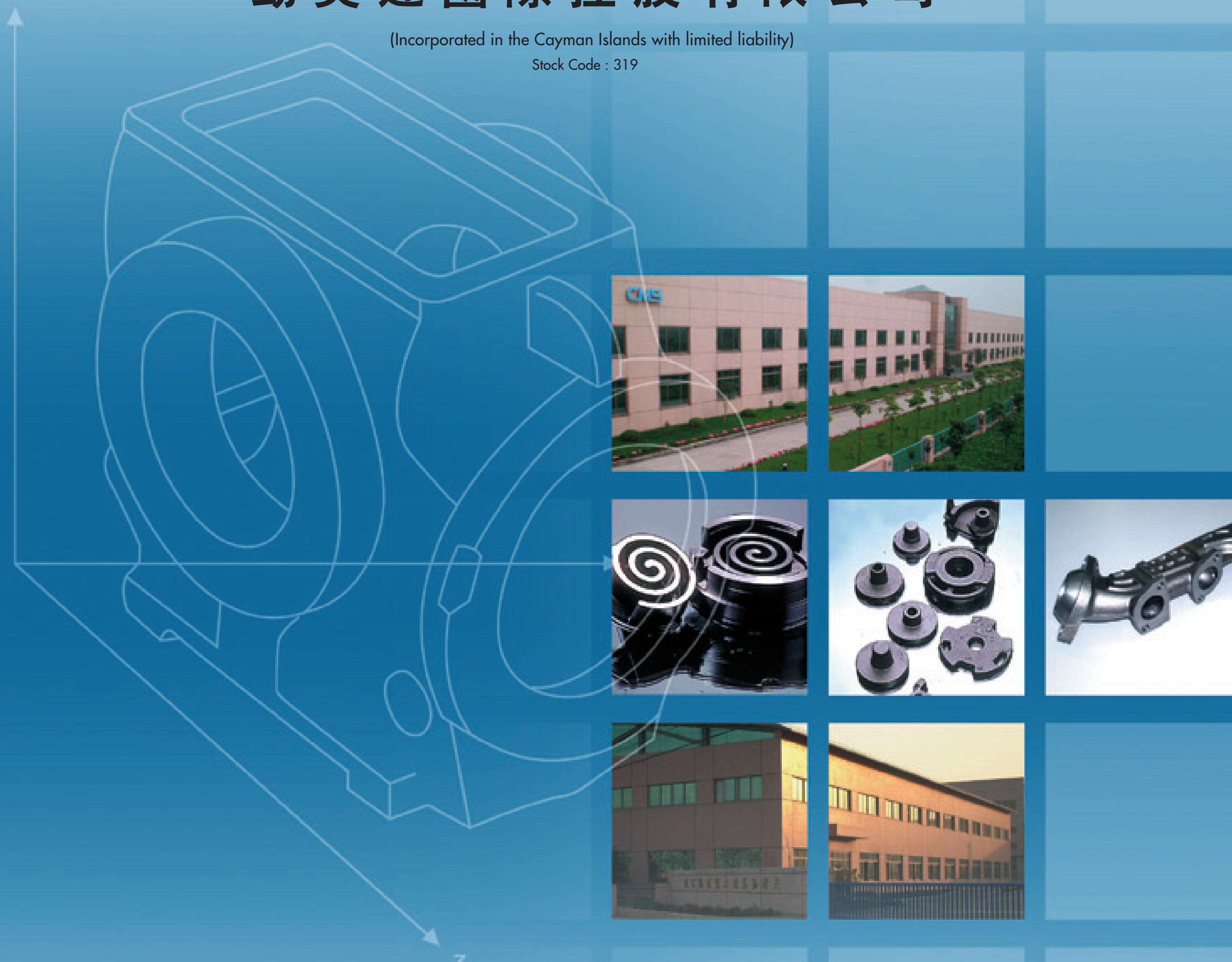
INTERNATIONAL HOLDINGS INC

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 2012

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

KING Fong-Tien *(Chairman)*
TSAO Ming-Hong *(Vice Chairman)*
WU Cheng-Tao
CHEN Shun Min

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

WONG Tin Yau, Kelvin, *FHKIoD*
CHIU LIN Mei-Yu *(also known as Mary Lin Chiu)*
CHEN Pou-Tsang *(also known as Angus P.T. Chen)*

COMPANY SECRETARY

TSE Kam Fai

AUTHORISED REPRESENTATIVES

CHEN Shun Min
TSE Kam Fai

AUDIT COMMITTEE

WONG Tin Yau, Kelvin, *FHKIoD (chairman)*
CHIU LIN Mei-Yu *(also known as Mary Lin Chiu)*
CHEN Pou-Tsang *(also known as Angus P.T. Chen)*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

KING Fong-Tien *(chairman)*
TSAO Ming-Hong
WU Cheng-Tao
CHEN Shun Min
TSE Kam Fai

AUDITOR

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

REGISTERED OFFICE

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

PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

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

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

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

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

STOCK CODE

319

WEBSITE

http://www.hkstockinfo.com/china_metal

CHAIRMAN'S STATEMENT

On behalf of the 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 2012.

BUSINESS REVIEW

The global economy was very unstable in the year 2012. Due to the Diaoyu Islands incidence and up to September 2012, the operations of Japanese companies in China faced with substantial challenges and hence the operations of our Japanese clients in China were affected. Luckily, their operations were recovered in January 2013. Apart from the ever changing of external operating environment, the Group has made certain changes on the management team and adjusted certain management and operation systems for better and more efficient operational management. We expect the Group's operations and management are approaching and becoming more discipline and efficient. We saw the prominent operation improvement and the increase in gross profit margin from the 4th quarter of 2012 and we believe the Group will have better results in the year 2013.

The Group recorded revenue of USD299,332,000 for the year 2012 and this constituted a slight decrease of 2.5% comparing to that of the year 2011. Sales of vehicles parts has increased about 3.3% and expect to have further improvement due to recovery of the market sentiment in the year 2013. Sales of mechanical parts decreased about 13.3% due to decrease of market demand. Sales of compressor parts decreased about 6.4% due to the reason that the Group has given up certain customers and products which have unsatisfactory profit margin.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As the Group's performance for the past two years is not satisfactory, the management has put through certain new management systems in order to enhance the operation efficiency and the results are gradually appearing especially those of CMW (Tianjin) Industry Company Ltd. In the year 2013, the Group will continue with the improvement based on existing foundations. Moreover, plant construction of Suzhou CMB Machinery Company Limited is about to complete by the end of June 2013 according to schedule and the trial production run will be in the second half of 2013. The Group believes this will bring positive contribution to the future growth.

FINANCIAL PERFORMANCE

For the year ended 31 December 2012, the Group's revenue was US$299,332,000 and the profit attributable to shareholders was US$30,694,000.

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, 10 May 2013 a final dividend of US cent 0.58 per share (equivalent to HK cents 4.5), for the year ended 31 December 2012 to be paid on Monday, 27 May 2013 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 16 May 2013.

FUTURE PROSPECTS AND LONG TERM STRATEGIES

Foundry of iron casting is a conventional, fairly matured industry and it is the Company's core business. In 20 years, we have built 4 factories in China. We understand the market both domestically and internationally. Our efforts in the long run would rather focus on "Marketing" and "Management" where we see potentiality of the vertical integration of the products mix in our production. In order to outrun our competitors in the industry "Merger and Acquisition" would be an option. We don't limit ourselves as "iron casting" foundry only, other non-ferro and/or alloy casting and metal fabrication, metal finishing, assembly work could be endeavored so long as our products/services to provide an added value for customers.

We will definitely be more centralized than ever, instead of having each of 4 factories run independently, we will consolidate the resources to achieve cost-saving synergy. We will bring more Industrial Management and Industrial Engineering trained staffs to our plants to enable us run more efficiently.

We now have a slogan "Cast Value" which will be instilled into minds of all the employees so each and everyone in the Group to share a more "service oriented" common goal, and to elicit "We create Value for customers." in turn "We create Value for investors."

CHAIRMAN'S STATEMENT

APPRECIATION

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

King Fong-Tien
Chairman

Hong Kong, 28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded revenue of US$299,332,000 for the year 2012 and this constituted a slight decrease of 2.5% comparing to that of the year 2011. Sales of vehicles parts has increased about 3.3% and expect to have further improvement due to recovery of the market sentiment in the year 2013. Sales of mechanical parts decreased about 13.3% due to decrease of market demand. Sales of compressor parts decreased about 6.4% due to the reason that the Group has given up certain customers and products which have unsatisfactory profit margin.

Gross profit for the year ended 31 December 2012 amounted to approximately US$62,586,000 (2011: US$64,408,000), representing a gross profit margin of 20.9% (2011: 21.0%).

Profit from operations for the year ended 31 December 2012 was approximately US$38,853,000 (2011: US$36,630,000) or 13.0% (2011: 11.9%) of recorded turnover. Profit attributable to equity shareholders of the Company for the year ended 31 December 2012 amounted to US$30,694,000 (2011: US$31,389,000), representing a slight decrease of 2.2%.

Administrative expenses for the year ended 31 December 2012 amounted to US$13,848,000 (2011: US$13,709,000), representing a slight increase of about 1.0%. Administrative expenses as a percentage of revenue increased to 4.6% as compared to 4.5% of the last corresponding period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains a sound financial position. At 31 December 2012, the Group's cash and cash equivalents amounted to US$43,342,000 (2011: US$25,989,000). At 31 December 2012, the Group's had total banking facilities amounting to approximately US$100,000,000 (2011: US$51,439,000) which were utilized to the extent of US$61,600,000 (2011: US$37,772,000). Unsecured bank loans amounted to US$3,118,000 were repayable within 1 year and US$55,000,000 were repayable after 2 years but within 5 years respectively (2011: US$13,170,000 and US$20,000,000).

CAPITAL STRUCTURE

The Company's issued share capital as at 31 December 2012 was HK$10,043,320 divided into 1,004,332,000 shares of HK$0.01 each.

The Group adopts a prudent financial policy, and its current ratio as at 31 December 2012 is 3.8 (2011: 2.5). The gearing ratio (a ratio of total loans to total assets) as at 31 December 2012 was 14.0% (2011: 8.8%). The Group continued to adopt stringent debt collection policy so as to minimize the risks of sales on credit and to ensure that funds are timely collected.

As at 31 December 2012, earnings per share was US cents 3.06 compared to US cents 3.13 in the year 2011.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

SEGMENTAL INFORMATION

As at 31 December 2012, details of segmental information of the Group is set out in note 3 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE BENEFITS

During the year ended 31 December 2012, the average number of employees of the Group was 3,944 (2011: 4,562). The Group's staff costs (excluding Directors' fees) amounted to US$28,115,000 (2011: US$27,684,000). The remuneration policy of the Company is reviewed annually by the Remuneration Committee and is in line with the prevailing market practice. On 3 January 2011, options in aggregate of 22,300,000 shares were granted to the eligible participants under the share option scheme of the Company adopted on 8 December 2004. During the year, no share options were granted to any Directors or employees of the Group under the share option scheme.

The employees of the Company's subsidiaries in the People's Republic of China (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$157,000 to CMP as the Group's share of contribution to such retirement scheme (2011: US$86,000). The Group is not obliged to incur any liability beyond the contribution.

CHARGES ON ASSETS

As at 31 December 2012, bank deposits of US$3,017,000 (2011: US$3,030,000) were pledged to secure banking facilities granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As the Group's performance for the past two years is not satisfactory, the Group has put through certain new management systems in order to enhance the operation efficiency and the results are gradually appearing especially those of CMW (Tianjin) Industry Company Ltd. In the year 2013, the Group will continue with the improvement based on existing foundations. Moreover, plant construction of Suzhou CMB Machinery Company Limited is about to complete by the end of June 2013 according to schedule and the trial production run will be in the second half of 2013. The Group believes this will bring positive contribution to the future growth.

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.

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 2012 amounted to US$38,459,000 (2011: US$10,328,000).

CONTINGENT LIABILITIES

As at 31 December 2012, the Group has no material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 10 May 2013 ("2013 AGM") a final dividend of US cent 0.58 per share (equivalent to HK cents 4.5), for the year ended 31 December 2012 to be paid on Monday, 27 May 2013 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 16 May 2013.

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 of the Code on Corporate Governance Practices (the "Former CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), which came into effect on 1 January 2005 and was revised and renamed as Corporate Governance Code and Corporate Governance Report (the "New CG Code") with effect from 1 April 2012.

During the year ended 31 December 2012, the Company was in compliance with the code provisions set out in the Former CG Code and the New CG Code except for the following:–

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

- under code provision A.4.1, the non-executive director should be appointed for a specific term and subject to re-election. The non-executive Director and the independent non-executive Directors of the Company are not appointed for a specific term except Mr. Chen Pou-Tsang, who was appointed as an independent non-executive Director of the Company on 15 May 2012, but the non-executive Director and the independent non-executive Directors are subject to the retirement by rotation at least once very three years in accordance with the articles of association of the Company (the "Articles").

- under code provision A.6.7 of the New CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Mrs. Chiu Lin Mei-Yu, an independent non-executive Director of the Company, and Mr. Hsu Shan-Ko, the former independent non-executive Director of the Company retired at the annual general meeting of the Company held on Tuesday, 15 May 2012 ("2012 AGM"), did not attend the 2012 AGM due to their engagement in their own official business.

- under code provision D.1.4 of the New CG Code, the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for Directors except Mr. Chen Pou-Tsang, who was appointed as an independent non-executive Director of the Company on Tuesday, 15 May 2012. However, all Directors shall be subject to retirement in accordance with the Articles. In addition, the Directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. Besides, the Directors are also required to comply with the requirements under statue and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

- under code provision E.1.2 of the New CG Code, the chairman of the board should attend the annual general meeting. He should also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. Mrs. Chiu Lin Mei-Yu, the chairman of the Remuneration Committee, did not attend the 2012 AGM due to her engagement in her own official business.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the Former CG Code and the New CG Code during the year ended 31 December 2012.

CORPORATE GOVERNANCE REPORT

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.

The Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2012.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or reappointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily 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. KING Fong-Tien *(Chairman)*
Mr. TSAO Ming-Hong *(Vice-Chairman)*
Mr. WU Cheng-Tao
Ms. CHEN Shun Min

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. CHEN Pou-Tsang *(also known as Angus P.T. Chen)*

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. 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 25 to 30 under the section headed "Biographical Details of Directors and Senior Management".

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.

Directors' Training

According to the code provision A.6.5 of the New CG Code, all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The CG Committee is delegated the responsibility by the Board of reviewing and monitoring the training and continuous professional development of the Directors and senior management.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2012 to the Company. In addition to their own participation in professional training, relevant training was provided to the Directors by the Company in the financial year ended 31 December 2012.

The Company has also continuously updated Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

The individual training record of each Director received for the year ended 31 December 2012 is set out below:

Name of Director	Attending or participating in seminars/ workshops or working in technical committee relevant to the Group's business/directors' duties
Mr. KING Fong-Tien	√
Mr. TSAO Ming-Hong	√
Mr. WU Cheng-Tao	√
Mr. Christian Odgaard PEDERSEN	√
Dr. WONG Tin Yau, Kelvin	√
Mrs. CHIU LIN Mei-Yu	√
Mr. CHEN Pou-Tsang	√

All the Directors also understand the importance of continuous professional development and are committed to participate in suitable training to develop and refresh their knowledge and skills.

Chairman and Chief Executive

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

Non-executive Directors

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

Mr. Christian Odgaard PEDERDEN, the non-executive Director of the Company, and Dr. WONG Tin Yau, Kelvin and Mrs. CHIU LIN Mei-Yu, the independent non-executive Directors of the Company, were not appointed for a specific term, but they are subject to retirement by rotation in accordance with the Articles.

Mr. CHEN Pou-Tsang, an independent non-executive Director of the Company appointed on 15 May 2012, has entered into an appointment letter with the Company for a term of three years commencing from 15 May 2012. Pursuant to the Articles, Mr. Chen shall retire and be eligible for re-election at the next general meeting after his appointment, and thereafter, he is subject to retirement by rotation and re-election at least once every three years.

CORPORATE GOVERNANCE REPORT

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 and interim results.

During the year ended 31 December 2012, the Board held 4 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. KING Fong-Tien	4/4
Mr. TSAO Ming-Hong	4/4
Mr. GUU Herng-Chang#	1/2
Mr. WU Cheng-Tao	3/4
Ms. CHEN Shun Min*	N/A
Mr. Christian Odgaard PEDERSEN	4/4
Dr. WONG Tin Yau, Kelvin	4/4
Mrs. CHIU LIN Mei-Yu	3/4
Mr. CHEN Pou-Tsang+	2/2
Mr. HSU Shan-Ko^	2/2

Mr. GUU Herng-Chang resigned as an executive Director of the Company on 1 June 2012, and 2 Board meetings were held before his resignation.

* Ms. CHEN Shun Min was appointed as an executive Director of the Company on 28 March 2013.

\+ Mr. CHEN Pou-Tsang was appointed as an independent non-executive Director of the Company on 15 May 2012, and 2 Board meetings were held after his appointment.

^ Mr. HSU Shan-Ko retired as an independent non-executive Director of the Company on 15 May 2012, and 2 Board meetings were held before his retirement.

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.

GENERAL MEETING

During the year ended 31 December 2012, 1 general meeting of the Company, being the 2012 AGM, was held on 15 May 2012.

Name of Director	Number of attendance
Mr. KING Fong-Tien	1/1
Mr. TSAO Ming-Hong	1/1
Mr. GUU Herng-Chang#	0/1
Mr. WU Cheng-Tao	0/1
Ms. CHEN Shun Min*	–
Mr. Christian Odgaard PEDERSEN	1/1
Dr. WONG Tin Yau, Kelvin	1/1
Mrs. CHIU LIN Mei-Yu	0/1
Mr. CHEN Pou-Tsang+	–
Mr. HSU Shan-Ko^	0/1

\# Mr. GUU Herng-Chang resigned as an executive Director of the Company on 1 June 2012, and 1 general meeting was held before his resignation.

* Ms. CHEN Shun Min was appointed as an executive Director of the Company on 28 March 2013.

+ Mr. CHEN Pou-Tsang was appointed as an independent non-executive Director of the Company on 15 May 2012, and no general meeting was held after his appointment.

^ Mr. HSU Shan-Ko retired as an independent non-executive Director of the Company on 15 May 2012, and 1 general meeting was held on the date of his retirement.

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation. Mr. KING Fong-Tien, being the Chairman of the Board and the chairman of the Nomination Committee and the CG Committee, and Dr. WONG Tin Yau, Kelvin, being the chairman of the Audit Committee, attended the 2012 AGM to answer questions and collect views of shareholders.

NOMINATION COMMITTEE

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.

Before the Company established the Nomination Committee on 28 March 2012, the full Board is responsible for the selection and approval of candidate for appointment as Director to the Board.

The terms of reference adopted by the Nomination Committee is aligned with the code provisions set out in the New CG Code, and is currently made available on the Stock Exchange's website and the Company's website.

The Nomination Committee currently consists of one executive Director, namely Mr. KING Fong-Tien (as chairman) and two independent non-executive Directors, namely Mrs. CHIU LIN Mei-Yu and Mr. CHEN Pou-Tsang.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Group's strategies, identifying individuals suitably qualified to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular Chairman and chief executive.

During the financial year ended 31 December 2012, the Nomination Committee held 1 meeting to consider the nomination of an independent non-executive Director.

Nomination Committee member	Number of attendance
Mr. KING Fong-Tien	1/1
Mrs. CHIU LIN Mei-Yu	1/1
Mr. HSU Shan-Ko#	1/1
Mr. CHEN Pou-Tsang*	N/A

\# Mr. HSU Shan-Ko ceased as a member of the Nomination Committee on 15 May 2012, and 1 Nomination Committee meeting was held before his cessation.

* Mr. CHEN Pou-Tsang was appointed as a member of the Nomination Committee on 15 May 2012, and no Nomination Committee meeting was held after his appointment.

REMUNERATION OF DIRECTORS

The Company established a Remuneration Committee on 8 December 2004 and currently consists of two independent non-executive Directors, namely Mrs. CHIU LIN Mei-Yu (as chairman) and Mr. CHEN Pou-Tsang, and one executive Director, namely Mr. KING Fong-Tien.

The terms of reference adopted by the Remuneration Committee is aligned with the code provisions set out in the New CG Code and is currently made available on the Stock Exchange's website and the Company's website.

The functions of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure on the remuneration packages for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for development remuneration policy.

During the financial year ended 31 December 2012, the Remuneration Committee held 1 meeting for reviewing the remuneration packages of the Directors and senior management.

Remuneration Committee member	**Number of attendance**
Mrs. CHIU LIN Mei-Yu	1/1
Mr. CHEN Pou-Tsang#	N/A
Mr. KING Fong Tien	1/1
Mr. HSU Shan Ko*	1/1

\# Mr. HSU Shan-Ko ceased as a member of the Remuneration Committee on 15 May 2012, and 1 Remuneration Committee meeting was held before his cessation.

* Mr. CHEN Pou-Tsang was appointed as a member of the Remuneration Committee on 15 May 2012, and no Remuneration Committee meeting was held after his appointment.

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 and senior management will depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee, the performance of the Group and the prevailing market conditions. Details of the remuneration of the Directors and senior management are set out in note 7 to the consolidated financial statements.

AUDIT COMMITTEE

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

The terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the New CG Code, and is currently made available on the Stock Exchange's website and the Company's website.

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.

The Audit Committee meets the external auditors at least two times a year to discuss any area of concern during the audit 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 2012, the Audit Committee held 4 meetings.

Audit Committee member	Number of attendance
Dr. WONG Tin Yau, Kelvin	4/4
Mrs. CHIU LIN Mei-Yu	3/4
Mr. CHEN Pou-Tsang*	2/2
Mr. HSU Shan-Ko#	2/2

\# Mr. HSU Shan-Ko ceased as a member of the Audit Committee on 15 May 2012, and 2 Audit Committee meetings were held before his cessation.

* Mr. CHEN Pou-Tsang was appointed as a member of the Audit Committee on 15 May 2012, and 2 Audit Committee meetings were held after his appointment.

CORPORATE GOVERNANCE COMMITTEE

The Company established the CG Committee, with written terms of reference, on 28 March 2012. The CG Committee currently comprises four executive Directors, namely Mr. KING Fong-Tien (as chairman), Mr. TSAO Ming-Hong, Mr. WU Cheng-Tao and Ms. CHEN Shun-Min, and the Company Secretary of the Company, Mr. TSE Kam Fai.

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

The functions of the CG Committee are to develop and review the Company's policies and practices on corporate governance to comply with the New CG Code and other legal or regulatory requirements and make recommendations to the Board; to oversee the Company's orientation program for new Director; to review and monitor the training and continuous professional development of Directors and senior management; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and to review the Company's disclosure in the Corporate Governance Report.

During the financial year ended 31 December 2012, the CG Committee held 1 meeting to review the Company's policies and practices on corporate governance; to review the training and continuous professional development of Directors and senior management; and to review the Company's compliance with the Former CG Code and the New CG Code.

CG Committee member	Number of attendance
Mr. KING Fong-Tien	1/1
Mr. TSAO Ming-Hong	1/1
Mr. WU Cheng-Tao	1/1
Ms. CHEN Shun-Min	1/1
Mr. TSE Kam Fai	1/1

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	1,900
Non-audit services	600
	2,500

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company engaged an external professional company secretarial services provider, Uni-1 Corporate Services Limited ("Uni-1"), to provide compliance and full range of company secretarial services to the Group in order to assist the Group to cope with the changing regulatory environment.

Mr. TSE Kam Fai ("Mr. Tse"), the representative of Uni-1, was appointed as the named Company Secretary of the Company.

Ms. CHEN Shun Min, an executive Director and the Chief Financial Officer of the Company, is the primary point of contact at the Company for the Company Secretary.

According to the requirements of Rule 3.29 of the Listing Rules, Mr. Tse, being a person who was a company secretary of an issuer before 31 December 1994, will take no less than 15 hours of relevant professional training for the financial year commencing on 1 January 2017.

SHAREHOLDER RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

Shareholders to convene an extraordinary general meeting

Shareholders may convene an extraordinary general meeting of the Company according to the provisions as set out in the Articles and The Companies Law (2011 Revision) of the Cayman Islands. The procedures shareholders can use to convene an extraordinary general meeting are set out in the document entitled "Procedures for a Shareholder to Propose a Person for Election as a Director", which is currently available on the Company's website.

Putting enquiries by shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for putting forward proposals by shareholders at shareholders' meeting

Shareholders should follow the procedures set out in the sub-section headed "Shareholders to convene an extraordinary general meeting" above for putting forward proposals for discussion at general meeting.

VOTING BY POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2013 AGM will be vote by poll.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Mr. King Fong-Tien, being the Chairman of the Board and the chairman of the Nomination Committee and the CG Committee, and Dr. Wong Tin Yau, Kelvin, being the chairman of the Audit Committee, attended the 2012 AGM. 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.

CORPORATE GOVERNANCE REPORT

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 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.

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 2012, 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 2012, 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 consolidated financial statements of the Group for the year ended 31 December 2012.

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 2012 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 32 to 85.

An interim dividend of US cent 0.54 (equivalent to HK cents 4.18) 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, 10 May 2013 ("2013 AGM") a final dividend of US cent 0.58 per share (equivalent to HK cents 4.5) for the year ended 31 December 2012 to be paid on Monday, 27 May 2013 to the shareholders whose names appear on the register of members of the Company on Thursday, 16 May 2013.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2013 AGM, the register of members of the Company will be closed from Wednesday, 8 May 2013 to Friday, 10 May 2013, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2013 AGM, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 7 May 2013.

For determining the entitlement of the shareholders to the proposed final dividend, the register of members of the Company will be closed on Thursday 16 May 2013, no transfer of shares will be registered on that date. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited for registration not later than 4:30 p.m. on Wednesday, 15 May 2013.

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2012 are set out in note 25(c) to the consolidated 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 2012.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the Company's reserves available for distribution to the shareholders amounted to approximately US$158,825,000 (2011: US$166,069,000).

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. KING Fong-Tien *(Chairman)*
Mr. TSAO Ming-Hong *(Vice Chairman)*
Mr. GUU Herng-Chang *(also known as Stanley Guu)* (resigned on 1 June 2012)
Mr. WU Cheng-Tao
Ms. CHEN Shun Min (appointed on 28 March 2013)

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. CHEN Pou-Tsang *(also known as Angus P.T. Chen)* (appointed on 15 May 2012)
Mr. HSU Shan-Ko (retired on 15 May 2012)

In accordance with Article 108(a) of the Articles, Mr. Tsao Ming-Hong and Mrs. Chiu-Lin Mei Yu will retire by rotation at the forthcoming 2013 AGM and, being eligible, offer themselves for re-election.

In accordance with Article 112 of the Articles, Mr. Chen Pou-Tsang and Ms. Chen Shun Min, who were appointed as Directors of the Company after the 2012 annual general meeting, are subject to re-election at the 2013 AGM and, being eligible, offer themselves for re-election.

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 84,800,000 shares, which represents approximately 8.44% of the total existing issued shares.

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

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

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

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

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

Details of the Scheme are set out in the Prospectus.

Details of the movement in the share options granted under the Share Option Scheme during the year ended 31 December 2012 are as follows:–

				Number of share options		
Grantee	**Date of grant of share options**	**Exercise period**	**Exercise price of share options** *(HK$)*	**Outstanding at 1 January 2012**	**Lapsed during the year**	**Outstanding at 31 December 2012**
Directors						
Mr. TSAO Ming-Hong	3 January 2011	3 January 2014 to 2 January 2021 *(Note)*	2.52	1,000,000	–	1,000,000
Mr. WU Cheng-Tao	3 January 2011	3 January 2014 to 2 January 2021 *(Note)*	2.52	600,000	–	600,000
Mr. Christian Odgaard PEDERSEN	3 January 2011	3 January 2014 to 2 January 2021 *(Note)*	2.52	300,000	–	300,000
Dr. WONG Tin Yau, Kelvin	3 January 2011	3 January 2014 to 2 January 2021 *(Note)*	2.52	300,000	–	300,000
Mrs. CHIU LIN Mei-Yu	3 January 2011	3 January 2014 to 2 January 2021 *(Note)*	2.52	300,000	–	300,000
Sub-total				2,500,000	–	2,500,000
Employees						
In aggregate	3 January 2011	3 January 2014 to 2 January 2021	2.52	17,300,000	(4,600,000)	12,700,000
Total				**19,800,000**	**(4,600,000)**	**15,200,000**

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

Save as aforesaid, no further options were granted during the year ended 31 December 2012.

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

Mr. CHEN Pou-Tsang, who was appointed as an independent non-executive Director of the Company on 15 May 2012, entered into an appointment letter with the Company for a term of three years commencing from 15 May 2012 unless terminated by not less than one month's notice in writing served by either party on the other.

Ms. CHEN Shun Min, who was appointed as an executive Director of the Company on 28 March 2013, entered into an appointment letter with the Company for a term of three years commencing from 28 March 2013 unless terminated by not less than one month's notice in writing served by either party on the other.

Save as aforesaid, none of the Directors who are proposed for re-election at the 2013 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 2012, the interest or short positions of the Directors in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer ("Model Code"), were set out below:–

REPORT OF THE DIRECTORS

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

Name	Type of interests	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. TSAO Ming-Hong	Beneficial Interest	Long position	7,373,766 *(Note 1)*	0.73%
	Family interest	Long position	166,386 *(Note 2)*	0.02%
Mr. WU Cheng-Tao	Beneficial interest	Long position	6,931,435 *(Note 3)*	0.69%
	Family interest	Long position	783,193 *(Note 4)*	0.08%
Mr. Christian Odgaard PEDERSEN	Beneficial interest	Long position	1,800,000 *(Note 5)*	0.18%
Dr. WONG Tin Yau, Kelvin	Beneficial interest	Long position	1,300,000 *(Note 5)*	0.13%
Mrs. CHIU LIN Mei-Yu	Beneficial interest	Long position	300,000 *(Note 5)*	0.03%
Mr. CHEN Pou-Tsang	Beneficial interest	Long position	212,000	0.02%

Notes:

1. Included interest in 1,000,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".

2. 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.

3. Included interest in 600,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".

4. 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.

5. Included interest in 300,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Scheme".

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

At 31 December 2012, 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	502,648,059	50.05%
United Elite Agents Limited ("UEA") *(Note)*	Beneficial interest	Long position	502,648,059	50.05%
Vald. Birn A/S	Beneficial Interest	Long position	102,298,922	10.15%

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 2012.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct regarding directors' securities transactions as set out in the Model Code in Appendix 10 to the Listing Rules. Save as aforesaid, the Company confirms that, having made specific enquiry of all Directors, all Directors have complied with the required standards as set out in the Model Code for the year ended 31 December 2012.

CONNECTED TRANSACTIONS

For the year ended 31 December 2012, 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 28 March 2011, the Company and China Metal Automotive International Co., Limited ("CMAI"), a non-wholly owned subsidiary of CMP, entered into a services agreement ("CMAI Services Agreement"). Pursuant to the CMAI Services Agreement, the Group has continued to appoint CMAI to provide logistic agency services to the Group for its sales in US, Canada and Europe with retrospective effect from 1 January 2011 to 31 December 2013.

   The annual cap for the fees payable by the Group to CMAI pursuant to the CMAI Services Agreement for the financial year ended 31 December 2012 is US$2,200,000.

   For the year ended 31 December 2012, the aggregate fees paid by the Group to CMAI pursuant to the CMAI Services Agreement amounted to US$882,752.80.

2. On 28 March 2011, the Company and China Metal Japan Co., Ltd. ("CMJ"), a non-wholly owned subsidiary of CMP, entered into a services agreement ("CMJ Services Agreement"). Pursuant to the CMJ Services Agreement, the Group has continued to appoint CMJ to provide logistic agency services to the Group for its sales in Japan with retrospective effect from 1 January 2011 to 31 December 2013.

   The annual cap for the fees payable by the Group CMJ pursuant to the CMJ Services Agreement for the financial year ended 31 December 2012 is US$900,000.

   For the year ended 31 December 2012, the aggregate fees paid by the Group to CMJ pursuant to the CMJ Services Agreement amounted to US$495,689.25.

3. On 28 March 2011, CMB (Hong Kong) Company Limited ("CMB (HK)"), a 51% subsidiary of the Company, entered into a master supply agreement ("2011 Master Supply Agreement") with Vald. Birn A/S ("Birn"), a 49% shareholder of CMB (HK), pursuant to which, CMB (HK) shall supply to Birn the Relevant Products (as defined in the 2011 Master Supply Agreement) on a long-term and ongoing basis with retrospective effect from 1 January 2011 to 31 December 2013.

   The annual cap for sale of the Relevant Products to Birn for the financial year ended 31 December 2012 is US$1,800,000.

   For the year ended 31 December 2012, the sale of the Relevant Products to Birn amounted to US$1,233,217.13.

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; and

3. have been carried out in accordance with the terms of the relevant agreements governing such transactions that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

(iii) have been entered into in accordance with the relevant agreements governing the continuing connected transactions; 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 manufacturers, 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 13.0% and 49.0% respectively.

The largest supplier and the five largest suppliers of the Group accounted for approximately 10.0% and 29.0% of the total purchases of the Group respectively.

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

PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company established the Audit Committee on 8 December 2004 with written terms of reference in compliance with the Former CG Code and was revised on 28 March 2012 to comply with the New CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, namely Dr. WONG Tin-Yau, Kelvin (as chairman), Mrs. CHIU LIN Mei-Yu and Mr. CHEN Pou-Tsang. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2012.

AUDITOR

A resolution will be submitted to the 2013 AGM for the re-appointment of KPMG as auditor of the Company.

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

Hong Kong, 28 March 2013

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. King Fong-Tien, aged 65, was appointed as the Chairman and an executive Director of the Company on 14 October 2011. He is the chairman of the nomination committee (the "Nomination Committee") and the corporate governance committee (the "CG Committee") and a member of the remuneration committee (the "Remuneration Committee") of the Company. Mr. King graduated from National Chiao Tung University with a Master Degree. He has extensive experience in management. Mr. King was appointed as a director of China Metal Products Company Limited ("CMP"), the controlling shareholder of the Company and a company listed on the Taiwan Stock Exchange Corporation, in May 2008 and was appointed as the president in September 2011 and mainly responsible for the overall business management of CMP. Mr. King was a vice president of Grant Unique-Trader & Co., Ltd., a company specializing in export business in Taiwan, during the period from 1984 to 1986, a vice president of Mercuries & Associates, Ltd., a trading company in Taiwan, during the period from 1986 to 1989, the founder and president of Xer International Inc., a company selling home appliances in Taiwan, during the period from 1989 to 2004 and a supervisor of Anatek Electronics Company Limited, a company specializing in research and selling of audio-visual products in Taiwan. He is currently an assistant professor of the Institute of Business & Management in National Chiao Tung University. Save as disclosed above, Mr. King did not have any directorship in other listed companies in the past three years.

There is no service agreement between the Company and Mr. King and the term of appointment of Mr. King as an executive Director of the Company is three years commencing from 14 October 2011. He is subject to retirement by rotation at least once every three years in accordance with the Articles of Association of the Company (the "Articles"). The emolument of Mr. King for the year ended 31 December 2012 is HK$400,000 per annum, which is recommended by the Remuneration Committee and approved by the board of Directors (the "Board") of the Company with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. King does not have any interests in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance ("SFO").

Save as aforesaid, Mr. King does not have any relationship with any other Directors, senior management, substantial shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules")) or controlling shareholders (as defined in the Listing Rules) of the Company.

Mr. Tsao Ming-Hong, aged 64, is the vice-chairman of the Company. He is a member of the CG Committee. Mr. Tsao 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 37 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 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. Save as aforesaid, Mr. Tsao 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 every three years in accordance with the Articles. The emolument of Mr. Tsao for the year ended 31 December 2012 is HK$400,000 per annum, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and 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. Wu Cheng-Tao, aged 46, is a member of the CG Committee. Mr. Wu 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. 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 and CMWT, a wholly-owned subsidiary of the Company, and China Metal Automotive International Co., Limited, Far Hsing Enterprise Co., Ltd. and a supervisor of China Metal Japan Co., Ltd., both of them are non-wholly owned subsidiaries of CMP. Mr. Wu also is the Chairman of the board of Samuel (Cayman) Co., Ltd., a partially owned company of Far Hsing Enterprise Co., Ltd. Besides disclosed above, Mr. Wu 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 every three years in accordance with the Articles. The emolument of Mr. Wu for the year ended 31 December 2012 is HK$400,000 per annum, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and 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) 7,114,628 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, the general manager 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.

Ms. Chen Shun Min, aged 53, is the Chief Financial Officer and executive vice general manager of the Company. She was appointed as the Chief Financial Officer of the Company in 2005, and appointed as an executive Director of the Company on 28 March 2013. Ms. Chen is a member of the CG Committee. Apart from leading the finance and accounts functions of the Group, Ms. Chen is also responsible for the supervision of the operating plants in the PRC. Ms. Chen graduated from Chihlee Institute of Technology in Taiwan, majoring in international business in 1981. She joined the Group in 1994 and still holds position as the special assistant to chairman of CMP. Ms. Chen did not have any directorship in other listed companies in the past three years.

Ms. Chen has entered into an appointment letter with the Company for a term of three years commencing from 28 March 2013 unless terminated by not less than one month's notice in writing served by either party on the other. She is subject to retirement and shall be eligible for re-election at the next annual general meeting after her appointment, and thereafter, she is subject to retirement by rotation at least once every three years in accordance with the Articles. Ms. Chen is entitled to an annual emolument of HK$400,000, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Ms. Chen is interested in (i) 4,682,000 shares of the Company; and (ii) the share options of the Company exercisable into 900,000 shares of the Company within the meaning of Part XV of the SFO.

Save as aforesaid, Ms. Chen 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.

NON-EXECUTIVE DIRECTOR

Mr. Christian Odgaard Pedersen, aged 66, 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 A/S and the chairman of the Vald. Birn Foundation. Mr. Pedersen is a board member of each of Jysk-Fynsk Kapitalanlag A/S and Nupark Innovation A/S and the chairman of Danspin A/S. Mr. Pedersen is also the vice chairman of the Faerch Foundation. 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 every three years in accordance with the Articles. The emolument of Mr. Pedersen for the year ended 31 December 2012 is HK$200,000 per annum, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and 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 DIRECTOR

Dr. Wong Tin Yau, Kelvin, aged 52, was appointed as an independent non-executive Director of the Company on 8 December 2004. He is the chairman of the audit committee of the Company. Dr. Wong is the chairman of The Hong Kong Institute of Directors, a non-executive director of the Securities and Futures Commission ("SFC"), a member of the Main Board and GEM Listing Committee of the Stock Exchange, a member of the SFC (HKEC Listing) Committee, a member of the Standing Committee on Company Law Reform, a member of the Corruption Prevention Advisory Committee of Independent Commission Against Corruption, a member of the Appeal Board Panel (Town Planning), a member of The Board of Review (Inland Revenue Ordinance), a board director of Hong Kong Sports Institute Limited, a council member of The Hong Kong Management Association, a member of the OECD/World Bank Asian Corporate Governance Roundtable and a council advisor and past chairman of the Hong Kong Chinese Orchestra Limited. Dr. Wong obtained his Master of Business Administration degree from Andrews University in Michigan, the USA in 1992 and his Doctor of Business Administration degree from The Hong Kong Polytechnic University in 2007. Dr. Wong is currently an executive director and deputy managing director of COSCO Pacific Limited, the shares of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director and chairman of the audit committee of China ZhengTong Auto Services Holdings Limited and Xinjiang Goldwind Science & Technology Co., Ltd., an independent non-executive director and chairman of the audit committee and the nomination committee of I.T Limited, and an independent non-executive director of CIG Yangtze Ports PLC, all the aforementioned companies are listed on the Stock Exchange. 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 every three years in accordance with the Articles. The emolument of Dr. Wong for the year ended 31 December 2012 is HK$165,000 per annum, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and 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 65, was appointed as an independent non-executive Director of the Company on 8 December 2004. She is a chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee. 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. Mrs. Chiu 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 at least once every three years and in accordance with the Articles. The emolument of Mrs. Chiu for the year ended 31 December 2012 is HK$165,000 per annum, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and 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. Chen Pou-Tsang (also known as Angus P.T. Chen), aged 59, was appointed as an independent non-executive Director of the Company on 15 May 2012. He is a member of each of the Audit Committee, Nomination Committee and Remuneration Committee. Mr. Chen graduated from the Department of Management Science of National Chiao Tung University with a Bachelor Degree in 1976 and the University of California, Los Angeles in United States with a Master Degree of Business Administration in 1981. Mr. Chen has almost 30 years' experience in financial industry. Mr. Chen worked at Citibank N.A., Taipei Branch ("Citibank, Taipei") and served as the assistant manager, manager, assistant vice president and vice president during the period from 1981 to 1989. He was a member of the founding team of Bank SinoPac ("BSP"), participated in the establishment preparation since 1989, Mr. Chen served as the manager, the vice president and the senior vice president of BSP since its incorporation in January 1992, and responsible for credit risk management, e-commerce, human resources, general administration, legal affairs and premises security. He served as the president of BSP during the period from October 2001 to May 2009. Mr. Chen was also acted as the director of Far East National Bank, the subsidiary of BSP in America, and promoted as the chairman since the end of year 2008. After his retirement since year 2009, Mr. Chen founded Jada Investment Limited. He also joined Ming Capital Ltd., a company mainly participated in overseas investment, as a director in year 2010 and representing Ming Capital Ltd. to act as a director of NIT Education Group. Mr. Chen founded中華樹和教育文化協會(China Shuhe Education and Cultural Association), a non-profit organization devoted to promote the cultural exchange between the college students of Mainland China and Taiwan, at the end of year 2010, and elected as the chairman. Mr. Chen did not have any directorship in other listed companies in the past three years.

Mr. Chen has entered into an appointment letter with the Company for a term of three years commencing from 15 May 2012 unless terminated by not less than one month's notice in writing served by either party on the other. He is subject to retirement and shall be eligible for re-election at the next general meeting after his appointment, and thereafter, he is subject to retirement by rotation at least once every three years in accordance with the Articles. The emolument of Mr. Chen for the year ended 31 December 2012 is HK$165,000 per annum, which is recommended by the Remuneration Committee and approved by the Board with reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

As at the date of this report, Mr. Chen is interested in 212,000 shares of the Company within the meaning of Part XV of the SFO.

Mr. Chen 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.

SENIOR MANAGEMENT

Mr. Ho Ming-Shiann, aged 66, is the general manager of the Company and a founder of the Group. 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 39 years of experience in casting industry. He is currently the chairman of CMP, a director of each of Capital Charm Associates Limited, CMP (Hong Kong) Industry Company Limited, CMW (Cayman Islands) Co., Ltd., Tian Jin CMT Industry Company Limited, Suzhou CMS Machinery Company Limited, CMW (Tianjin) Industry Company Ltd., and Suzhou CMB Machinery Co., Limited, all are wholly-owned subsidiaries of the Company, and a director of CMB (Hong Kong) Company Limited, a non-wholly owned subsidiaries of the Company, as well as the chairman of Far Hsing Enterprise Co., Ltd. Mr. Ho is also a committee member of Taiwan Casting Industry Association and a member of Taiwan Foundry Society.

Mr. Yen Fu-Shan, aged 51, is the vice president of CMS and CMB. He is responsible for the execution of the overall business and the management of the production operations of the CMS and CMB. 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. He was appointed as the vice president of CMB in 2011.

Mr. Chang Shih-Chuan, aged 58, 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. Wang Kuo-Nien, aged 43, is the vice president of CMW. He is responsible for the execution of the overall business and the management of the production operations of the CMW. 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. He was appointed as the vice president of CMW in 2012.

Mr. Lee Chun-Chang, aged 52, 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. Lee Hsiu-Hu, aged 60, is the director 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. He was appointed as the director of the casting division of CMS in 2012.

Mr. Wu Ching-Sung, aged 57, is the director of the 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 machining division of CMT in 2002.

Mr. Wu Chin-Hsiu, aged 51, 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 59, is the director of the R&D and production technology division of CMS. He is responsible for the administration and supervision of the R&D and production technology 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. He was appointed as the director of the R&D and production technology division of CMS in 2012.

Mr. Chen Hung-Yi, aged 40, is the manager of the sales and marketing division of CMWT. He is responsible for the administration and supervision of overall sales and marketing activities of CMWT. Mr. Chen graduated from Tunghai University in Taiwan with a bachelor degree in Laws in June 1996 and graduated from The University of Salford in England with a master degree in Business Administrative in January 2005. Mr. Chen joined the Group in 2003 and had held the production management of manager of the sales and marketing division of CMT. He was appointed as the manager of the sales and marketing division of CMT in 2004. He was appointed as the director of the sales and marketing division of CMT and CMWT in 2005.

COMPANY SECRETARY

Mr. Tse Kam Fai, *ACIS, ACS, MHKIoD,* aged 49, 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 20 years' solid experience in handling listed company secretarial and compliance related matters.

INDEPENDENT AUDITOR'S REPORT

KPMG

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 32 to 85, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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 information.

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 2012 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.

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

28 March 2013

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

(Expressed in United States dollars)

	Note	2012 $'000	2011 $'000
Turnover	3	**299,332**	307,000
Cost of sales		**(236,746)**	(242,592)
Gross profit		**62,586**	64,408
Other revenue	4(i)	**9,018**	4,439
Other net income	4(ii)	**41**	610
Selling and distribution costs		**(18,944)**	(19,118)
Administrative expenses		**(13,848)**	(13,709)
Profit from operations		**38,853**	36,630
Finance costs	5(a)	**(740)**	(430)
Profit before taxation	5	**38,113**	36,200
Income tax	6	**(4,213)**	(3,092)
Profit for the year		**33,900**	33,108
Attributable to:			
Equity shareholders of the Company	10	**30,694**	31,389
Non-controlling interests		**3,206**	1,719
Profit for the year		**33,900**	33,108
Earnings per share	11		
Basic (cents)		**3.06**	3.13
Diluted (cents)		**3.06**	3.13

The notes on pages 38 to 85 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 25(b).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(Expressed in United States dollars)

	Note	2012 $'000	2011 $'000
Profit for the year		**33,900**	33,108
Other comprehensive income for the year (after tax):			
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	9	**1,866**	10,071
Total comprehensive income for the year		**35,766**	43,179
Attributable to:			
Equity shareholders of the Company		**32,328**	41,115
Non-controlling interests		**3,438**	2,064
Total comprehensive income for the year		**35,766**	43,179

The notes on pages 38 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

(Expressed in United States dollars)

	Note	2012 $'000	2011 $'000
Non-current assets			
Property, plant and equipment	12	156,151	170,385
Lease prepayments	12	7,026	4,936
Construction in progress	13	37,809	3,875
Other financial assets	15	72	112
		201,058	179,308
Current assets			
Inventories	16(a)	52,253	53,834
Trade and other receivables	17	114,720	113,456
Amounts due from related companies	28(b)	1,348	2,293
Pledged bank deposits	20	3,017	3,030
Cash and cash equivalents	18	43,342	25,989
		214,680	198,602
Current liabilities			
Bank loans	19	3,118	13,170
Trade and other payables	20	45,390	58,300
Amounts due to related companies	28(c)	3,988	4,075
Current taxation	23(a)	3,581	2,666
		56,077	78,211
Net current assets		158,603	120,391
Total assets less current liabilities		359,661	299,699
Non-current liabilities			
Long-term loans	19	55,000	20,000
Deferred taxation	23(b)	107	107
		55,107	20,107
NET ASSETS		304,554	279,592
CAPITAL AND RESERVES			
Share capital	25(c)	1,291	1,291
Reserves		291,927	270,404
Total equity attributable to equity shareholders of the Company		293,218	271,695
Non-controlling interests		11,336	7,897
TOTAL EQUITY		304,554	279,592

Approved and authorised for issue by the board of directors on 28 March 2013.

King Fong-Tien
Director

Wu Cheng-Tao
Director

The notes on pages 38 to 85 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2012

(Expressed in United States dollars)

	Note	2012 $'000	2011 $'000
Non-current assets			
Investments in subsidiaries	14	**156,210**	156,210
Current assets			
Inventories	16(a)	**9,570**	8,173
Trade and other receivables	17	**32,549**	32,151
Amounts due from subsidiaries	24	**73,530**	72,493
Amounts due from related companies	28(b)	**1,344**	1,418
Cash and cash equivalents	18	**15,244**	2,215
		132,237	116,450
Current liabilities			
Bank loans	19	**3,118**	13,170
Trade and other payables	20	**1,836**	872
Amounts due to subsidiaries	24	**68,211**	70,994
Amounts due to related companies	28(c)	**166**	264
		73,331	85,300
Net current assets		**58,906**	31,150
Total assets less current liabilities		**215,116**	187,360
Non-current liabilities			
Long-term loans	19	**55,000**	20,000
NET ASSETS		**160,116**	167,360
CAPITAL AND RESERVES			
Share capital	25(c)	**1,291**	1,291
Reserves	25(a)	**158,825**	166,069
TOTAL EQUITY		**160,116**	167,360

Approved and authorised for issue by the board of directors on 28 March 2013.

King Fong-Tien
Director

Wu Cheng-Tao
Director

The notes on pages 38 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(Expressed in United States dollars)

	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve -share option $'000	Other reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
		Attributable to equity shareholders of the Company										
Balance at 1 January 2011		1,291	43,484	42	13,904	27,940	-	18,036	137,785	242,482	5,833	248,315
Changes in equity for 2011:												
Profit for the year		-	-	-	-	-	-	-	31,389	31,389	1,719	33,108
Other comprehensive income	9	-	-	-	-	9,726	-	-	-	9,726	345	10,071
Total comprehensive income		-	-	-	-	9,726	-	-	31,389	41,115	2,064	43,179
Dividends approved in respect of the previous year	25(b)(ii)	-	-	-	-	-	-	-	(6,829)	(6,829)	-	(6,829)
Transfer to statutory surplus reserve		-	-	-	2,272	-	-	-	(2,272)	-	-	-
Dividends approved in respect of the current year	25(b)(i)	-	-	-	-	-	-	-	(5,796)	(5,796)	-	(5,796)
Equity settled share-based transaction		-	-	-	-	-	723	-	-	723	-	723
Balance at 31 December 2011		1,291	43,484	42	16,176	37,666	723	18,036	154,277	271,695	7,897	279,592

	Note	Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve -share option $'000	Other reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
		Attributable to equity shareholders of the Company										
Balance at 1 January 2012		1,291	43,484	42	16,176	37,666	723	18,036	154,277	271,695	7,897	279,592
Changes in equity for 2012:												
Profit for the year		-	-	-	-	-	-	-	30,694	30,694	3,206	33,900
Other comprehensive income	9	-	-	-	-	1,633	-	-	-	1,633	233	1,866
Total comprehensive income		-	-	-	-	1,633	-	-	30,694	32,327	3,439	35,766
Dividends approved in respect of the previous year	25(b)(ii)	-	-	-	-	-	-	-	(5,629)	(5,629)	-	(5,629)
Transfer to statutory surplus reserve		-	-	-	3,471	-	-	-	(3,471)	-	-	-
Dividends approved in respect of the current year	25(b)(i)	-	-	-	-	-	-	-	(5,417)	(5,417)	-	(5,417)
Equity settled share-based transaction		-	-	-	-	-	242	-	-	242	-	242
Balance at 31 December 2012		1,291	43,484	42	19,647	39,299	965	18,036	170,454	293,218	11,336	304,554

The notes on pages 38 to 85 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

(Expressed in United States dollars)

	Note	2012 $'000	2011 $'000
Operating activities			
Cash generated from operations	18(b)	48,726	31,297
Tax paid:			
– Income tax paid		(3,348)	(4,003)
– Tax refund received		–	722
Net cash generated from operating activities		45,378	28,016
Investing activities			
Interest received		282	255
Proceeds from sales of unquoted equity securities		40	–
Proceeds from disposal of fixed assets		68	234
Payment for construction in progress		(38,697)	(19,112)
Payment for purchase of fixed assets		(4,028)	(3,147)
Net cash used in investing activities		(42,335)	(21,770)
Financing activities			
Proceeds from bank loans		143,584	104,102
Dividends paid to equity shareholders of the Company		(11,046)	(12,625)
Repayment of bank loans		(117,617)	(95,419)
Decrease in pledged bank deposits		13	1,789
Interest paid		(740)	(430)
Net cash generated from/(used in) financing activities		14,194	(2,583)
Net increase in cash and cash equivalents		17,237	3,663
Cash and cash equivalents at 1 January		25,989	21,620
Effect of foreign exchange rate changes		116	706
Cash and cash equivalents at 31 December	18(a)	43,342	25,989

The notes on pages 38 to 85 form part of these financial statements.

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 Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2012 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 2.

(c) Changes in accounting policies

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

None of the amendments are relevant to the Group's financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) 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 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.

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.

When 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(e)) 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(i)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) 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(i)).

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

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

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.

(g) 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(i)). 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.

(h) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Leased assets *(continued)*

(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.

(i) 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

– 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, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(i)(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(i)(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 these 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Impairment of assets *(continued)*

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

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; and
- construction in progress.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– 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 (i)(i) and (ii)).

Impairment losses recognised in an interim period in respect of unquoted 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.

(j) 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.

(k) Trade and other receivables

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

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Interest-bearing borrowings

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

(m) Trade and other payables

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

(n) Cash and cash equivalents

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

(o) Employee benefits

(i) 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.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial model, taking into accounts the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Income tax

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

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:

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(p) Income tax *(continued)*

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(q) Provisions and contingent liabilities

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

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

(r) 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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Revenue recognition *(continued)*

(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.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the 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.

(t) 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(v) 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 locations.

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 ACCOUNTING JUDGEMENT AND ESTIMATES

Note 22 and 26 contain information about the assumptions and their risk factors relating to valuation of fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

(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.

(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.

3 TURNOVER AND SEGMENT REPORTING

(a) 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:

	2012 $'000	2011 $'000
Sales of:		
– Automobile parts and components	192,351	186,213
– Mechanical parts	76,140	87,856
– Compressor parts	30,841	32,931
	299,332	307,000

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenues. In 2012 revenues from sales of automobile parts and components to these customers, including sales to entities which are known to the group to be under common control with these customers, amounted to approximately $39 million and $32 million respectively (2011: $35 million and $30 million) and arose in the United States and the PRC. Details of concentrations of credit risk arising from these customers are set out in note 26(a).

Further details regarding the Group's principal activities are disclosed below:

(b) Segment reporting

The Group manages its businesses according to the manufacturing source of its products, i.e. its operating subsidiaries in the PRC, which are engaged in the design, development, manufacture and sale of customised metal casting. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments.

- Tianjin CMT Industry Company Limited ("CMT")
- Suzhou CMS Machinery Company Limited ("CMS")
- CMW (Tianjin) Industry Company Limited ("CMWT")
- Suzhou CMB Machinery Company Limited ("CMB")

3 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, 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 is "earnings after taxation". To arrive at reportable segment profit, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administrative costs.

In addition to receiving segment information concerning earnings 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 years ended 31 December 2012 and 2011 is set out below:

3 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

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

	CMT		CMS		CMWT		CMB		TOTAL	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Revenue from external customers	63,676	69,714	114,735	130,049	118,836	104,295	2,085	2,942	299,332	307,000
Inter-segment revenue	1,039	873	3,392	2,343	447	10,014	2,046	2,810	6,924	16,040
Reportable segment revenue	64,715	70,587	118,127	132,392	119,283	114,309	4,131	5,752	306,256	323,040
Reportable segment profit (earnings after taxation)	3,505	2,799	16,910	18,169	6,945	7,962	6,636	3,588	33,996	32,518
Interest income from bank deposits	75	68	123	109	59	44	25	34	282	255
Depreciation and amortisation for the year	(3,453)	(4,727)	(5,937)	(5,977)	(9,842)	(7,616)	(1,989)	(1,962)	(21,221)	(20,282)
Reportable segment assets	75,981	79,605	100,389	97,217	166,810	176,238	54,448	24,860	397,628	377,920
Additions to non-current segment assets during the period	598	1,031	3,132	5,500	1,158	13,879	36,706	229	41,594	20,639
Reportable segment liabilities	11,490	12,386	12,400	19,203	25,579	32,719	5,368	4,584	54,837	68,892

3 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

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

	2012 $'000	2011 $'000
Revenue		
Reportable segment revenue	306,256	323,040
Elimination of inter-segment revenue	(6,924)	(16,040)
Consolidated turnover	299,332	307,000

	2012 $'000	2011 $'000
Profit		
Reportable segment profit	33,996	32,518
Elimination of depreciation related to inter-segment fixed assets transfer	799	1,311
Elimination of inter-segment profits	(613)	(309)
Reportable segment profit derived from the Group's external customers	34,182	33,520
Unallocated head office and corporate expenses	(282)	(412)
Consolidated profit after taxation	33,900	33,108

	2012 $'000	2011 $'000
Assets		
Reportable segment assets	397,628	377,920
Elimination of inter-segment receivables	(3,636)	(4,623)
	393,992	373,297
Non-current financial assets	72	112
Unallocated head office and corporate assets	21,674	4,501
Consolidated total assets	415,738	377,910

3 TURNOVER AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

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

	2012 $'000	2011 $'000
Liabilities		
Reportable segment liabilities	54,837	68,892
Elimination of inter-segment payables	(3,613)	(4,623)
	51,224	64,269
Unallocated head office and corporate liabilities	59,960	34,049
Consolidated total liabilities	111,184	98,318

(iii) 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	
	2012 $'000	2011 $'000
The PRC	144,022	159,122
United States	109,446	104,383
Japan	29,085	27,879
Other countries	16,779	15,616
Total	299,332	307,000

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.

4 OTHER REVENUE AND NET INCOME

	Note	2012 $'000	2011 $'000
(i) Other revenue			
Interest income		282	255
Government grants	(1)	8,233	4,023
Sundry income		503	161
		9,018	4,439

4 OTHER REVENUE AND NET INCOME *(CONTINUED)*

Note:

(1) Pursuant to an acquisition and compensation agreement signed between CMB and the Management Committee of Suzhou National High-Tech Industrial Development Zone on 31 December 2010, CMB will return its current land use right certificates to the government and relocate to a new site to continue production, and an aggregate amount of RMB103,742,264 will be granted to CMB as compensation for the relocation by installments upon achievements of different milestones as specified in the agreement. The grant is intended to cover CMB's relocation expenses and loss of revenue and is recognised as revenue in profit or loss over a period of two years beginning July 2011. Based on the progress of the relocation, a government grant for a total amount of RMB51,871,201 was recognised in 2012.

	2012 $'000	2011 $'000
(ii) Other net income		
Net foreign exchange gain	95	635
Net loss on disposal of fixed assets	(54)	(25)
	41	610

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2012 $'000	2011 $'000
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	740	430
Less: Interest expense capitalised into construction in progress	–	–
	740	430
(b) Staff costs:		
Salaries, wages and other benefits	28,115	27,684
Contributions to retirement benefit schemes	2,840	2,305
Equity-settled share-based payment expenses (note 22)	242	723
	31,197	30,712
(c) Other items:		
Amortisation of lease prepayments	775	741
Depreciation	19,647	18,230
Operating lease charges: minimum lease payments (including property rentals)	377	384
Auditors' remuneration	301	272

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2012	2011
	$'000	*$'000*
Current tax		
Provision for PRC Corporate income tax for the year	**4,237**	3,111
Over-provision in respect of prior years	**(24)**	(19)
	4,213	3,092

No deferred taxation is provided in the financial statements for temporary differences as the effect is not material.

(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	**2012**	2011
CMT	(1)	**15%**	15%
CMS	(1)	**15%**	15%
CMWT		**25%**	12%
CMB	(2)	**15%**	12.5%

Notes:

(1) In December 2008, CMT and CMS were granted the status of "Advanced and New Technology Enterprise" ("ANTE") that entitled them to a preferential CIT rate of 15% for the three-year-period ended 31 December 2011. CMS and CMT renewed and obtained the ANTE certificates in September 2011 and October 2011, respectively, and are entitled a preferential CIT rate of 15% for the three-year-period ended 31 December 2014.

(2) Pursuant to the transitional arrangement under the CIT Law, CMB 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 operation. The current year is the fifth year of the tax holiday for CMB and the income tax rate is 12.5%.

6 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(CONTINUED)*

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

(iii) PRC Corporate income tax (continued)

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 the 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 tax expense and accounting profit at applicable tax rates:

	2012	2011
	$'000	*$'000*
Profit before taxation	**38,113**	36,200
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**8,010**	7,085
Income and expenses not subject to tax	**(1,832)**	(1,241)
Over-provision in prior years	**(24)**	(19)
Tax effect of tax concessions	**(1,941)**	(2,733)
Actual tax expense	**4,213**	3,092

7 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 28(a))	Bonuses $'000	Share-based payments (note) $'000	2012 Total $'000
Executive directors						
Mr. King Fong-Tien	52	20	–	11	–	83
Mr. Guu Herng-Chang	–	32	–	271	–	303
Mr. Tsao Ming-Hong	52	51	–	15	37	155
Mr. Wu Cheng-Tao	52	–	–	–	22	74
Non-executive director						
Mr. Christian Odgaard Pedersen	26	–	–	–	11	37
Independent non-executive directors						
Mrs. Chiu Lin Mei-Yu	21	–	–	–	11	32
Mr. Chen Pou-Tsang	21	–	–	–	–	21
Mr. Wong Tin Yau, Kelvin	21	–	–	–	11	32
Total	245	103	–	297	92	737

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Contributions to retirement benefit schemes $'000 (note 28(a))	Bonuses $'000	Share-based payments $'000	2011 Total $'000
Executive directors						
Mr. King Fong-Tien	–	8	–	–	–	8
Mr. Guu Herng-Chang	52	119	–	123	32	326
Mr. Tsao Ming-Hong	52	44	–	8	32	136
Mr. Wu Cheng-Tao	52	–	–	–	19	71
Non-executive director						
Mr. Christian Odgaard Pedersen	26	–	–	–	10	36
Independent non-executive directors						
Mrs. Chiu Lin Mei-Yu	19	–	–	–	10	29
Mr. Hsu Shan-Ko	19	–	–	–	10	29
Mr. Wong Tin Yau, Kelvin	19	–	–	–	10	29
Total	239	171	–	131	123	664

Note: These represent the estimated fair value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(o)(ii). The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the report of the directors and note 22.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2011: one) is a director whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other four (2011: four) individuals are as follows:

	2012 $'000	2011 $'000
Salaries, allowances and benefits in kind	309	308
Bonuses	190	128
Share-based payments	34	84
	533	520

The emoluments of the four (2011: four) individuals with the highest emoluments are within the following bands:

	2012 Number of individuals	2011 Number of individuals
Nil to HK$1,000,000 (US$128,921 equivalent)	2	4
HK$1,000,001 (US$128,922 equivalent) to HK$1,500,000 (US$192,381 equivalent)	2	–
	4	4

9 OTHER COMPREHENSIVE INCOME

	2012			2011		
	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	1,866	–	1,866	10,071	–	10,071

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of $3,560,000 (2011: $4,407,000) which has been dealt with in the financial statements of the Company.

Details of dividends paid and payable to equity shareholders of the Company are set out in note 25(b).

11 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 $30,694,000 (2011: $31,389,000) and the weighted average number of 1,004,332,000 (2011: 1,004,332,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares for the year ended 31 December 2012 and 2011, and diluted earnings per share are the same as basic earnings per share for the share options granted by the Company as the average market price of ordinary shares is below the exercise price of the share options for the year ended 31 December 2012, the share options are not considered as dilutive potential ordinary shares at 31 December 2012.

12 FIXED ASSETS

The Group

	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment, furniture and fixtures	Sub-total	Lease prepayments	Total fixed assets
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Cost:								
At 1 January 2012	54,970	5,691	224,079	2,807	13,190	300,737	7,016	307,753
Exchange adjustments	275	23	1,260	19	64	1,641	52	1,693
Additions	–	650	41	136	372	1,199	2,829	4,028
Transfer from construction in progress (note 13)	–	–	3,199	94	366	3,659	–	3,659
Disposals	–	(1,464)	(443)	(476)	(330)	(2,713)	–	(2,713)
At 31 December 2012	55,245	4,900	228,136	2,580	13,662	304,523	9,897	314,420
Accumulated amortisation and depreciation:								
At 1 January 2012	(11,782)	(2,586)	(105,161)	(1,689)	(9,134)	(130,352)	(2,080)	(132,432)
Exchange adjustments	(78)	(18)	(798)	(15)	(54)	(963)	(16)	(979)
Charge for the year	(2,255)	(1,165)	(14,696)	(391)	(1,140)	(19,647)	(775)	(20,422)
Written back on disposals	–	1,464	402	419	305	2,590	–	2,590
At 31 December 2012	(14,115)	(2,305)	(120,253)	(1,676)	(10,023)	(148,372)	(2,871)	(151,243)
Carrying amount:								
At 31 December 2012	41,130	2,595	107,883	904	3,639	156,151	7,026	163,177

12 FIXED ASSETS *(CONTINUED)*

The Group *(continued)*

	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 2011	52,065	4,959	195,954	2,745	11,825	267,548	6,692	274,240
Exchange adjustments	2,585	249	10,907	134	588	14,463	324	14,787
Additions	–	1,306	1,129	122	590	3,147	–	3,147
Transfer from construction in progress (note 13)	320	–	17,055	188	486	18,049	–	18,049
Disposals	–	(823)	(966)	(382)	(299)	(2,470)	–	(2,470)
At 31 December 2011	54,970	5,691	224,079	2,807	13,190	300,737	7,016	307,753
Accumulated amortisation and depreciation:								
At 1 January 2011	(9,068)	(2,241)	(86,229)	(1,638)	(7,724)	(106,900)	(1,276)	(108,176)
Exchange adjustments	(503)	(132)	(6,181)	(87)	(530)	(7,433)	(63)	(7,496)
Charge for the year	(2,211)	(992)	(13,590)	(308)	(1,129)	(18,230)	(741)	(18,971)
Written back on disposals	–	779	839	344	249	2,211	–	2,211
At 31 December 2011	(11,782)	(2,586)	(105,161)	(1,689)	(9,134)	(130,352)	(2,080)	(132,432)
Carrying amount:								
At 31 December 2011	43,188	3,105	118,918	1,118	4,056	170,385	4,936	175,321

Pursuant to CMB's relocation plan as disclosed in the Company's 2011 annual report, CMB will return its current land use right to the government and relocate to a new land for continuous production, and an aggregate amount of RMB103,742,264 was granted to CMB as compensation for the relocation. The compensation shall be payable depending on the stage of CMB's relocating, CMB has a maximum period of 24 months to complete the relocation once the construction licence of the new land and factory is obtained.

Management estimate the relocation will be completed by the end of June 2013 and the remaining useful lives of CMB's land use right, buildings and non-moveable machinery have been shortened to thirty months starting from signing of the agreement.

13 CONSTRUCTION IN PROGRESS

	The Group	
	2012	2011
	$'000	*$'000*
Cost:		
At 1 January	**3,875**	4,221
Exchange adjustments	**27**	211
Additions	**37,566**	17,492
Transfer to fixed assets (note 12)	**(3,659)**	(18,049)
At 31 December	**37,809**	3,875

Included in the construction in progress as at 31 December 2012 is capital expenditure incurred for new equipment under installation and buildings which are scheduled to be completed in 2013.

14 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2012	2011
	$'000	*$'000*
Unlisted shares, at cost	**156,210**	156,210

CMB (Hong Kong) Company Limited injected additional capitals totaling of $15,000,000 into Suzhou CMB Machinery Co., Ltd. on 30 March 2012, 6 September 2012 and 23 November 2012.

(Expressed in United States dollars unless otherwise indicated)

14 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.

Name of company	Place of incorporation/ operation	Particulars of issued and paid up capital/ registered capital	Proportion of ownership interest: Group's effective interest %	Held by the Company %	Held by subsidiary %	Principal activity
Capital Charm Associates Limited	British Virgin Islands/Taiwan	$162	100	100	–	Investment holding
CMB (Hong Kong) Company Limited	Hong Kong/ Taiwan	HK$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	$37,000,000	51	–	100	Manufacturing and sale of casting products

15 OTHER NON-CURRENT FINANCIAL ASSETS

	The Group	
	2012	2011
	$'000	*$'000*
Unquoted equity securities outside Hong Kong, at cost	**157**	259
Less: impairment loss	**(85)**	(147)
	72	112

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

As at 31 December 2012, the Group's unquoted 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 2012.

16 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Raw materials	**9,608**	11,415	**–**	–
Work in progress	**8,771**	9,670	**–**	–
Finished goods	**29,168**	26,787	**9,570**	8,173
Others	**4,706**	5,962	**–**	–
	52,253	53,834	**9,570**	8,173

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

	The Group	
	2012	2011
	$'000	*$'000*
Carrying amount of inventories sold	**236,746**	242,592
Write down of inventories	**300**	–
	237,046	242,592

17 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**95,861**	102,861	**26,694**	30,398
Bills receivable	**4,598**	957	**–**	–
Other receivables, deposits and prepayments	**14,261**	9,638	**5,855**	1,753
	114,720	113,456	**32,549**	32,151

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 $2,874,000 (2011: $1,990,000), details of which are disclosed in note 28(b).

(a) Ageing analysis

As of 31 December 2012, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of allowance for doubtful debts, is as follows:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Current and less than 3 months past due	**95,919**	100,109	**25,053**	28,947
3 to 12 months past due	**4,396**	3,382	**1,617**	1,265
12 to 24 months past due	**132**	148	**12**	37
Over 24 months	**12**	179	**12**	149
	100,459	103,818	**26,694**	30,398

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 26(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(i)(i)).

No additional allowance for doubtful debts was provided during the year.

17 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	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Neither past due nor impaired	**58,451**	57,674	**17,934**	21,884
Less than 3 months past due	**37,468**	42,435	**7,119**	7,063
3 to 12 months past due	**4,396**	3,382	**1,617**	1,265
12 to 24 months past due	**132**	148	**12**	37
Over 24 months	**12**	179	**12**	149
	42,008	46,144	**8,760**	8,514
	100,459	103,818	**26,694**	30,398

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.

18 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Cash at bank and in hand	**28,527**	25,989	**5,244**	2,215
Deposits with banks	**14,815**	–	**10,000**	–
	43,342	25,989	**15,244**	2,215

18 CASH AND CASH EQUIVALENTS *(CONTINUED)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	2012 $'000	2011 $'000
Profit before taxation	38,113	36,200
Adjustments for:		
Amortisation of lease prepayments	775	741
Depreciation	19,647	18,230
Loss on disposal of fixed assets	54	25
Interest income	(282)	(255)
Finance costs	740	430
Foreign exchange loss	41	787
Equity settled share-based payment expenses	242	723
Changes in working capital		
Decrease/(increase) in inventories	1,581	(9,172)
Decrease/(increase) in trade and other receivables	1,416	(13,882)
Decrease/(increase) in amounts due from related companies	945	(1,600)
(Decrease)/increase in amounts due to related companies	(87)	3,737
Decrease in trade and other payables	(14,459)	(4,667)
Cash generated from operations	48,726	31,297

19 BANK LOANS

At 31 December 2012, unsecured bank loans were repayable as follows:

	The Group		The Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Within 1 year or on demand	3,118	13,170	3,118	13,170
After 1 year but within 2 years	–	–	–	–
After 2 years but within 5 years	55,000	20,000	55,000	20,000
	58,118	33,170	58,118	33,170

At 31 December 2012, the Group had banking facilities totalling $100,000,000 (2011: $51,349,000) which were utilised to the extent of $61,600,000 (2011: $37,772,000).

20 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Trade payables	**23,183**	33,242	**–**	–
Bills payable	**8,940**	8,826	**–**	–
Other payables	**13,267**	16,232	**1,836**	872
	45,390	58,300	**1,836**	872

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

Bills payable of $8,940,000 (2011: $8,826,000) as at 31 December 2012 were secured by bank deposits of $3,017,000 (2011: $3,030,000).

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

	The Group	
	2012	2011
	$'000	*$'000*
Within 1 month	**13,997**	14,633
1 to 3 months	**11,943**	20,512
3 to 6 months	**6,156**	6,130
Over 6 months	**27**	793
	32,123	42,068

21 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 28(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.

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company granted to eligible participants on 3 January 2011 a total of 22,300,000 share options to subscribe for ordinary shares of nominal value of HK$0.01 each in the share capital of the Company under the Share Option Scheme adopted by the Company on 8 December 2004.

(a) The terms and conditions of the grants are as follows:

	Number of share involved in the option	Vesting conditions	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; (ii) 30% on the fourth anniversary of the date of grant; (iii) 30% on the fifth anniversary of the date of grant	10 years
Options granted to employees:			
– on 3 January 2011	17,500,000	(i) 40% on the third anniversary of the date of grant; (ii) 30% on the fourth anniversary of the date of grant; (iii) 30% on the fifth anniversary of the date of grant	10 years
Total share options	22,300,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2012	
	Weighted average exercise price	Number of options (thousand)
Outstanding at the beginning of the year	–	19,800
Granted during the year	HK$2.52	–
Lapsed during the year	HK$2.52	(4,600)
Outstanding at the end of the year	HK$2.52	15,200
Exercisable at the end of the year	HK$2.52	–

22 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(CONTINUED)*

(c) Fair value of share options and assumptions:

All options are to be settled by physical delivery of shares.

The fair value of services received in return for share options granted is based on the fair value of share options at grant date, measured using the binomial model, with following inputs:

Fair value at measurement date	HK $1.02
Share price	HK $2.52
Exercise price	HK $2.52
Expected volatility	55.83%
Option life	10 years
Expected dividends	3.477%
Risk-free interest rate (based on Hong Kong Exchange Fund Notes Rate)	2.821%

The expected volatility is estimated taking into account historic average share price volatility. Expected dividends are based on the Company's historical dividend.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

An expense of $242,000 was charged to administrative expenses in profit or loss for the year ended 31 December 2012 (2011: $723,000).

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2012	2011
	$'000	*$'000*
At 1 January	**2,666**	2,648
Provision for PRC corporate income tax for the year	**4,213**	3,092
PRC corporate income tax paid	**(3,348)**	(4,003)
PRC corporate income tax refund	**–**	722
Exchange adjustments	**50**	207
At 31 December	**3,581**	2,666

(b) Deferred tax liabilities recognised:

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

	2012	2011
	$'000	*$'000*
At 1 January and 31 December	**107**	107

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

(c) Deferred tax liabilities not recognised

At 31 December 2012, deferred tax liabilities have not been recognised in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to $91,147,397 (2011: $63,912,284). Deferred tax liabilities of $5,459,373 (2011: $3,904,967) 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.

24 AMOUNTS DUE FROM/TO SUBSIDIARIES

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

25 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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 (i))	Capital redemption reserve $'000 (note (ii))	Capital reserve -share option $'000	Contributed surplus $'000 (note (vi))	Retained profits $'000	Total $'000
At 1 January 2012	43,484	42	723	74,653	47,167	166,069
Dividends approved in respect of the previous year	–	–	–	–	(5,629)	(5,629)
Profit for the year	–	–	–	–	3,560	3,560
Dividends declared in respect of the current year	–	–	–	–	(5,417)	(5,417)
Equity settled share-based transaction	–	–	242	–	–	242
At 31 December 2012	43,484	42	965	74,653	39,681	158,825
At 1 January 2011	43,484	42	–	74,653	55,385	173,564
Dividends approved in respect of the previous year	–	–	–	–	(6,829)	(6,829)
Profit for the year	–	–	–	–	4,407	4,407
Dividends declared in respect of the current year	–	–	–	–	(5,796)	(5,796)
Equity settled share-based transaction	–	–	723	–	–	723
At 31 December 2011	43,484	42	723	74,653	47,167	166,069

25 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Dividends

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

	2012 $'000	2011 $'000
Interim dividend declared and paid of 0.54 cent (2011: 0.58 cent) per ordinary share	5,417	5,796
Final dividend proposed after the end of the reporting period of 0.58 cent (2011: 0.56 cent) per ordinary share	5,825	5,629
	11,242	11,425

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.

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

	2012 $'000	2011 $'000
Final dividend in respect of previous financial year, approved and paid during the year of 0.56 cent (2011: 0.68 cent) per ordinary share	5,629	6,829

(c) Share capital

	2012 Number of shares (thousand)	2012 $'000	2011 Number of shares (thousand)	2011 $'000
Authorised:				
Ordinary shares of HK$0.01 each	10,000,000	12,853	10,000,000	12,853
Issued:				
At 1 January and 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.

25 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(d) Nature and purpose of reserves

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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).

(v) 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.

(vi) 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.

(vii) Distributability of reserves

As at 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $158,825,000 (2011: $166,069,000).

25 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(e) 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.

The net debt-to-capital ratio at 31 December 2012 and 2011 was as follows:

	Note	2012 $'000	2011 $'000
Current liabilities			
Bank loans	19	3,118	13,170
Trade and other payables	20	45,390	58,300
		48,508	71,470
Non-current liabilities			
Long-term loans	19	55,000	20,000
Total debts		103,508	91,470
Less: Cash and cash equivalents	18	(43,342)	(25,989)
Net debt		60,166	65,481
Total equity		304,554	279,592
Net debt-to-capital ratio		20%	23%

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

26 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 40% (2011: 42%) 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 17.

(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.

26 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 Group and the Company can be required to pay:

The Group

	2012 Contractual undiscounted cash flow					
	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 3 years *$'000*	More than 3 years *$'000*	Total *$'000*	Carrying amount at 31 Dec *$'000*
Bank loans	4,001	882	10,775	46,263	61,921	58,118
Trade and other payables	45,390	-	-	-	45,390	45,390
	49,391	882	10,775	46,263	107,311	103,508

	2011 Contractual undiscounted cash flow					
	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 3 years *$'000*	More than 3 years *$'000*	Total *$'000*	Carrying amount at 31 Dec *$'000*
Bank loans	13,651	460	19,080	-	33,191	33,170
Trade and other payables	58,300	-	-	-	58,300	58,300
	71,951	460	19,080	-	91,491	91,470

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

(b) Liquidity risk *(continued)*

The Company

	2012 Contractual undiscounted cash flow					
	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 3 years *$'000*	More than 3 years *$'000*	Total *$'000*	Carrying amount at 31 Dec *$'000*
Bank loans	4,001	882	10,775	46,263	61,921	58,118
Trade and other payables	1,836	-	-	-	1,836	1,836
	5,837	882	10,775	46,263	63,757	59,954

	2011 Contractual undiscounted cash flow					
	Within 1 year or on demand *$'000*	More than 1 year but less than 2 years *$'000*	More than 2 years but less than 3 years *$'000*	More than 3 years *$'000*	Total *$'000*	Carrying amount at 31 Dec *$'000*
Bank loans	13,651	460	19,080	–	33,191	33,170
Trade and other payables	872	–	–	–	872	872
	14,523	460	19,080	–	34,063	34,042

(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.

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

(c) Interest rate risk *(continued)*

(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			
	2012		2011		2012		2011	
	Effective interest rate p.a. %	$'000	Effective interest rate p.a. %	$'000	Effective interest rate p.a. %	$'000	Effective interest rate p.a. %	$'000
Fixed rate borrowings:								
Bank loans	-	-	-	-	-	-	-	-
Variable rate borrowings:								
Bank loans	1.58%	58,118	1.91%	33,170	1.58%	58,118	1.91%	33,170
Total borrowings		58,118		33,170		58,118		33,170
Fixed rate borrowings as a percentage of total borrowings		-		-		-		-

(ii) Sensitivity analysis

At 31 December 2012, 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 $290,590 (2011: $165,851).

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 2011.

(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.

In respect of trade receivables, payables 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 2012, the Group had bank deposits denominated in Renminbi, amounted to $20,426,544 (2011: $13,433,109).

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

(d) Currency risk *(continued)*

(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

	2012					2011				
	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	289	114	7,216	-	-	427	573	215	-	-
Cash and cash equivalents	74	127	39,175	218	1,607	9,251	399	2,192	484	1,099
Trade and other payables	-	-	(5,153)	-	-	-	-	(12,617)	-	-
Inter-company payable within the Group	(39,422)	-	-	-	-	(37,457)	-	-	-	-
Bank loans	-	(2,360)	-	-	-	-	-	(798,874)	-	-
Gross exposure arising from recognised assets and liabilities	(39,059)	(2,119)	41,238	218	1,607	(27,779)	972	(809,084)	484	1,099
Notional amounts of forward exchange contracts used as economic hedges	-	-	-	-	-	-	-	-	-	-
Overall net exposure	(39,059)	(2,119)	41,238	218	1,607	(27,779)	972	(809,084)	484	1,099

The Company

	2012				2011			
	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	114	7,216	-	-	573	216	-	-
Cash and cash equivalents	88	38,233	217	1,607	281	1,080	484	1,099
Trade and other payables	-	-	-	-	-	-	-	-
Bank loans	(2,360)	-	-	-	-	(798,875)	-	-
Gross exposure arising from recognised assets and liabilities	(2,158)	45,449	217	1,607	854	(797,579)	484	1,099
Notional amounts of forward exchanges contracts used as economic hedges	-	-	-	-	-	-	-	-
Overall net exposure	(2,158)	45,449	217	1,607	854	(797,579)	484	1,099

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

(d) Currency risk *(continued)*

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would have 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.

	2012		2011	
	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%	(863)	5%	(531)
	(5)%	863	(5)%	531
Japanese Yen	5%	24	5%	(33)
	(5)%	(24)	(5)%	33

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.

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 2011.

(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 2012 and 2011.

27 COMMITMENTS

Capital commitments

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

	The Group	
	2012	2011
	$'000	*$'000*
Contracted for	**35,835**	8,937
Authorised but not contract for	**2,624**	1,391
	38,459	10,328

28 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2012, transactions with the following parties are considered as related party transactions.

Name of party	**Relationship**
Taiwan Asahi Bearing Co., Ltd. ("Asahi")	Shareholder of the Company
China Metal Products Company Limited ("CMP")	Shareholder of the Company
TRAS Shokai Co., Ltd. ("TRAS")	Shareholder of the Company
Dairitsu Industry Company Limited ("Dairitsu")	Shareholder of the Company
Vald. Birn A/S ("Birn")	Shareholder of the Company
Yanmar Co., Ltd. ("Yanmar")	Shareholder of the Company
China Metal Japan Company Limited ("CMJ")	Affiliated company
China Metal Automotive International Co., Limited ("CMAI")	Affiliated company

(a) Recurring transactions

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

	2012	2011
	$'000	*$'000*
Sales of goods to		
– Birn	**1,233**	1,183
– TRAS	**393**	697
– Yanmar	**20,973**	22,408
	22,599	24,288
Commission to		
– CMAI	**883**	1,239
– CMJ	**496**	483
	1,379	1,722
Reimbursement of expenses to		
– CMAI	**6,143**	7,711
– CMP	**269**	204
	6,412	7,915
Loan borrowed from		
– Birn	**-**	3,800

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 $157,000 (2011: $86,000) for the year ended 31 December 2012. 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.

28 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 7 and certain of highest paid employees as disclosed in note 8, is as follows:

	2012 *$'000*	2011 *$'000*
Employee benefits	4,433	4,109

Total remuneration is included in "staff costs" (see note 5(b)).

(b) Amounts due from related companies

	The Group		The Company	
	2012 *$'000*	2011 *$'000*	2012 *$'000*	2011 *$'000*
Trade				
– Birn	725	–	–	–
– Yanmar	2,114	1,968	2,114	1,968
– TRAS	35	22	35	22
	2,874	1,990	2,149	1,990
Non-trade				
– CMAI	1,348	2,293	1,344	1,418
	4,222	4,283	3,493	3,408

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 2012.

28 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(c) Amounts due to related companies

	The Group		The Company	
	2012	2011	**2012**	2011
	$'000	*$'000*	***$'000***	*$'000*
Non-trade				
– CMP	**23**	21	**23**	21
– CMJ	**94**	183	**72**	172
– Dairitsu	**71**	71	**71**	71
– Birn	**3,800**	3,800	**–**	–
	3,988	4,075	**166**	264

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

29 NON-ADJUSTING POST BALANCE SHEET EVENTS

On 28 March 2013, the Company entered into a sale and purchase agreement to purchase the 49% non-controlling interests of CMB (Hong Kong) Company Limited for a cash consideration of $9,700,000. The transaction is subject to approval by independent shareholders at an extraordinary general meeting of the Company. CMB (Hong Kong) Company Limited will become a wholly-owned subsidiary of the Company upon the completion of the transaction. The transaction will be accounted for as an equity transaction, whereby any difference between the cash consideration and the carrying amount of the non-controlling interests will be dealt with in the shareholders' equity and therefore no gain or loss would be recognised in the consolidated statement of comprehensive income from this transaction.

Besides, after the end of the reporting period the directors proposed a final dividend. Further details are disclosed in note 25(b).

30 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2012, 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.

(Expressed in United States dollars unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and interpretations and five new standard which are not yet effective for the year ended 31 December 2012 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
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27, *Separate financial statements* (2011)	1 January 2013
HKAS 28, *Investments in associates and joint ventures*	1 January 2013
Revised HKAS 19, *Employee benefits*	1 January 2013
Annual Improvements to HKFRSs 2009-2011 Cycle	1 January 2013
Amendments to HKFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
HKFRS 9, *Financial instruments*	1 January 2015

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 consolidated financial statements.

FIVE YEARS SUMMARY

For the year ended 31 December 2012

(Expressed in United States dollars)

	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000
Results					
Turnover	205,092	152,226	244,290	307,000	**299,332**
Profit from operations	32,850	22,923	35,282	36,630	**38,853**
Finance costs	–	–	(232)	(430)	**(740)**
Profit before taxation	32,850	22,923	35,050	36,200	**38,113**
Income tax	(2,669)	(1,620)	(3,848)	(3,092)	**(4,213)**
Profit for the year	30,181	21,303	31,202	33,108	**33,900**
Assets and liabilities					
Non-current assets	172,234	169,448	170,397	179,308	**201,058**
Net current assets	70,906	77,182	78,025	120,391	**158,603**
Total assets less current liabilities	243,140	246,630	248,422	299,699	**359,661**
Non-current liabilities	(200)	(107)	(107)	(20,107)	**(55,107)**
NET ASSETS	242,940	246,523	248,315	279,592	**304,554**
Share capital	1,306	1,291	1,291	1,291	**1,291**
Reserves	218,191	227,526	241,191	270,404	**291,927**
Total equity attributable to equity shareholders of the Company	219,497	228,817	242,482	271,695	**293,218**
Non-controlling interests	23,443	17,706	5,833	7,897	**11,336**
TOTAL EQUITY	242,940	246,523	248,315	279,592	**304,554**
Attributable to:					
Equity shareholders of the Company	28,135	20,022	30,612	31,389	**30,694**
Non-controlling interests	2,046	1,281	590	1,719	**3,206**
Profit for the year	30,181	21,303	31,202	33,108	**33,900**
Earnings per share					
Basic (cents)	2.74	1.99	3.05	3.13	**3.06**
Diluted (cents)	N/A	N/A	N/A	3.13	**3.06**

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.