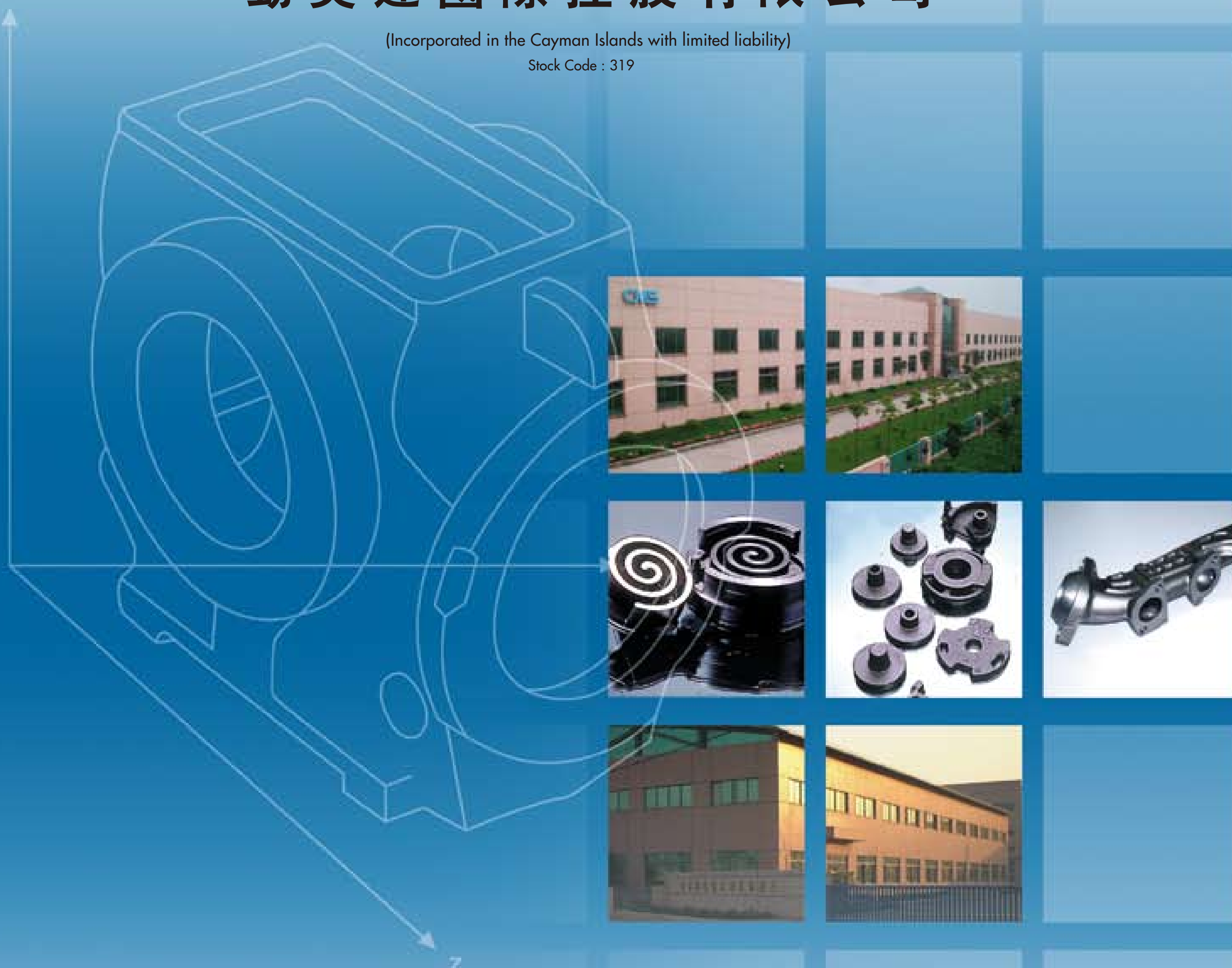
INTERNATIONAL HOLDINGS INC

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 2010

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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
50th Floor, Plaza 66
1266 Nanjing West Road
PRC

REGISTERED OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

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

STOCK CODE

319

WEBSITE

http://www.hkstockinfo.com/china_metal

CHAIRMAN'S STATEMENT

On behalf of the Board, I would like to present to the shareholders the annual results and audited consolidated financial statements of China Metal International Holdings Inc. (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 2010.

BUSINESS REVIEW

Having passed through the global financial turmoil in the year 2008 to 2009, global economy has gradual recovery in the year 2010. As a result thereof, the Group's operating results also has a very good performance in the year 2010.

For the year ended 31 December 2010, the Group's revenue reached US$244,290,000 (2009: US$152,226,000), representing a growth of 60.5%. Profits after tax reached US$31,202,000 (2009: US$21,303,000), representing a growth of 46.5%. Profits after tax and non-controlling interests reached US$30,612,000 (2009: US$20,022,000), representing a growth of 52.9%. Compared to the results for the year 2009, both revenue and profits after tax has a substantial growth. Due to global economic recovery, there was prominent increase in market demand which led to prominent increase in the sales of spare parts of three types of products, namely vehicles, mechanicals and compressors. Sales of vehicles spare parts increased by 66.7%, mechanicals spare parts increased by 75.9% and compressors spare parts increased by 25.5%.

As at 31 December 2010, earnings per share was US cent 3.05, representing an increase of 53.3% compared to US cent 1.99 in the year 2009.

After the financial tsunami in the year 2008 and to cope with the changing market environment, the Group's operating team work hard to improve various costs and risks control. On the finance side, the Group still upholds a steady and sound finance policy and will continue to maintain a more efficient financial ability. On the business side, the Group still work towards exploring new clients and developing new products. Up to now, the Group has obtained a number of new clients and new product development both in and out of the PRC and production and product delivery will take place in 2011 and 2012. It is believed this will have a very good contribution to the Group's operating results in the future.

A new production line will be added to CMW (Tianjin) Industry Company Limited ("CMWT") this year. Due to inadequate land area in the existing address of Suzhou CMB Machinery Company Limited, no casting production line could be set up. The Group has agreed with the Suzhou new district government to move to a new address and set up of the additional production line will be carried out this year so as to cope with the production operation of the newly developed business of the Group.

After the recent earthquake and tsunami in Japan, the Company has contacted the clients of the Group which situated in western Japan, and discovered that no significant impact has been made on their operation. Since the transportation between the Japan client and the Group were through the western Japan dock, therefore, the production and product delivery of the Company have not been affected. The Company will continue focusing on any future changes in relation therewith.

FINANCIAL PERFORMANCE

For the year ended 31 December 2010, the Group's revenue was US$244,290,000 and the profit distributable to shareholders was US$30,612,000.

FINAL DIVIDEND

The Board of Directors recommend the payment of a final dividend to the shareholders of US cent 0.68 (equivalent to HK cents 5.29) per share for the year ended 31 December 2010 to be paid on Friday, 20 May 2011 to the shareholders whose names appear on the register of members of the Company on Friday, 13 May 2011. Taking into account the interim dividend of US cent 0.45 per share (equivalent to HK cents 3.47), dividend per share for the whole year is US cents 1.13 (equivalent to HK cents 8.76).

APPRECIATION

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

Ho Ming-Shiann
Chairman

Hong Kong, 28 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's recorded turnover and profit attributable to shareholders for the year ended 31 December 2010 amounted to US$244,290,000 and US$30,612,000 respectively (2009: US$152,226,000 and US$20,022,000), representing a significant growth as compared to the same period in 2009. Compared to 2009, turnover from automotive parts and components were increased by about 66.7% year on year; turnover from mechanical parts were increased by about 75.9%; and turnover from compressor parts were increased by about 25.5%. Gross profit for the year ended 31 December 2010 amounted to approximately US$59,924,000 (2009: US$37,810,000), representing a gross profit margin of 24.5% (2009: 24.8%). Profit from operations for the year ended 31 December 2010 was approximately US$35,282,000 (2009: US$22,923,000) or 14.4% (2009: 15.1%) of recorded turnover.

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2010, the Group's unsecured bank loans amounted to US$23,982,000 (2009: US$7,015,000) and all were repayable within 1 year. At 31 December 2010, the Group's had total banking facilities amounting to approximately US$33,000,000 (2009: US$29,000,000) which were utilized to the extent of US$22,502,000 (2009: US$5,551,000). The Group's cash and cash equivalents amounted to US$21,620,000 (2009: US$18,878,000). The Group's current ratio is 1.9 (2009: 3) and the gearing ratio (a ratio of total loans to total assets) was 7.1% (2009: 2.5%).

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2010 was HK$10,043,320 divided into 1,004,332,000 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 financially 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.

As at 31 December 2010, earnings per share was US cents 3.05, representing an increase of 53.3% compared to US cents 1.99 in the year 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

On 29 June 2010, the Group entered into acquisition agreements with independent third parties to acquire the remaining 20% interests in CMW (Cayman Islands) Co., Ltd. ("CMW(C.I.)") at an aggregate consideration of US$28,880,000. Upon the completion of the acquisition on 29 June 2010, CMW(C.I.) became a wholly-owned subsidiary of the Group. Details of the acquisition are set out in the announcement of the Company dated 29 June 2010.

SEGMENTAL INFORMATION

As at 31 December 2010, details of segmental information of the Group is set out in note 14 to the annual financial statements.

EMPLOYEE BENEFITS

During the year ended 31 December 2010, the average number of employees of the Group was 3,674 (2009: 2,563). The Group's staff costs (excluding Directors' fees) amounted to US$18,856,000 (2009: US$10,838,000). 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, has been provided 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$59,000 to CMP as the Group's share of contribution to such retirement scheme (2009: US$44,000). The Group is not obliged to incur any liability beyond the contribution.

CHARGES ON ASSETS

As at 31 December 2010, bank deposits of US$4,630,000 (2009: US$1,156,000) were pledged to secure banking facilities granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue develop new business opportunities for the Group. The Group will set up one new production line in CMWT, which is scheduled to be completed by the third quarter of 2011.

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 rates fluctuation.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 2010 amounted to US$9,844,000 (2009: US$1,030,000).

CONTINGENT LIABILITIES

As at 31 December 2010, the Group has no material contingent liabilities.

FINAL DIVIDEND

The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 13 May 2011 a final dividend of US cent 0.68 per share (equivalent to HK cents 5.29), for the year ended 31 December 2010 to be paid on Friday, 20 May 2011 to the shareholders whose names appear on the Register of Members of the Company on Friday, 13 May 2011.

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 (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), which came into effect on 1 January 2005.

During the year ended 31 December 2010, 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 2010.

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") as set out in Appendix 10 to 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 19 to 24 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 Rules 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 of the Company (the "Articles").

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 2010, the Board held 6 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.

Name of Director	Number of attendance
Mr. HO Ming-Shiann	6/6
Mr. TSAO Ming-Hong	6/6
Mr. GUU Herng-Chang	6/6
Mr. WU Cheng-Tao	5/6
Mr. Christian Odgaard PEDERSEN	6/6
Dr. WONG Tin Yau, Kelvin	6/6
Mrs. CHIU LIN Mei-Yu	5/6
Mr. HSU Shan-Ko	3/6

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.

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 full Board 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 2010, 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 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 resource 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 2010, 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 the year 2010 and discussed the proposals for their remuneration package for 2010 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 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 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 2010, the Audit Committee held 4 meetings.

Name of member	Number of attendance
Dr. WONG Tin Yau, Kelvin	4/4
Mrs. CHIU LIN Mei-Yu	4/4
Mr. HSU Shan-Ko	4/4

AUDITOR'S 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 *RMB'000*
Audit services	1,640
Non-audit services	450
	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 2011 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 2010 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 website of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2010, 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 2010, 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 (the "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 2010.

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 2010 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 26 to 79.

An interim dividend of US cent 0.448 (equivalent to HK cents 3.472) 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 Friday, 13 May 2011 ("2011 AGM"), a final dividend of US cent 0.68 per share (equivalent to HK cents 5.29) for the year ended 31 December 2010 to be paid on Friday, 20 May 2011 to the shareholders whose names appear on the register of members of the Company on Friday, 13 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Wednesday, 11 May 2011 to Friday, 13 May 2011, 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 2011 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 Monday, 9 May 2011.

SHARE CAPITAL

Details of movements in the Company's share capital for to the year ended 31 December 2010 are set out in note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association of the Company (the "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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2010.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution to the shareholders amounted to approximately US$173,564,000 (2009: US$134,704,000).

REPORT OF THE DIRECTORS

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, Mrs. Chiu Lin Mei-Yu and Mr. Hsu Shan-Ko will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming 2011 AGM.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Director of the Company, an annual confirmation of the independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). 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 9.96% 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.

REPORT OF THE DIRECTORS

(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 as at 31 December 2010.

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

None of the Directors who are proposed for re-election at the forthcoming 2011 AGM 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 subsidiaries was a party during the year.

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

At 31 December 2010, 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 (the "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, 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	0.60%
Mr. Tsao Ming-Hong	Beneficial Interest	Long position	6,373,766	0.63%
	Family interest *(Note i)*	Long position	166,386	0.02%
Mr. Guu Herng-Chang	Beneficial interest	Long position	9,051,083	0.90%
Mr. Wu Cheng-Tao	Beneficial interest	Long position	8,081,435	0.80%
	Family interest *(Note ii)*	Long position	783,193	0.08%
Mr. Christian Odgaard Pedersen	Beneficial interest	Long position	1,500,000	0.15%
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 166,386 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 2010, so far as is known to the Directors and chief executives of the Company, the interests or short positions of substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

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

Name	Capacity	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
China Metal Products Company Limited ("CMP")	Controlled corporation	Long position	472,040,059	47.00%
United Elite Agents Limited ("UEA")	Beneficial interest *(Note)*	Long position	472,040,059	47.00%
Vald Birns Holding A/S	Beneficial Interest	Long position	102,298,922	10.19%

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

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2010.

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.

CONNECTED TRANSACTIONS

For the year ended 31 December 2010, the Group has the following connected transactions:

Continuing Connected Transactions

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

1. On 30 November 2009, the Company and China Metal Automotive International Co., Limited ("CMAI"), a non-wholly owned subsidiary of CMP, entered into a services agreement, pursuant to which, the Group has continued to appoint CMAI to provide logistic agency service to the Group for its sales in the US, Canada and Europe from 1 January 2010 to 31 December 2012.

   The annual cap for the fees payable by the Group to CMAI for the financial year ended 31 December 2010 is US$1,200,000.

   For the year ended 31 December 2010, the aggregate fees paid by the Group to CMAI amounted to US$1,116,973.

2. On 30 November 2009, 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 has continued to appoint CMJ to provide logistic agency services to the Group for its sales in Japan from 1 January 2010 to 31 December 2012.

   The annual cap for the fees payable by the Group to CMJ for the financial year ended 31 December 2010 is US$600,000.

   For the year ended 31 December 2010, the aggregate fees paid by the Group to CMJ amounted to US$405,803.

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, 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.

   The annual cap for sale of the Relevant Products to Birn for the year ended December 2010 is HK$9,900,000.

   For the year ended 31 December 2010, the sale of the Relevant Products amounted to approximately HK$6,436,036.84.

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.

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 12% and 41% respectively.

The largest supplier and the five largest suppliers of the Group accounted for approximately 13% and 34% of the total purchases of the Group respectively.

REPORT OF THE DIRECTORS

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 (the "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 the 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 2010.

AUDITORS

A resolution will be submitted to the 2011 AGM for the re-appointment of KPMG, as auditors of the Group.

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

Hong Kong, 28 March 2011

EXECUTIVE DIRECTORS

Mr. Ho Ming-Shiann, aged 64, is the chairman of the Company and a founder of the Group. He is a member of the Remuneration Committee of the Company (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 37 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.

There is no service agreement between the Company and Mr. Ho and no agreement in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to the engagement of Mr. Ho as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles of Association of the Company (the "Articles"). The emolument of Mr. Ho for the year ended 31 December 2010 is HK$400,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee of the Company (the "Remuneration Committee") with reference to the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Board of Directors of the Company (the "Board").

As at the date of this report, Mr. Ho is interested in i) 6,024,923 shares of the Company; and ii) the share options of the Company exercisable into 1,000,000 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Tsao Ming-Hong, aged 62, 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 36 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.

There is no service agreement entered into between the Company and Mr. Tsao and no agreement in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to the engagement of Mr. Tsao as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. The emolument of Mr. Tsao for the year ended 31 December 2010 is HK$400,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee with reference to the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Board.

As at the date of this report, Mr. Tsao is interested and deemed to be interested in i) 6,540,152 shares of the Company; and ii) the share options of the Company exercisable into 1,000,000 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 56, 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 29 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.

There is no service agreement between the Company and Mr. Guu and no agreement in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to the engagement of Mr. Guu as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. The emolument of Mr. Guu for the year ended 31 December 2010 is HK$400,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee of the Company (the "Remuneration Committee") with reference to the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Board.

As at the date of this report, Mr. Guu is interested in i) 9,051,083 shares of the Company; and ii) the share options of the Company exercisable into 1,000,000 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 43, 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 US 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.

There is no service agreement between the Company and Mr. Wu and no agreement in respect of the proposed length of service or prior notice to be given by either party for termination of service with regard to the engagement of Mr. Wu as an executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. The emolument of Mr. Wu for the year ended 31 December 2010 is HK$400,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee with reference to the prevailing market conditions. He is also entitled to an annual discretionary bonus, the amount of which will be determined by the Board.

As at the date of this report, Mr. Wu is interested and deemed to be interested in i) 8,864,628 shares of the Company; and ii) the share options of the Company exercisable into 600,000 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 64, was appointed as a non-executive Director of the Company 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 Vald. Birn Holding A/S and the chairman of the Vald. Birn Foundation. Mr. Pedersen is a board member of Jysk-Fynsk Kapitalanlag A/S and the chairman of Danspin A/S. Mr. Pedersen is also the vice chairman of the Faerch Foundations. Mr. Pedersen did not have any directorship in other listed companies in the past three years.

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 the engagement of Mr. Pedersen as a non-executive Director. He is subject to retirement by rotation at least once in every three years in accordance with the Articles. The emolument of Mr. Pedersen for the year ended 31 December 2010 is HK$200,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee of the Company with reference to the prevailing market conditions.

As at the date of this report, Mr. Pedersen is interested in i) 1,500,000 shares of the Company; and ii) the share options of the Company exercisable into 300,000 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 50, 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 the chairman of The Hong Kong Institute of Directors, a council advisor and past chairman of the Hong Kong Chinese Orchestra Limited, a member of the OECD/World Bank Asian Corporate Governance Roundtable, a member of the Main Board and GEM Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee of the Securities and Futures Commission, a member of the Appeal Board Panel (Town Planning), a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a council member of The Hong Kong Management Association, a member of The Board of Review (Inland Revenue Ordinance) and a board director of Business Environment Council. Dr. Wong obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business of Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong is 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 of Hong Kong Limited. He is also an independent non-executive director of CIG Yangtze Ports PLC and I.T Limited, an independent non-executive director and chairman of the audit committee of China ZhengTong Auto Services Holdings 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 of Hong Kong Limited. Save as disclosed above, Dr. Wong did not have any directorship in other listed companies in the past three years.

There is no specific term between the Company and Dr. Wong 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. The emolument of Dr. Wong for the year ended 31 December 2010 is HK$150,000 per annum, which is determined by the Board based on the recommendation from 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 i) 1,000,000 shares of the Company; and ii) the share options of the Company exercisable into 300,000 shares of the Company 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mrs. Chiu Lin Mei-Yu (also known as Mary Lin Chiu), aged 63, was appointed as an independent non-executive Director of the Company on 8 December 2004. She is also the chairman of the Remuneration Committee of the Company (the "Remuneration Committee") 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.

There is no specific term between the Company and Mrs. Chiu 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. The emolument of Mrs. Chiu for the year ended 31 December 2010 is HK$150,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee with reference to the prevailing market conditions.

As at the date of this report, Mrs. Chiu is interested in the share options of the Company exercisable into 300,000 shares of the Company within the meaning of Part XV of the SFO.

Mrs. Chiu 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 57, was appointed as an independent non-executive Director of the Company on 8 December 2004. He is also a member of each of the Audit Committee and the Remuneration Committee of the Company (the "Remuneration Committee). 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.

There is no specific term between the Company and Mr. Hsu 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. The emolument of Mr. Hsu for the year ended 31 December 2010 is HK$150,000 per annum, which is determined by the Board based on the recommendation from the Remuneration Committee with reference to the prevailing market conditions.

As at the date of this report, Mr. Hsu is interested in the share options of the Company exercisable into 300,000 shares of the Company within the meaning of Part XV of the SFO.

Mr. Hsu 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.

SENIOR MANAGEMENT'S BIOGRAPHIES

Ms. Chen Shun-Min (also known as Emily Chen), aged 51, 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 49, 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. Yen graduated from Shu-tech Junior Technology College in Taiwan, majoring in industrial engineering in 1988. Mr. Yen has more than 18 years of experience in casting industry. Mr. Yen 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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Kuo-Nien, aged 41, is the manager of the 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 production management division of CMS in November 2006.

Mr. Lee Chun-Chang, aged 50, 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 36, 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 39, 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 58, 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 26 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 55, 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. Wu Chin-Hsiu, aged 49, 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 57, 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 21 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 56, 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. Chang graduated from National Taipei University of Technology in Taiwan, majoring in mining and metallurgical engineering. Mr. Chang has more than 26 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. He was appointed as the vice president of CMT in 2011.

Mr. Jonathan LC Guu, aged 29, 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 41, is the manager of the casting division of CMWT. He is responsible for the administration and supervision of the production, R&D and quality control of the casting division of CMWT. Mr. Wu graduated from Lee-Ming Institute of Technology, majoring in machinery. Mr. Wu has more than 26 years of experience in casting industry. Mr. Wu joined the Group in 2007 and had held the manager of the casting division of CMS. He was appointed as the manager of the casting division of CMWT in 2008.

Mr. Wu Ching-long, aged 44, is the manager of the administration division of CMWT. He is responsible for the administration and supervision of the finance, human resources and purchasing of CMWT. 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. He was appointed as the manager of the administration division of CMWT in 2009.

Mr. Chen Hung-Yi, aged 38, 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.

Mr. Fang Kuang-Cheng, aged 56, is the chief engineer of CMWT. He is responsible for the execution of the overall business and the management of the production operations of the CMWT. Mr. Fang graduated from Chienhsin University of Technology in Taiwan, majoring in industrial engineering. Mr. Fang has more than 32 years of experience in casting industry. Mr. Chang joined the Group in 2010. He was appointed as the chief engineer of CMWT in 2010.

COMPANY SECRETARY

Mr. Tse Kam Fai, *ACIS, ACS, MHKIoD*, aged 47, 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 Company 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 16 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") and its subsidiaries (together the "Group") set out on pages 26 to 79, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, 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 CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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 and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 consolidated 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 2010 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

28 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Turnover	3 & 14	**244,290**	152,226
Cost of sales		**(184,366)**	(114,416)
Gross profit		**59,924**	37,810
Other revenue	4	**512**	275
Other net (loss)/income	5	**(252)**	514
Selling and distribution costs		**(15,808)**	(9,034)
Administrative expenses		**(9,094)**	(6,642)
Profit from operations		**35,282**	22,923
Finance costs	6(a)	**(232)**	–
Profit before taxation	6	**35,050**	22,923
Income tax	7	**(3,848)**	(1,620)
Profit for the year		**31,202**	21,303
Attributable to:			
Equity shareholders of the Company	11	**30,612**	20,022
Non-controlling interests		**590**	1,281
Profit for the year		**31,202**	21,303
Earnings per share	13		
Basic (cents)		**3.05**	1.99
Diluted (cents)		**N/A**	N/A

The notes on pages 34 to 79 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Profit for the year		31,202	21,303
Other comprehensive income for the year (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	10	6,051	–
Total comprehensive income for the year		37,253	21,303
Attributable to:			
Equity shareholders of the Company		36,302	20,022
Non-controlling interests		951	1,281
Total comprehensive income for the year		37,253	21,303

The notes on pages 34 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets			
– Property, plant and equipment	15	160,648	161,155
– Lease prepayments	15	5,416	5,366
Construction in progress	16	4,221	2,711
Other financial assets	18	112	216
		170,397	169,448
Current assets			
Inventories	19	43,154	29,497
Trade and other receivables	20	97,297	65,662
Amounts due from related companies	30(b)	693	878
Pledged bank deposits	23	4,630	1,156
Cash and cash equivalents	21	21,620	18,878
		167,394	116,071
Current liabilities			
Bank loans	22	23,982	7,015
Trade and other payables	23	62,401	30,375
Amounts due to related companies	30(c)	338	122
Current tax payable	24(a)	2,648	1,377
		89,369	38,889
Net current assets		78,025	77,182
Total assets less current liabilities		248,422	246,630
Non-current liabilities			
Deferred taxation	24(b)	107	107
NET ASSETS		248,315	246,523

The notes on pages 34 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
CAPITAL AND RESERVES			
Share capital	26	**1,291**	1,291
Reserves		**241,191**	227,526
Total equity attributable to equity shareholders of the Company		**242,482**	228,817
Non-controlling interests		**5,833**	17,706
TOTAL EQUITY		**248,315**	246,523

Approved and authorised for issue by the board of directors on 28 March 2011.

Ho Ming-Shiann
Director

Guu Herng-Chang
Director

The notes on pages 34 to 79 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Investments in subsidiaries	17	**156,210**	124,270
Current assets			
Inventories	19	**6,925**	5,737
Trade and other receivables	20	**28,545**	22,069
Amounts due from subsidiaries	25	**50,553**	43,464
Amounts due from related companies	30(b)	**444**	646
Cash and cash equivalents	21	**8,270**	8,758
		94,737	80,674
Current liabilities			
Bank loans	22	**22,502**	5,551
Trade and other payables	23	**566**	593
Amounts due to subsidiaries	25	**52,722**	62,696
Amounts due to related companies	30(c)	**302**	109
		76,092	68,949
Net current assets		**18,645**	11,725
NET ASSETS		**174,855**	135,995
CAPITAL AND RESERVES			
Share capital	26	**1,291**	1,291
Reserves	27	**173,564**	134,704
TOTAL EQUITY		**174,855**	135,995

Approved and authorised for issue by the board of directors on 28 March 2011.

Ho Ming-Shiann
Director

Guu Herng-Chang
Director

The notes on pages 34 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

(Expressed in United States dollars)

	Attributable to equity shareholders of the Company										
	Share Capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Other reserve $'000	Share repurchase reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2009	1,306	44,748	27	11,011	22,250	34,920	(19)	105,254	219,497	23,443	242,940
Changes in equity for 2009:											
Profit for the year	-	-	-	-	-	-	-	20,022	20,022	1,281	21,303
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-	20,022	20,022	1,281	21,303
Dividends approved in respect of the previous financial year *(note 12(b))*	-	-	-	-	-	-	-	(2,861)	(2,861)	-	(2,861)
Purchase and cancellation of own shares											
-par value paid	(15)	-	-	-	-	-	-	-	(15)	-	(15)
-premium paid	-	(1,245)	-	-	-	-	-	-	(1,245)	-	(1,245)
-transfer between reserves	-	-	15	-	-	-	-	(15)	-	-	-
Cancellation of repurchased shares in prior year	-	(19)	-	-	-	-	19	-	-	-	-
Transfer to statutory surplus reserve	-	-	-	825	-	-	-	(825)	-	-	-
Purchase of shares from non-controlling interests	-	-	-	-	-	(3,768)	-	-	(3,768)	(7,508)	(11,276)
Dividends approved in respect of the current financial year *(note 12(a))*	-	-	-	-	-	-	-	(2,813)	(2,813)	-	(2,813)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	490	490
Balance at 31 December 2009	1,291	43,484	42	11,836	22,250	31,152	-	118,762	228,817	17,706	246,523

The notes on pages 34 to 79 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to equity shareholders of the Company										
	Share Capital	Share premium	Capital redemption reserve	Statutory surplus reserve	Exchange fluctuation reserve	Other reserve	Share repurchase reserve	Retained profits	Sub-total	Non-controlling interests	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2010	1,291	43,484	42	11,836	22,250	31,152	-	118,762	228,817	17,706	246,523
Changes in equity for 2010:											
Profit for the year	-	-	-	-	-	-	-	30,612	30,612	590	31,202
Other comprehensive income	-	-	-	-	5,690	-	-	-	5,690	361	6,051
Total comprehensive income	-	-	-	-	5,690	-	-	30,612	36,302	951	37,253
Dividends approved in respect of the previous financial year *(note 12(b))*	-	-	-	-	-	-	-	(5,022)	(5,022)	-	(5,022)
Transfer to statutory surplus reserve	-	-	-	2,068	-	-	-	(2,068)	-	-	-
Purchase of shares from non-controlling interests	-	-	-	-	-	(13,116)	-	-	(13,116)	(15,764)	(28,880)
Dividends approved in respect of the current financial year *(note 12(a))*	-	-	-	-	-	-	-	(4,499)	(4,499)	-	(4,499)
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,940	2,940
Balance at 31 December 2010	1,291	43,484	42	13,904	27,940	18,036	-	137,785	242,482	5,833	248,315

The notes on pages 34 to 79 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

(Expressed in United States dollars)

	Note	2010 $'000	2009 $'000
Operating activities			
Profit before taxation		35,050	22,923
Adjustments for:			
– Amortisation of lease prepayments		135	129
– Depreciation		19,071	16,390
– Impairment loss on unlisted equity securities		–	17
– (Gain)/loss on disposal of fixed assets		(39)	10
– Interest income		(241)	(155)
– Finance costs		232	–
– Foreign exchange loss/(gain)		784	(324)
Operating profit before changes in working capital		54,992	38,990
(Increase)/decrease in inventories		(12,918)	4,192
Increase in trade and other receivables		(30,110)	(12,224)
Decrease in amounts due from related companies		185	668
Increase in amounts due to related companies		216	24
Increase in trade and other payables		27,541	5,641
Cash generated from operations		39,906	37,291
Income tax paid		(2,717)	(481)
Tax refund received		–	1,135
Net cash generated from operating activities		37,189	37,945
Investing activities			
Interest received		241	155
Refund of capital from unlisted equity securities		104	68
Proceeds from disposal of fixed assets		515	68
Purchase of shares from non-controlling interests		(28,880)	(11,276)
Payment for construction in progress		(10,214)	(11,053)
Payment for purchase of fixed assets		(2,203)	(2,553)
Net cash used in investing activities		(40,437)	(24,591)
Financing activities			
Proceeds from bank loans		98,334	84,934
Dividends paid		(9,521)	(5,674)
Repayment of bank loans		(81,992)	(88,815)
Capital contributions by non-controlling interests		2,940	490
Payment for repurchase of shares		–	(1,260)
Increase in pledged bank deposits		(3,438)	(240)
Interest paid		(232)	(205)
Net cash raised/(used) in financing activities		6,091	(10,770)
Net increase in cash and cash equivalents		2,843	2,584
Cash and cash equivalents at 1 January		18,878	15,996
Effect of foreign exchange rate changes		(101)	298
Cash and cash equivalents at 31 December	21	21,620	18,878

The notes on pages 34 to 79 form part of these 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 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 2010 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The functional currencies of the Company, its subsidiaries in the People's Republic of China ("PRC") and a subsidiary in Hong Kong are United States dollars, Renminbi and Hong Kong dollars 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 32.

(c) Subsidiaries and non-controlling 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.

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, 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. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

Where the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit of loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Property, plant and equipment

Property, plant and equipment are stated 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.

Lease prepayments	50 years
Buildings	20 – 35 years
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 the 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 and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period 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

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Impairment of assets *(Continued)*

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

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For investments in subsidiaries (including those recognised using the equity method), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(g)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(g)(ii).

– 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 carried at cost 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.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period 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;

– lease prepayments;

– construction in progress.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets (continued)

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 fair value less costs to sell 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 if 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.

(Expressed in United States dollars unless otherwise indicated)

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 fair value, 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 statement of financial position 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) Inventories

Inventories are carried 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.

(j) 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.

(k) 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.

(l) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) 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.

(n) 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.

(o) 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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, 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.

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 end of the reporting period. Deferred tax assets and liabilities are not discounted.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Income tax *(Continued)*

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period 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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and 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.

(p) 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.

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Revenue recognition *(Continued)*

(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 statement of financial position 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 from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) 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 end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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. Statement of financial position items are translated into United States dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve.

On disposal of an operation outside Hong Kong, the cumulative amount of the exchange differences relating to that operation outside of Hong Kong are reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Borrowing costs

Borrowing costs that are 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 are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is 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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) 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.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical location.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 3 (revised 2008), *Business combination*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Improvements to HKFRSs (2009)

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

2 CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

The developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to HKFRS 3 and HKAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to HKFRS 3 (in respect of recognition of acquiree's deferred tax assets) and HKAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interests) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of HKFRS 3 (revised 2008), any business combination on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transactions costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquire at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measure at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

2 CHANGES IN ACCOUNTING POLICIES *(CONTINUED)*

- As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the end of reporting period the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to HKAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

(Expressed in United States dollars unless otherwise indicated)

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:

	2010	2009
	$'000	*$'000*
Sales of:		
– Automobile parts and components	**133,022**	79,776
– Mechanical parts	**70,960**	40,342
– Compressor parts	**40,308**	32,108
	244,290	152,226

4 OTHER REVENUE

	2010	2009
	$'000	*$'000*
Interest income	**241**	155
Government grants	**95**	28
Sundry income	**176**	92
	512	275

5 OTHER NET (LOSS)/INCOME

	2010	2009
	$'000	*$'000*
Net foreign exchange (loss)/gain	**(291)**	447
Net gain/(loss) on disposal of fixed assets	**39**	(10)
Others	**-**	77
	(252)	514

(Expressed in United States dollars unless otherwise indicated)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2010 $'000	2009 $'000
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	232	205
Less: Interest expense capitalised into construction in progress	–	(205)
	232	–

	2010 $'000	2009 $'000
(b) Staff costs:		
Salaries, wages and other benefits	18,856	10,838
Contributions to retirement benefit schemes	1,363	1,111
	20,219	11,949

(c) Other items:

	2010 $'000	2009 $'000
Amortisation of lease prepayments	135	129
Depreciation	19,071	16,390
Operating lease charges: minimum lease payments (including property rentals)	308	98
Auditor's remuneration	248	226
Reversal of impairment on trade and other receivables *(note 20(b))*	–	(300)

7 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2010 *$'000*	2009 *$'000*
Current tax		
PRC Corporate income tax for the year	3,820	1,858
Under/(over)-provision in respect of prior years	28	(145)
	3,848	1,713
Deferred tax		
Reversal of temporary differences	-	(93)
	3,848	1,620

(i) *Overseas income tax*

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

(ii) *Hong Kong Profits Tax*

No provision for Hong Kong Profits Tax is made for the 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 Corporate Income Tax ("CIT") of the Group is calculated based on the following rates:

	Note	2010	2009
Tianjin CMT Industry Company Limited ("CMT")	(1)	15%	15%
Suzhou CMS Machinery Company Limited ("CMS")	(1)	15%	15%
CMW (Tianjin) Industry Company Limited ("CMWT")	(2)	11%	0%
Suzhou CMB Machinery Company Limited ("CMB")	(3)	12.5%	0%

(Expressed in United States dollars unless otherwise indicated)

7 INCOME TAX *(CONTINUED)*

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

(iii) PRC Corporate income tax (continued)

Notes:

(1) In December 2008, CMT and CMS were granted the status of "Advanced and New Technology Enterprise" that entitled them to a preferential CIT rate of 15% for the year ended 31 December 2010.

(2) Pursuant to Guo Fa [2007] No. 39, CMWT which is a foreign investment enterprise established in Tianjin Economic Technology Development Zone is entitled to transitional tax rates of 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012 and the years thereafter. In addition, pursuant to the transitional arrangement under the CIT Law, CMWT is entitled to a tax-free period for the first and second years and a 50 percent reduction in the income tax rate for the third to fifth years from its first profit-making year of operations ("the tax holiday"). The current year is the fourth year of tax holidays for CMWT and the income tax rate is 11%.

(3) Pursuant to the income tax rules and regulations of the PRC, CMB is eligible for the tax holiday. The current period is the third year of the tax holiday for CMB and the income tax rate is 12.5% for the year ended 31 December 2010.

In addition, pursuant to CIT Law effective on 1 January 2008 and Implementation Rules to the CIT Law, dividends payable by subsidiaries in the PRC to foreign investors are subject to a 10% withholding tax, which may be reduced if the foreign jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding arrangement. Pursuant to a tax treaty between the PRC and Hong Kong, the holding companies of CMB, CMT and CMS are established in Hong Kong, and therefore, provided these companies meet the criteria for "beneficial owner" set out in the relevant PRC tax circular, dividends payable by CMB, CMT and CMS are subject to a reduced withholding tax rate of 5%. Dividends receivable by the Company from subsidiaries established in the PRC in respect of their undistributed profits generated prior to 31 December 2007 are exempted from withholding tax.

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

	2010 $'000	2009 $'000
Profit before taxation	35,050	22,923
Notional tax on profit before tax, calculated at the rates applicable to profits in the tax jurisdictions concerned	6,159	2,507
Income and expenses not subject to tax	(435)	(188)
Withholding tax on distributable profits of subsidiaries	–	(93)
Tax effect of unused tax losses not recognised	158	58
Under/(over)-provision in respect of prior years	28	(145)
Tax effect of tax concessions	(2,062)	(519)
Actual tax expense	3,848	1,620

(Expressed in United States dollars unless otherwise indicated)

8 DIRECTORS' REMUNERATION

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

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Contributions to retirement benefit schemes $'000 (note 30(a))	Bonus $'000	2010 Total $'000
Executive directors					
Mr Ho Ming-Shiann	52	38	–	16	106
Mr Guu Herng-Chan	52	156	–	113	321
Mr Tsao Ming-Hong	52	34	–	8	94
Mr Wu Cheng-Tao	52	–	–	–	52
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
Mr Wong Tin Yau, Kelvin	19	–	–	–	19
Total	291	228	–	137	656

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Contributions to retirement benefit schemes $'000 (note 30(a))	Bonus $'000	2009 Total $'000
Executive directors					
Mr Ho Ming-Shiann	52	8	–	5	65
Mr Guu Herng-Chan	52	131	–	109	292
Mr Tsao Ming-Hong	52	8	–	5	65
Mr Wu Cheng-Tao	52	–	–	–	52
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
Mr Wong Tin Yau, Kelvin	19	–	–	–	19
Total	291	147	–	119	557

(Expressed in United States dollars unless otherwise indicated)

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2009: one) is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other four (2009: four) individuals are as follows:

	2010	2009
	$'000	*$'000*
Salaries, allowances and benefits in kind	**255**	222
Bonuses	**80**	118
	335	340

The emoluments of the four (2009: four) individuals with the highest emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
Nil to HK$1,000,000 (US$128,700 equivalent)	**4**	4
HK$1,000,001 (US$128,701 equivalent) to HK$1,500,000 (US$193,050 equivalent)	**–**	–
	4	4

10 OTHER COMPREHENSIVE INCOME

	2010			2009		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
Exchange differences on translation of financial statements of overseas subsidiaries	**6,051**	**–**	**6,051**	–	–	–

11 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $48,381,000 (2009: $9,696,000) which has been dealt with in the financial statements of the Company.

(Expressed in United States dollars unless otherwise indicated)

12 DIVIDENDS

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

	2010 $'000	2009 $'000
Interim dividend declared and paid of 0.45 cents (2009: 0.28 cents) per ordinary share	4,499	2,813
Final dividend proposed after the end of the reporting period of 0.68 cents (2009: 0.5 cents) per ordinary share	6,829	5,022
	11,328	7,835

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

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

	2010 $'000	2009 $'000
Final dividend in respect of previous financial year, approved and paid during the year of 0.5 cents (2009: 0.28 cents) per ordinary share	5,022	2,861

13 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 $30,612,000 (2009: $20,022,000) and the weighted average number of 1,004,332,000 (2009: 1,008,139,611) ordinary shares in issue during the year, calculated as follows:

	Number of shares	
	2010	2009
Issued ordinary shares at 1 January	1,004,332,000	1,015,858,000
Effect of shares repurchased	–	(7,718,389)
Weighted average number of ordinary shares for the year ended 31 December	1,004,332,000	1,008,139,611

(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 2010 and 2009.

(Expressed in United States dollars unless otherwise indicated)

14 SEGMENT REPORTING

The Group manages its businesses according to the manufacturing source of its products, i.e. its operating subsidiaries in the People's Republic of China (the "PRC"), which are engaged in the design, development, manufacture and sale of customised metal casting. On first-time adoption of HKFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified four reportable segments, namely, products manufactured by Tianjin CMT Industry Company Limited ("CMT"), Suzhou CMS Machinery Company Limited ("CMS"), CMW (Tianjin) Industry Company Limited ("CMWT") and Suzhou CMB Machinery Company Limited ("CMB") respectively.

(a) Segment results, assets and liabilities

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

Segment assets include all tangible assets, lease prepayments and current assets with the exception of corporate assets. Segment liabilities include trade and other payables attributable to the operating activities of the segment and bank borrowings managed directly by the segments.

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

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

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

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

(Expressed in United States dollars unless otherwise indicated)

14 SEGMENT REPORTING *(CONTINUED)*

(a) Segment results, assets and liabilities *(Continued)*

	CMT		CMS		CMWT		CMB		TOTAL	
	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Revenue from external customers	65,863	59,105	107,972	57,379	69,372	35,105	1,083	637	244,290	152,226
Inter-segment revenue	711	608	809	639	11,254	6,665	1,069	325	13,843	8,237
Reportable segment revenue	66,574	59,713	108,781	58,018	80,626	41,770	2,152	962	258,133	160,463
Reportable segment profit/(loss) (earnings/(loss) after taxation)	2,916	7,894	18,672	9,684	10,236	5,142	(288)	(273)	31,536	22,447
Interest income from bank deposits	60	72	60	56	58	26	63	1	241	155
Depreciation and amortisation for the year	(5,828)	(5,800)	(7,463)	(7,403)	(7,374)	(4,876)	(381)	(299)	(21,046)	(18,378)
Reportable segment assets	72,864	73,449	93,264	77,007	151,396	118,922	13,967	7,047	331,491	276,425
Additions to non-current segment assets during the period	806	760	1,580	829	11,149	12,039	1,925	183	15,460	13,811
Reportable segment liabilities	13,755	11,005	27,040	9,271	29,678	13,734	1,790	1,322	72,263	35,332

(Expressed in United States dollars unless otherwise indicated)

14 SEGMENT REPORTING *(CONTINUED)*

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

	2010 $'000	2009 $'000
Revenue		
Reportable segment revenue	258,133	160,463
Elimination of inter-segment revenue	(13,843)	(8,237)
Consolidated turnover	244,290	152,226
Depreciation and amortisation		
Reportable segment depreciation and amortisation	(21,046)	(18,378)
Elimination of depreciation related to inter-segment fixed assets transfer	1,840	1,859
Consolidated depreciation and amortisation	(19,206)	(16,519)
Profit		
Reportable segment profit	31,536	22,447
Elimination of depreciation related to inter-segment fixed assets transfer	1,840	1,859
Elimination of inter-segment profits	(1,721)	(2,149)
Reportable segment profit derived from the Group's external customers	31,655	22,157
Unallocated head office and corporate expenses	(453)	(854)
Consolidated profit after taxation	31,202	21,303

	2010 $'000	2009 $'000
Assets		
Reportable segment assets	331,491	276,425
Elimination of inter-segment receivables	(5,862)	(2,486)
	325,629	273,939
Non-current financial assets	112	216
Unallocated head office and corporate assets	12,050	11,364
Consolidated total assets	337,791	285,519

(Expressed in United States dollars unless otherwise indicated)

14 SEGMENT REPORTING *(CONTINUED)*

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

	2010 $'000	2009 $'000
Liabilities		
Reportable segment liabilities	72,263	35,332
Elimination of inter-segment payables	(5,862)	(2,486)
	66,401	32,846
Unallocated head office and corporate liabilities	23,075	6,150
Consolidated total liabilities	89,476	38,996

(c) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods delivered.

	Revenue from external customers	
	2010 $'000	2009 $'000
The PRC	127,176	81,324
United States	84,313	54,819
Japan	21,481	9,342
Other countries	11,320	6,741
Total	244,290	152,226

Most of the Group's fixed assets and construction in progress ("specified non-current assets") are located in the PRC. Accordingly, no geographical segment analysis based on the location of specified non-current assets is presented.

(Expressed in United States dollars unless otherwise indicated)

15 FIXED ASSETS

The Group

	Buildings $'000	Leasehold improvements $'000	Machinery and equipment $'000	Motor vehicles $'000	Office equipment, furniture and fixtures $'000	Sub-total $'000	Lease prepayments $'000	Total fixed assets $'000
Cost:								
At 1 January 2010	50,344	4,481	180,467	2,470	10,887	248,649	6,470	255,119
Exchange adjustments	1,649	145	6,758	83	356	8,991	222	9,213
Additions	2	844	787	137	433	2,203	–	2,203
Transfer from construction in progress (note 16)	70	100	11,234	199	221	11,824	–	11,824
Disposals	–	(611)	(3,292)	(144)	(72)	(4,119)	–	(4,119)
At 31 December 2010	52,065	4,959	195,954	2,745	11,825	267,548	6,692	274,240
Accumulated amortisation and depreciation:								
At 1 January 2010	(7,251)	(1,859)	(70,751)	(1,394)	(6,239)	(87,494)	(1,104)	(88,598)
Exchange adjustments	(274)	(82)	(3,333)	(54)	(237)	(3,980)	(37)	(4,017)
Charge for the year	(1,543)	(911)	(14,999)	(313)	(1,305)	(19,071)	(135)	(19,206)
Written back on disposal	–	611	2,854	123	57	3,645	–	3,645
At 31 December 2010	(9,068)	(2,241)	(86,229)	(1,638)	(7,724)	(106,900)	(1,276)	(108,176)
Carrying amount:								
At 31 December 2010	42,997	2,718	109,725	1,107	4,101	160,648	5,416	166,064
Cost:								
At 1 January 2009	37,058	4,687	148,891	2,448	9,274	202,358	6,467	208,825
Exchange adjustments	21	2	87	1	4	115	3	118
Additions	704	279	907	29	634	2,553	–	2,553
Transfer from construction in progress *(note 16)*	12,571	597	30,993	47	1,028	45,236	–	45,236
Disposals	(10)	(1,084)	(411)	(55)	(53)	(1,613)	–	(1,613)
At 31 December 2009	50,344	4,481	180,467	2,470	10,887	248,649	6,470	255,119
Accumulated amortisation and depreciation:								
At 1 January 209	(6,165)	(2,039)	(58,242)	(1,119)	(5,023)	(72,588)	(973)	(73,561)
Exchange adjustments	(4)	(1)	(43)	–	(3)	(51)	(2)	(53)
Charge for the year	(1,091)	(903)	(12,815)	(325)	(1,256)	(16,390)	(129)	(16,519)
Written back on disposal	9	1,084	349	50	43	1,535	–	1,535
At 31 December 2009	(7,251)	(1,859)	(70,751)	(1,394)	(6,239)	(87,494)	(1,104)	(88,598)
Carrying amount:								
At 31 December 2009	43,093	2,622	109,716	1,076	4,648	161,155	5,366	166,521

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.

(Expressed in United States dollars unless otherwise indicated)

15 FIXED ASSETS *(CONTINUED)*

Pursuant to an acquisition and compensation agreement signed between CMB and the Management Committee of Suzhou National High-Tech Industrial Development Zone (the "Committee") on 31 December 2010, CMB will return its current land use right to the government and relocate to a new area to ensure continuous production, and an aggregate amount of RMB103,742,264 shall be granted to CMB as compensation for the relocation costs. The compensation shall be payable depending on the stage of CMB's relocation. CMB has a maximum period of 24 months to complete the relocation. In addition, CMB signed an investment memorandum with the Committee on 31 December 2010 in respect of the purchase of a new land use right relocated, with an aggregate consideration of RMB44,800,000. No formal contract has been entered into with regard to the acquisition of the new land use right up to the date of the approval of the consolidated financial statements.

Due to the relocation plan, the estimated useful life of CMB's land use right, buildings and non-movable machinery ("the related fixed assets") shall be shortened to a maximum of two years starting from 1 January 2011. The Group is currently at the initial stage of planning for the relocation and has not yet finalised the list of the related fixed assets, which is subject to changes in the useful life. Therefore there is no readily available information to estimate the financial effect on future periods.

16 CONSTRUCTION IN PROGRESS

	The Group	
	2010	2009
	$'000	*$'000*
Cost:		
At 1 January	**2,711**	36,669
Exchange adjustments	**78**	20
Additions	**13,256**	11,258
Transfer to fixed assets *(note 15)*	**(11,824)**	(45,236)
At 31 December	**4,221**	2,711

Included in the construction in progress as at 31 December 2010 is capital expenditure incurred for new equipment under installation which is scheduled to be completed in 2011.

17 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	$'000	*$'000*
Unlisted shares, at cost	**156,210**	124,270

The Company purchased 20% equity interest of CMW (Cayman Islands) Co., Ltd. from non-controlling interests on 29 June 2010 for a consideration of $28,880,000. The Company's equity interest percentage in CMW (Cayman Islands) Co., Ltd. increased to 100% as at 31 December 2010 after the transaction (2009: 80%).

The Company injected an additional capital of $3,060,000 into CMB (Hong Kong) Company Limited on 20 April 2010 in proportion to its 51% equity interest in CMB (Hong Kong) Company Limited.

(Expressed in United States dollars unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	**Place of incorporation/ operation**	**Particulars of issued and paid up capital/ registered capital**	**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$93,600,000	51	51	–	Trading of casting products
CMP (Hong Kong) Industry Company Limited	Hong Kong/ Taiwan	HK$162,203,000	100	–	100	Investment holding
Tianjin 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	$50,000,000	100	100	–	Investment holding and trading of casting products
CMW (Tianjin) Industry Co., Ltd.	PRC	$32,000,000	100	–	100	Manufacturing and sale of casting products
Suzhou CMB Machinery Co., Ltd.	PRC	$12,000,000	51	–	100	Manufacturing and sale of casting products

18 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2010	2009
	$'000	*$'000*
Unlisted equity securities outside Hong Kong, at cost	**259**	363
Less: impairment loss	**(147)**	(147)
	112	216

There is no quoted market price for the 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.

(Expressed in United States dollars unless otherwise indicated)

18 OTHER NON-CURRENT FINANCIAL ASSETS *(CONTINUED)*

As at 31 December 2010 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. There is no additional impairment loss recognised during the year of 2010.

19 INVENTORIES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Raw materials	**9,859**	5,991	**–**	–
Work in progress	**7,978**	5,541	**–**	–
Finished goods	**21,534**	15,333	**6,925**	5,737
Others	**3,783**	2,632	**–**	–
	43,154	29,497	**6,925**	5,737

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

The Group

	2010	2009
	$'000	*$'000*
Carrying amount of inventories sold	**184,366**	114,416

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**87,116**	59,577	**25,298**	20,012
Bills receivable	**622**	575	**–**	–
Other receivables, deposits and prepayments	**9,559**	5,510	**3,247**	2,057
	97,297	65,662	**28,545**	22,069

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

Included in trade receivables are amounts due from related companies of $1,719,000(2009: $2,609,000), details of which are disclosed in note 30(b).

(Expressed in United States dollars unless otherwise indicated)

20 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for impairment of doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Current and less than 3 months past due	**77,886**	57,348	**18,869**	18,188
3 to 12 months past due	**8,510**	2,236	**5,148**	1,326
12 to 24 months past due	**1,044**	568	**1,019**	498
Over 24 months	**298**	–	**262**	–
	87,738	60,152	**25,298**	20,012

Trade debtors 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 28(a).

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors 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 debtors and bills receivable directly (see note 1(g)(i)).

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

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
At 1 January	**–**	300	**–**	–
Reversal of impairment	**–**	(300)	**–**	–
At 31 December	**–**	–	**–**	–

20 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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

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

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Current	**43,440**	39,726	**16,679**	17,309
Less than 3 months past due	**34,446**	17,622	**3,005**	879
3 to 12 months past due	**8,510**	2,236	**5,148**	1,326
12 to 24 months past due	**1,044**	568	**1,019**	498
Over 24 months	**298**	–	**262**	–
	44,298	20,426	**9,434**	2,703
	87,738	60,152	**26,113**	20,012

Receivables that were current 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.

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**17,420**	8,887	**4,070**	767
Deposits with banks	**4,200**	9,991	**4,200**	7,991
	21,620	18,878	**8,270**	8,758

22 BANK LOANS

At 31 December 2010, unsecured bank loans were repayable as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**23,982**	7,015	**22,502**	5,551

At 31 December 2010, the Group had banking facilities totalling $33,000,000 (2009: $29,000,000) which were utilised to the extent of $22,502,000 (2009: $5,551,000).

(Expressed in United States dollars unless otherwise indicated)

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	$'000	**$'000**	$'000
Trade payables	**28,367**	16,007	**–**	–
Bills payable	**20,369**	4,977	**–**	–
Other payables	**13,665**	9,391	**566**	593
	62,401	30,375	**566**	593

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

Bills payable of $20,369,000 (2009: $4,977,000) as at 31 December 2010 were secured by bank deposits of $4,630,000 (2009: $1,156,000).

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	The Group	
	2010	2009
	$'000	$'000
Due within 1 month	**16,583**	6,725
Due after 1 month but within 3 months	**27,088**	11,076
Due after 3 months but within 6 months	**4,982**	2,823
Due after 6 months or more	**83**	360
	48,736	20,984

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	The Group	
	2010	2009
	$'000	$'000
At 1 January	**1,377**	(965)
Provision for PRC corporate income tax for the year	**3,848**	1,713
PRC corporate income tax paid	**(2,717)**	(481)
PRC corporate income tax refund	**–**	1,135
Exchange adjustments	**140**	(25)
At 31 December	**2,648**	1,377

(Expressed in United States dollars unless otherwise indicated)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(CONTINUED)*

(b) Deferred tax liabilities recognised:

The deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	2010 $'000	2009 $'000
At 1 January	107	200
Withholding tax on distributable profits of subsidiaries	–	–
Release on dividend payment by subsidiaries	–	(93)
At 31 December	107	107

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 1(p), the Group has not recognised deferred tax assets in respect of tax losses of $632,787 (2009: $230,389), as it is not probable that future taxable profits against which the losses and credit can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire in 2015, under the current tax legislation.

(d) Deferred tax liabilities not recognised

At 31 December 2010, deferred tax liabilities have not been recognised in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to $39,330,603 (2009: $18,717,078). Deferred tax liabilities of $2,432,965 (2009: $1,145,222) have not been recognised in respect of the withholding tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and the directors consider it probable that these profits will not be distributed in the foreseeable future.

25 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

26 SHARE CAPITAL

(a) Authorised and issued share capital

	2010 Number of shares *(thousand)*	2010 *$'000*	2009 Number of shares *(thousand)*	2009 *$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**12,853**	10,000,000	12,853
Issued:				
At 1 January	**1,004,332**	**1,291**	1,015,858	1,306
Shares repurchased and cancelled	**-**	**-**	(11,526)	(15)
At 31 December	**1,004,332**	**1,291**	1,004,332	1,291

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) 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.

(Expressed in United States dollars unless otherwise indicated)

26 SHARE CAPITAL *(CONTINUED)*

(b) Capital management *(Continued)*

The net debt-to-capital ratio at 31 December 2010 and 2009 was as follows:

	Note	**2010** **$'000**	2009 $'000
Current liabilities			
Bank loans	22	**23,982**	7,015
Trade and other payables	23	**62,401**	30,375
Total debts		**86,383**	37,390
Less: Cash and cash equivalents	21	**(21,620)**	(18,878)
Net debt		**64,763**	18,512
Total equity		**248,315**	246,523
Net debt-to-capital ratio		**26%**	8%

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

(Expressed in United States dollars unless otherwise indicated)

27 RESERVES

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's reserves between the beginning and the end of the year are set out below:

	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 2010	43,484	42	–	74,653	16,525	134,704
Dividends approved in respect of the previous year	–	–	–	–	(5,022)	(5,022)
Profit for the year	–	–	–	–	48,381	48,381
Dividends declared in respect of the current year	–	–	–	–	(4,499)	(4,499)
At 31 December 2010	43,484	42	–	74,653	55,385	173,564
At 1 January 2009	44,748	27	(19)	74,653	12,518	131,927
Dividends approved in respect of the previous year	–	–	–	–	(2,861)	(2,861)
Purchase and cancellation of own shares:						
– premium paid	(1,264)	–	19	–	–	(1,245)
– transfer between reserves	–	15	–	–	(15)	–
Profit for the year	–	–	–	–	9,696	9,696
Dividends declared in respect of the current year	–	–	–	–	(2,813)	(2,813)
At 31 December 2009	43,484	42	–	74,653	16,525	134,704

(a) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands. Under the Companies Law 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.

27 RESERVES *(CONTINUED)*

(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 shareholding or by increasing the par value of the shares currently held by them, provided that the balance of the reserve after such issue is not less than 25% of their registered capital.

(d) Exchange fluctuation reserve

The exchange fluctuation 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 end of the reporting period.

(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 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $173,564,000 (2009: $134,704,000).

(Expressed in United States dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity and interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial management policies and practices used by the Group are 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.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the environment in which the customer operates. 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. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. 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 end of the reporting period, the Group had a certain concentration of credit risk as 42% (2009: 45%) 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 statement of financial position. 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 20.

(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.

(Expressed in United States dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities and derivative 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 end of the reporting period) and the earliest date the Company can be required to pay:

The Group

	2010			2009		
	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	23,982	(24,099)	(24,099)	7,015	(7,037)	(7,037)
Trade and other payables	62,401	(62,401)	(62,401)	30,375	(30,375)	(30,375)
	86,383	(86,500)	(86,500)	37,390	(37,412)	(37,412)

The Company

	2010			2009		
	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	22,502	(22,580)	(22,580)	5,551	(5,555)	(5,555)
Trade and other payables	566	(566)	(566)	593	(593)	(593)
	23,068	(23,146)	(23,146)	6,144	(6,148)	(6,148)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowings. Borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

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 end of the reporting period:

	The Group				The Company			
	2010		2009		**2010**		2009	
	Effective interest rate p.a.		Effective interest rate p.a.		**Effective interest rate p.a.**		Effective interest rate p.a.	
	%	***$'000***	%	*$'000*	**%**	***$'000***	%	*$'000*
Fixed rate borrowings:								
Bank loans	**5.31%**	**1,480**	4.86%	1,464		**-**	-	-
Variable rate borrowings:								
Bank loans	**1.38%**	**22,502**	0.99%	5,551	**1.38%**	**22,502**	0.99%	5,551
Total borrowings		**23,982**		7,015		**22,502**		5,551
Fixed rate borrowings as a percentage of total borrowings		**6.17%**		20.09%		**-**		-

(ii) Sensitivity analysis

At 31 December 2010, 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 $112,510 (2009: $27,754).

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 end of the reporting period 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 2009.

(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 the transactions relate. The currencies giving rise to this risk are primarily United States Dollars, Euros, Japanese Yen, Hong Kong Dollars and Taiwan Dollars.

(Expressed in United States dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk *(Continued)*

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 2010, the Group had bank deposits denominated in Renminbi, amounted to $6,839,431(2009: $4,870,770).

(i) Exposure to currency risk

The following table details the Group and the Company's exposure at the end of the reporting period 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

	2010					2009				
	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	512	496	9,600	-	5	1,010	587	-	12	164
Cash and cash equivalents	4,773	534	7,882	327	902	2,033	2,089	1,032	112	970
Trade and other payables	-	-	-	(10)	-	-	(34)	(5,160)	(77)	(1,910)
Inter-company payable within the Group	(43,201)	-	-	-	-	(58,170)	-	-	-	-
Bank loans	-	(888)	(499,849)	-	-	-	-	(499,849)	-	-
Gross exposure arising from recognised assets and liabilities	(37,916)	142	(482,367)	317	907	(55,127)	2,642	(503,977)	47	(776)
Notional amounts of forward exchange contracts used as economic hedges	-	-	-	-	-	-	-	-	-	-
Overall net exposure	(37,916)	142	(482,367)	317	907	(55,127)	2,642	(503,977)	47	(776)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk *(Continued)*

(i) Exposure to currency risk (continued)

The Company

	2010				2009			
	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	245	-	-	5	359	-	11	164
Cash and cash equivalents	309	6,869	327	902	1,552	219	112	970
Trade and other payables	-	-	(10)	-	(34)	-	(21)	(1,910)
Bank loans	(888)	(499,849)	-	-	-	(499,849)	-	-
Gross exposure arising from recognised assets and liabilities	(334)	(492,980)	317	907	1,877	(499,630)	102	(776)
Notional amounts of forward exchanges contracts used as economic hedges	-	-	-	-	-	-	-	-
Overall net exposure	(334)	(492,980)	317	907	1,877	(499,630)	102	(776)

(ii) Sensitivity analysis

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

	2010		2009	
	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%	(1,896)	5%	(2,771)
	(5)%	1,896	(5)%	2,771
Japanese Yen	5%	(296)	5%	(277)
	(5)%	296	(5)%	277

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the profit after tax 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 end of the reporting period for presentation purposes.

(Expressed in United States dollars unless otherwise indicated)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis (continued)

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 end of the reporting period, 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 2009.

(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 2010 and 2009.

29 COMMITMENTS

Capital commitments

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

	The Group	
	2010	2009
	$'000	*$'000*
Contracted for	**3,045**	1,030
Authorised but not contract for	**6,799**	–
	9,844	1,030

30 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2010, 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
Yanmar Co., Ltd. ("Yanmar")	Affiliated company

Due to the change in equity interest percentage held by the Group's ultimate holding company, CMP, Fuzhou Xin Mi does not meet the criteria of related party to the Group as set out in note 1(u), and therefore it is not regarded as a related party for the year ended 31 December 2010.

(Expressed in United States dollars unless otherwise indicated)

30 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:

	2010 $'000	2009 $'000
Sales of goods to		
–Asahi	49	39
–Birn	818	524
–TRAS	43	194
–Yanmar	17,694	7,040
–Fuzhou Xin Mi	–	5,805
	18,604	13,602
Logistics service fees to		
– CMAI	1,117	705
– CMJ	406	159
	1,523	864
Reimbursement of expenses to		
– CMAI	6,215	3,211
– CMP	151	113
	6,366	3,324
Capital injection to a subsidiary(CMB(HK))		
– Birn	2,940	490
Purchase of equity interest of CMW (Cayman Islands) Co., Ltd. from key management	–	1,488

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 $59,000 (2009: $44,000) for the year ended 31 December 2010. 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.

(Expressed in United States dollars unless otherwise indicated)

30 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Recurring transactions *(Continued)*

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:

	2010	2009
	$'000	*$'000*
Employee benefits	**2,807**	2,501

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

(b) Amounts due from related companies

	The Group		The Company	
	2010	2009	2010	2009
	$'000	*$'000*	*$'000*	*$'000*
Trade				
– Birn	**411**	213	**–**	–
– Yanmar	**1,308**	1,731	**1,308**	1,731
– Fuzhou Xin Mi	**–**	665	**–**	–
	1,719	2,609	**1,308**	1,731
Non-trade				
– CMAI	**693**	878	**444**	646
	2,412	3,487	**1,752**	2,377

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 2010.

(c) Amounts due to related companies

	The Group		The Company	
	2010	2009	2010	2009
	$'000	*$'000*	*$'000*	*$'000*
Non-trade				
– CMP	**114**	7	**115**	3
– CMJ	**153**	41	**116**	32
– Dairitsu	**71**	71	**71**	71
– Yanmar	**–**	3	**–**	3
	338	122	**302**	109

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

(Expressed in United States dollars unless otherwise indicated)

31 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 30(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.

32 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 the end of the reporting period. 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 profit or loss in future years.

(d) Impairment of fixed assets

Fixed assets are assessed at each reporting period 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.

(Expressed in United States dollars unless otherwise indicated)

32 ACCOUNTING ESTIMATES AND JUDGEMENTS *(CONTINUED)*

(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.

33 NON-ADJUSTING POST BALANCE SHEET EVENTS

Subsequent to the end of the reporting period, the Company granted to eligible participants on 3 January 2011, subject to acceptance by the grantees, a total of 22,300,000 share options to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company under the Share Option Scheme adopted by the Company on 8 December 2004. The share options granted vest in the manner detailed in the following table.

	Number of share involved in the option	Vesting condition	Contractual life of options
Options granted to directors:			
– on 3 January 2011	4,800,000	(i) 40% on the third anniversary of the date of grant at an exercisable price of HKD2.52 per share; (ii) 30% on the fourth anniversary of the date of grant at an exercisable price of HKD2.52 per share; (iii) 30% on the fifth anniversary of the date of grant at an exercisable price of HKD2.52 per share	10 years
Options granted to employees:			
– on 3 January 2011	17,500,000	(i) 40% on the third anniversary of the date of grant at an exercisable price of HKD2.52 per share; (ii) 30% on the fourth anniversary of the date of grant at an exercisable price of HKD2.52 per share; (iii) 30% on the fifth anniversary of the date of grant at an exercisable price of HKD2.52 per share	10 years
Total share options	22,300,000		

The Group is in the process of making an assessment of what the impact of share options is expected to be in the respective vesting period.

After the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 12.

(Expressed in United States dollars unless otherwise indicated)

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2010, 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.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial Instruments*	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, *Income taxes*	1 January 2012

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

FIVE YEARS SUMMARY

(Expressed in United States dollars)

	2006 $'000	2007 $'000	2008 $'000	2009 $'000	**2010 $'000**
Assets and liabilities					
Non-current assets	128,711	137,891	172,234	169,448	**170,397**
Net current assets	53,693	77,333	70,906	77,182	**78,025**
Total assets less current liabilities	182,404	215,224	243,140	246,630	**248,422**
Non-current liabilities	–	–	(200)	(107)	**(107)**
NET ASSETS	182,404	215,224	242,940	246,523	**248,315**
Share capital	1,333	1,328	1,306	1,291	**1,291**
Reserves	165,707	193,312	218,191	227,526	**241,191**
Total equity attributable to equity shareholders of the Company	167,040	194,640	219,497	228,817	**242,482**
Non-controlling interests	15,364	20,584	23,443	17,706	**5,833**
TOTAL EQUITY	182,404	215,224	242,940	246,523	**248,315**
Operating results					
Turnover	119,952	180,544	205,092	152,226	**244,290**
Profit from operations	21,879	36,087	32,850	22,923	**35,282**
Finance costs	(1,113)	(946)	–	–	**(232)**
Profit before taxation	20,766	35,141	32,850	22,923	**35,050**
Income tax	(1,097)	(2,421)	(2,669)	(1,620)	**(3,848)**
Profit for the year	19,669	32,720	30,181	21,303	**31,202**
Attributable to:					
Equity shareholders of the Company	19,688	30,659	28,135	20,022	**30,612**
Non-controlling interests	(19)	2,061	2,046	1,281	**590**
Profit for the year	19,669	32,720	30,181	21,303	**31,202**
Earnings per share					
Basic (cents)	1.90	2.96	2.74	1.99	**3.05**

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 2010 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 statements of financial position at 31 December 2006, 2007, 2008, 2009 and 2010 are the combination of the statements of financial position of the Company and its subsidiaries at 31 December 2006, 2007, 2008, 2009 and 2010. 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.