	-	-	-	-	-	-	(5,457)	(5,457)	-	(5,457)
At 31 December 2008	44,748	27	11,011	22,250	34,920	(19)	105,254	218,191	23,443	241,634

(Expressed in United States dollars unless otherwise indicated)

26 RESERVES *(CONTINUED)*

(ii) The Company

	Share premium $'000 (note (a))	Capital redemption reserve $'000 (note (b))	Share repurchase reserve $'000 (note (f))	Contributed surplus $'000 (note (g))	Retained profits $'000	Total $'000
At 1 January 2007	48,878	–	–	74,653	13,155	136,686
Dividends approved in respect of previous year	–	–	–	–	(3,631)	(3,631)
Purchase and cancellation of own shares:						
– premium paid	(1,718)	–	–	–	–	(1,718)
– transfer between reserves	–	5	–	–	(5)	–
Repurchase of own shares pending for cancellation	–	–	(878)	–	–	(878)
Profit for the year	–	–	–	–	6,298	6,298
Dividends declared in respect of the current year	–	–	–	–	(4,461)	(4,461)
At 31 December 2007	47,160	5	(878)	74,653	11,356	132,296
At 1 January 2008	47,160	5	(878)	74,653	11,356	132,296
Dividends approved in respect of previous year	–	–	–	–	(4,736)	(4,736)
Purchase and cancellation of own shares:						
– premium paid	(2,412)	–	878	–	–	(1,534)
– transfer between reserves	–	22	–	–	(22)	–
Repurchase of own shares pending for cancellation	–	–	(19)	–	–	(19)
Profit for the year	–	–	–	–	11,377	11,377
Dividends declared in respect of the current year	–	–	–	–	(5,457)	(5,457)
At 31 December 2008	44,748	27	(19)	74,653	12,518	131,927

26 RESERVES *(CONTINUED)*

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law (2007 Revision) of the Cayman Islands, the funds in the share premium account of the Company are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of the business.

(b) Capital redemption reserve

Capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.

(c) Statutory surplus reserve

The subsidiaries in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting rules and regulations, to statutory surplus reserve until the reserve balance reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholders or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of their registered capital.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(s).

(e) Other reserve

Other reserve represents the difference between the contributed capital of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange therefor.

(f) Share repurchase reserve

Share repurchase reserve represents the amount paid on the repurchase of shares during the year but the shares were not yet cancelled as at the balance sheet date.

(g) Contributed surplus

Pursuant to the reorganisation in 2004, the Company became the holding company of the Group on 8 December 2004. The excess of the consolidated net assets represented by the shares acquired over the nominal value of the shares issued by the Company in exchange under the reorganisation was transferred to contributed surplus.

(h) Distributability of reserves

As at 31 December 2008, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $131,927,000 (2007: $132,296,000).

27 FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and exposures to these credit risks are monitored on an ongoing basis.

Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 60 to 120 days from the date of billing except for receivables related to moulds development which are not due until the mass production of related products. Normally, the Group does not obtain collateral from customers.

Cash and cash equivalents are normally placed with licensed banks that have a credit rating. Given their high credit ratings, management does not expect any licensed bank to fail to meet its obligations.

At the balance sheet date, the Group had a certain concentration of credit risk as 44% (2007: 51%) of the total trade and other receivables was due from the Group's five largest customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 19.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Company also monitors closely the cash flows of its subsidiaries. Generally, the Company's subsidiaries are required to obtain the Company's approval for activities such as investment of surplus cash, raising of loans and fixed asset acquisitions beyond certain limits.

27 FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Liquidity risk *(Continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivatives financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Company can be required to pay:

The Group

	2008			2007		
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Bank loans	10,798	(10,838)	(10,838)	8,847	(8,934)	(8,934)
Trade and other payables	24,721	(24,721)	(24,721)	35,887	(35,887)	(35,887)
	35,519	(35,559)	(35,559)	44,734	(44,821)	(44,821)

	2008		2007	
	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Derivatives settled gross:				
Forward foreign exchange contracts used as economic hedges:				
– outflow	(2,801)	(2,801)	(23,600)	(23,600)
– inflow	2,914	2,914	23,359	23,359

The Company

	2008			2007		
	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000	Carrying amount $'000	Total contractual undiscounted cash flow $'000	Within 1 year or on demand $'000
Bank loans	9,334	(9,342)	(9,342)	3,713	(3,750)	(3,750)
Trade and other payables	1,882	(1,882)	(1,882)	1,109	(1,109)	(1,109)
	11,216	(11,224)	(11,224)	4,822	(4,859)	(4,859)

27 FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Liquidity risk *(Continued)*

The Company *(Continued)*

	2008 Total contractual undiscounted cash flow $'000	2008 Within 1 year or on demand $'000	2007 Total contractual undiscounted cash flow $'000	2007 Within 1 year or on demand $'000
Derivatives settled gross:				
Forward foreign exchange contracts used as economic hedges:				
– outflow	(2,801)	(2,801)	–	–
– inflow	2,914	2,914	–	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from and interest-bearing borrowings. The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's borrowings at the balance sheet date:

	The Group 2008 Effective interest rate p.a. %	The Group 2008 $'000	The Group 2007 Effective interest rate p.a. %	The Group 2007 $'000	The Company 2008 Effective interest rate p.a. %	The Company 2008 $'000	The Company 2007 Effective interest rate p.a. %	The Company 2007 $'000
Fixed rate borrowings:								
Bank loans	5.04%	1,464	5.91%	684	-	-	-	-
Variable rate borrowings:								
Bank loans	1.60%	9,334	5.84%	8,163	1.60%	9,334	5.57%	3,713
Total borrowings		10,798		8,847		9,334		3,713
Fixed rate borrowings as a percentage of total borrowings		13.56%		7.73%		-		-

(ii) Sensitivity analysis

At 31 December 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately $47,000 (2007: $44,000).

The sensitivity analysis above includes the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The analysis is performed on the same basis for 2007.

27 FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk

The Group is exposed to currency risk primarily through sales, borrowings and bank deposits that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars, Euros, Japanese Yen, Hong Kong Dollars and Taiwan Dollars.

The foreign currency exposure is kept to an acceptable level by entering into forward foreign exchange contracts and they are usually matched with anticipated future cash flows in foreign currencies. The net fair value of forward foreign exchange contracts used by the Group as economic hedges of monetary assets and liabilities in foreign currencies at 31 December 2008 was $114,000 (2007: $321,000).

In respect of trade receivables and bank loans held in currencies other than the functional currency of the operations to which they relate, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government. As at 31 December 2008, the Group had bank deposits denominated in Renminbi, amounted to $4,612,000 (2007: $8,759,000).

(i) Exposure to currency risk

The following table details the Group and the Company's exposure at the balance sheet date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008					2007				
	United States Dollars '000	Euros '000	Japanese Yen '000	Hong Kong Dollars '000	Taiwan Dollars '000	United States Dollars '000	Euros '000	Japanese Yen '000	Hong Kong Dollars '000	Taiwan Dollars '000
Trade and other receivables	1,310	1,087	-	3	5	1,262	2,361	408	-	3,175
Cash and cash equivalents	621	1,689	30	616	2,646	2,217	227	1,917	1,369	936
Trade and other payables	(80)	(116)	(13,012)	(1,746)	(1,621)	-	(16)	(1,860)	-	-
Inter-company payable within the Group	(66,663)	-	-	-	-	(50,682)	-	-	-	-
Bank loans	-	-	(760,115)	-	-	(4,450)	(2,521)	-	-	-
Gross exposure arising from recognised assets and liabilities	(64,812)	2,660	(773,097)	(1,127)	1,030	(51,653)	51	465	1,369	4,111
Notional amounts of forward exchange contracts used as economic hedges	-	-	66,799	-	-	(15,800)	-	-	-	-
Overall net exposure	(64,812)	2,660	(706,298)	(1,127)	1,030	(67,453)	51	465	1,369	4,111

(Expressed in United States dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk (Continued)

The Company

	2008				2007			
	Euros '000	Japanese Yen '000	Hong Kong Dollars '000	Taiwan Dollars '000	Euros '000	Japanese Yen '000	Hong Kong Dollars '000	Taiwan Dollars '000
Trade and other receivables	755	-	3	5	1,021	-	-	1,140
Cash and cash equivalents	1,519	1	616	2,646	145	1,804	1,369	936
Trade and other payables	(16)	-	(1,746)	(1,621)	(16)	-	-	-
Bank loans	-	(760,115)	-	-	(2,521)	-	-	-
Gross exposure arising from recognised assets and liabilities	2,258	(760,114)	(1,127)	1,030	(1,371)	1,804	1,369	2,076
Notional amounts of forward exchanges contracts used as economic hedges	-	66,799	-	-	-	-	-	-
Overall net exposure	2,258	(693,315)	(1,127)	1,030	(1,371)	1,804	1,369	2,076

27 FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would have arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *$'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *$'000*
United States Dollars	5%	(2,862)	5%	(3,142)
	(5)%	2,862	(5)%	3,142
Japanese Yen	5%	(508)	5%	12
	(5)%	508	(5)%	(12)
Euros	5%	176	5%	2
	(5)%	(176)	(5)%	(2)
Hong Kong Dollars	5%	(7)	5%	9
	(5)%	7	(5)%	(9)
Taiwan Dollars	5%	2	5%	6
	(5)%	(2)	(5)%	(6)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous of effects on the profit after taxation and retained profit of each entity of the Group measured in the respective functional currencies, translated into United States dollars at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk as at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis has been performed on the same basis for 2007.

(Expressed in United States dollars unless otherwise indicated)

27 FINANCIAL INSTRUMENTS *(CONTINUED)*

(e) Equity price risk

The Group is exposed to equity price changes arising from investments in unquoted equity securities held for long term strategic purpose. All of the Group's unquoted investments are held for long term strategic purposes. Their performance is assessed at least bi-annually, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long term strategic plans.

(f) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

28 COMMITMENTS

Capital commitments

Capital commitments, representing purchase of property, plant and equipment, not provided for in the financial statements are as follows:

	2008 $'000	2007 $'000
Contracted for	14,125	1,912

29 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2008, 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. Birns Holding A/S ("Birn")	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 Co., Ltd. ("Yanmar")	Affiliated company

29 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 year are as follows:

	2008	2007
	$'000	*$'000*
Sales of goods to		
– Asahi	**51**	129
– Birn	**585**	70
– Fuzhou Xin Mi	**2,140**	668
– TRAS	**1,083**	962
– Yanmar	**20,116**	18,395
	23,975	20,224
Logistics service fees to		
– CMAI	**902**	1,185
– CMJ	**393**	359
	1,295	1,544
Reimbursement of expenses to		
– CMAI	**4,076**	5,421
– CMP	**112**	103
	4,188	5,524
Royalties to Yanmar	**-**	140

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 $46,000 (2007: $44,000) for the year ended 31 December 2008. 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.

In addition, remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of highest paid employees as disclosed in note 9, is as follows:

	2008	2007
	$'000	*$'000*
Short-term employee benefits	**2,479**	2,255

Total remuneration is included in "staff costs" (see note 6(b)).

29 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Amounts due from related companies

	2008 $'000	2007 $'000
Trade		
– Birn	200	–
– Fuzhou Xin Mi	313	91
– TRAS	–	42
– Yanmar	1,617	2,842
	2,130	2,975
Non-trade		
– CMAI	1,546	1,683
	3,676	4,658

All the other 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 31 December 2008.

(c) Amounts due to related companies

	2008 $'000	2007 $'000
CMP	5	33
CMJ	22	79
Dairitsu	71	71
Yanmar	–	141
	98	324

The amounts are unsecured, interest-free and are expected to be recovered within one year.

30 RETIREMENT BENEFITS SCHEME

Pursuant to the relevant labour rules and regulations in the PRC, the Group participates in defined contribution retirement benefit schemes (the "Schemes") organised by the relevant local government authorities in Tianjin and Suzhou whereby the Group is required to make contributions to the Schemes at the rate of 20% of the eligible employees' salaries. The local government authorities are responsible for the entire pension obligations payable to the retired employees.

Employees engaged by the Group in Taiwan are covered by the retirement schemes in Taiwan which are administered by CMP. As disclosed in note 29(a), CMP is responsible for the retirement liability of these persons and the Group is not obliged to incur any liability beyond the contribution.

The Group has no other material obligation for the payment of pension benefits beyond the annual contributions described above.

31 ACCOUNTING ESTIMATES AND JUDGEMENTS

The methods, estimates and judgements the management use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgements, on matters that are inherently uncertain. Certain critical accounting judgements in applying the Group's accounting policies are described below.

(a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The management reviews annually the useful life of an asset and its residual value, if any. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(b) Valuation of inventories

Inventories are stated at the lower of cost and net realisable value at balance sheet date. Net realisable value is determined on the basis of the estimated selling price less the estimated costs necessary to make the sale. The management estimates the net realisable value for finished goods and work-in-progress based primarily on the latest invoice prices and current market conditions.

(c) Allowance for impairment of doubtful debts

Allowance for impairment of doubtful debts is assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the management when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the allowance for impairment of doubtful debts would affect the profit or loss in future years.

(d) Impairment of fixed assets

Fixed assets are assessed at each balance sheet date to identify indications that they may be impaired. Such indications include physical damage of an item of fixed assets and a decrease in the revenue derived from an item of fixed assets. If any such indication exists, the recoverable amount of that fixed asset item is estimated. Changes in facts and circumstances may result in revisions to the conclusion of whether an indication of impairment exists and revised estimates of recoverable amounts, which would affect profit or loss in future years. The recoverable amount of a fixed asset item is based on value-in-use calculations. These calculations use cash flow projections based on reasonable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are transactions during the ordinary course of business, for which calculation of the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

32 NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 11.

(Expressed in United States dollars unless otherwise indicated)

33 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2008, the directors consider the immediate parent and ultimate controlling party of the Group to be United Elite Agents Limited, a company incorporated in the British Virgin Islands and China Metal Products Company Limited, a company listed and incorporated in Taiwan respectively. The ultimate controlling party produces financial statements available for public use.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application.

So far it has concluded that the adoption of them is unlikely to result in restatement of the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKFRS 8	Operating segments	1 January 2009

FIVE YEARS SUMMARY

(Expressed in United States dollars)

	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000
Assets and liabilities					
Non-current assets	76,271	107,365	128,711	137,891	172,234
Net current assets	47,226	51,102	53,693	77,333	70,906
Total assets less current liabilities	123,497	158,467	182,404	215,224	243,140
Non-current liabilities	(3,500)	–	–	–	(200)
NET ASSETS	119,997	158,467	182,404	215,224	242,940
Share capital	1,285	1,333	1,333	1,328	1,306
Reserves	118,712	147,759	165,707	193,312	218,191
Total equity attributable to equity shareholders of the Company	119,997	149,092	167,040	194,640	219,497
Minority interests	–	9,375	15,364	20,584	23,443
TOTAL EQUITY	119,997	158,467	182,404	215,224	242,940
Operating results					
Turnover	88,759	109,084	119,952	180,544	205,092
Profit from operations	19,605	24,133	21,879	36,087	32,850
Finance costs	(679)	(1,072)	(1,113)	(946)	-
Share of profit less losses of associate	38	–	–	–	-
Profit before taxation	18,964	23,061	20,766	35,141	32,850
Income tax	(1,115)	(472)	(1,097)	(2,421)	(2,669)
Profit for the year	17,849	22,589	19,669	32,720	30,181
Attributable to:					
Equity shareholders of the Company	17,849	22,589	19,688	30,659	28,135
Minority interests	–	–	(19)	2,061	2,046
Profit for the year	17,849	22,589	19,669	32,720	30,181
Earnings per share					
Basic (cents)	2.38	2.18	1.90	2.96	2.74

FIVE YEARS SUMMARY

(Expressed in United States dollars)

Note: The Company was incorporated in the Cayman Islands on 5 August 2004 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company became the holding company of the Group through the reorganisation on 8 December 2004.

The Group resulting from the reorganisation on 8 December 2004 is regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared on the basis that the Company has been treated as the holding company of the Group since 1 January 2002, rather than from 8 December 2004. Accordingly, the consolidated results of the Group for the five years ended 31 December 2008 have been prepared as if the group structure immediately after the reorganisation on 8 December 2004 had been in existence since 1 January 2002. This financial summary includes the consolidated results of the Company and its subsidiaries with effect from 1 January 2002 or since their respective dates of incorporation, whichever is a shorter period. The consolidated balance sheets at 31 December 2004, 2005, 2006, 2007 and 2008 are the combination of the balance sheets of the Company and its subsidiaries at 31 December 2004, 2005, 2006, 2007 and 2008. In the opinion of the Directors, the resulting consolidated financial statements give a more meaningful view of the results and state of affairs of the Group as a whole.