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

2015
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

KING Fong-Tien *(Chairman)*
TSAO Ming-Hong *(Vice Chairman)*
CHEN Shun Min
HO Pei-Lin

Non-Executive Director

Christian Odgaard PEDERSEN

Independent Non-Executive Directors

LAM Ting Lok
CHIU LIN Mei-Yu *(also known as Mary Lin Chiu)*
CHEN Pou-Tsang *(also known as Angus P.T. Chen)*

COMPANY SECRETARY

TSE Kam Fai, *FCIS, FCS, MHKIoD*

AUTHORISED REPRESENTATIVES

CHEN Shun Min
TSE Kam Fai, *FCIS, FCS, MHKIoD*

AUDIT COMMITTEE

LAM Ting Lok *(Chairman)*
CHIU LIN Mei-Yu *(also known as Mary Lin Chiu)*
CHEN Pou-Tsang *(also known as Angus P.T. Chen)*

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CORPORATE GOVERNANCE COMMITTEE

KING Fong-Tien *(Chairman)*
TSAO Ming-Hong
CHEN Shun Min
HO Pei-Lin
TSE Kam Fai

RISK COMMITTEE

CHIU LIN Mei-Yu *(also known as Mary Lin Chiu)*
CHEN Pou-Tsang *(also known as Angus P.T. Chen)*
CHEN Shun Min

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 2015.

OUR BUSINESS

Our business, the cast iron foundries support infrastructure of several major industries: automotive, agriculture machinery, mining, heavy machinery and air compressor. All of these industries have their own ups and downs in a cyclic pattern. In structuring some reliable leading indicators to monitor each of the above industries within our own system is a very challenging task however, it is very crucial for us to have an even and predictable results in our operation.

FINANCIAL PERFORMANCE

Due to the sluggish global economy in 2015, the turnover of the Group of US$309,506,000 decreased by about 11% comparing to US$346,855,000 in 2014. However, as of the savings of dwindling raw material prices and operation enhancement, the net profit of US$39,952,000 represents a slight decreased by about 2.6% comparing to US$41,034,000 in 2014.

For the year ended 31 December 2015, the Group's revenue was US$309,506,000 and the profit attributable to shareholders was US$39,952,000.

MANAGEMENT HIGHLIGHT

In 2015, the Group has three major operational events to report as following:

Firstly, all casting and most of the machining orders of CMT were transferred to CMW and CMS, by end of 2015 casting and most of the machining operations in CMT were closed leaving only a small portion machining and electroplating still in production. The entire CMT operation is expected to be closed before end of 2016.

Secondly, CMB launched pilot run production in 2013, and since June 2015, it recorded a stable profit every month. This operational result not only encouraged the staff of CMB, but also indicating the future path of CMB targeting to improve both quality and quantity of orders.

Thirdly, starting from 2015, the entire Group management moves towards to a more professional direction. First is to consolidate business of all plants, Marketing Department takes the lead and expects all businesses decisions thereafter should perform more aggressively in: 1.markets to be presented; 2.customers to be approached; 3.projects to be selectively screened. Results of the change start emerging in 2015 and the operational results in 2016 should further prove this centralized leading business model is impeccable and reliable.

FUTURE PROSPECT

In order to increase the yield rate and to reduce the scrap rate, the Group will sign a 14 months agreement with an European consulting team beginning 2016. With their proven record of cutting edge technology, we will be benefit of new and practical knowledge of metallurgy especially in the "process engineering" field so to outperform our competitors in this intensely competitive industry.

Cast iron industry involves high temperature melting steel scraps, the solidified final products are from molten iron shaped in the hardened mold made of mixture of bentonite and massive amount of fine sand which inevitably create pollutants in the processes. We resolved to build a "clean production environment" by gradually implement some measures to become a "sealed production complex" or "negative pressure production", therefore all the air housed the complex will be filtered through before it returns to mother nature. This improvement would be an ambitious undertaking and costly but we believe in long term achievement and environmental friendly is our goal.

DIVIDEND

The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 13 May 2016 a final dividend of US cent 0.97 per share (equivalent to HK cents 7.52) and a special dividend of US cent 0.99 per share (equivalent to HK cents 7.67), in aggregate US cents 1.96 (equivalent to HK cents 15.19)for the year ended 31 December 2015 to be paid on Friday, 27 May 2016 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 19 May 2016.

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, 29 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group recorded revenue of US$309,506,000 for the year 2015 and this constituted a decrease of 10.8% comparing to that of the year 2014. Sales of automobile parts and components is equivalent to the same numbers as 2014. Sales of mechanical parts decreased by 33.9% due to the decline in market demand. Sales of compressor parts decreased by 21.1%

Gross profit for the year ended 31 December 2015 amounted to approximately US$78,905,000 (2014: US$86,016,000), representing a gross profit margin of 25.5% (2014: 24.8%).

Profit from operations for the year ended 31 December 2015 was approximately US$48,644,000 (2014: US$51,034,000) or 15.7% (2014: 14.7%) of recorded revenue. Profit attributable to equity shareholders of the Company for the year ended 31 December 2015 amounted to US$39,952,000 (2014: US$41,034,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains a sound financial position. At 31 December 2015, the Group's cash and cash equivalents amounted to US$31,665,000 (2014: US$38,838,000). At 31 December 2015, the Group had a total banking facilities of approximately US$134,320,000 (2014: US$127,592,000) which were utilised to the extent of US$43,681,000 (2014: US$67,803,000). Unsecured bank loans amounted to US$24,000,000 (2014: US$44,357,000) were repayable within 1 year, and US$15,000,000 were repayable after 2 years but within 5 years respectively (2014: US$14,250,000). As at 31 December 2014, unsecured bank loans amounted to US$6,429,000 were repayable after 1 years but within 2 years.

CAPITAL STRUCTURE

The Company's total issued share capital as at 31 December 2015 was HK$10,062,120 divided into 1,006,212,000 shares of HK$0.01 each.

The Group adopts a prudent financial policy, and its current ratio as at 31 December 2015 is 2.8 (2014: 2.3). The gearing ratio (a ratio of total loans to total assets) as at 31 December 2015 was 9.2% (2014: 13.9%). The Group continued to monitor debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

As at 31 December 2015, earnings per share was US cents 3.97 compared to US cents 4.08 in the year 2014.

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 2015, details of segmental information of the Group are set out in note 3 to the consolidated financial statements.

EMPLOYEE BENEFITS

During the year ended 31 December 2015, the average number of employees of the Group was 3,690 (2014: 3,924). The Group's staff costs (excluding Director fees) amounted to US$47,887,000 (2014: US$41,687,000). 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, an aggregate of 22,300,000 options were granted to the eligible participants under the share option scheme of the Company adopted on 8 December 2004.

The Company adopted a new share option scheme on 13 May 2014 and the old share option scheme was terminated from 13 May 2014. Options granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the old share option scheme. There is no impact on the existing share options granted.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of their payroll costs to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions.

The Directors and all members of the senior management of the Group, being non-PRC citizens, are not entitled to the state-managed social welfare scheme operated by the local government in the PRC. However, the senior management of the Group, being non-PRC citizens, has been provided a defined-benefit retirement scheme which is administrated by China Metal Products Company Limited ("CMP") in Taiwan during the year. During the year under review, the Group reimbursed US$153,000 to CMP as the Group's share of contribution to such retirement scheme (2014: US$232,000). The Group is not obliged to incur any liability beyond the contribution.

CHARGES ON ASSETS

As at 31 December 2015, bank deposits of US$4,614,000 (2014: US$2,260,000) were pledged to secure banking facilities granted to the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In order to increase the yield rate and to reduce the scrap rate, the Company will sign a 14 months agreement with an European consulting team in 2016. With their proven record of cutting edge technology, the Company will be benefit of new and practical knowledge of metallurgy especially in the "process engineering" field so to outperform our competitors in this intensely competitive industry.

Cast iron industry involves high temperature melting steel scraps, the solidified final products are from molten iron shaped in the hardened mould made of mixture of bentonite and massive amount of fine sand which inevitably create pollutants in the processes. We resolved to build a "clean production environment" by gradually implement some measures to become a "sealed production complex" or "negative pressure production", therefore all the air housed the complex will be filtered through before it returns to mother nature. This improvement would be an ambitious undertaking and costly but we believe in long term achievement and environmental friendly is our goal.

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 consolidated financial statements of the Group as at 31 December 2015 amounted to US$4,693,000 (2014: US$6,357,000).

CONTINGENT LIABILITIES

As at 31 December 2015, the Group has no material contingent liabilities.

FINAL DIVIDEND AND SPECIAL DIVIDEND

The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 13 May 2016 a final dividend of US cent 0.97 per share (equivalent to HK cents 7.52), and a special dividend of US cent 0.99 per share (equivalent to HK cents 7.67) for the year ended 31 December 2015 to be paid on Friday, 27 May 2016 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 19 May 2016.

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 all along committed to fulfilling its responsibilities to its shareholders by ensuring that the proper processes for supervision and management of the Group's businesses are duly operated and reviewed and that good corporate governance practices and procedures are established throughout the year ended 31 December 2015.

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

During the year ended 31 December 2015, the Company was in compliance with all code provisions set out in the CG Code except for the deviation of provision A.2.1 of the CG Code that the role of chairman and chief executive officer should be separate and should not be performed by the same individual, but the Company has not appointed a chief executive and the role and functions of chief executive have been performed by all the executive Directors, including the Chairman, collectively.

Save as the above-mentioned and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2015.

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 2015.

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, 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)*
Ms. CHEN Shun Min
Ms. HO Pei-Lin

Non-executive Director

Mr. Christian Odgaard PEDERSEN

Independent non-executive Directors

Mr. LAM Ting Lok
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 27 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 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 2015 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 2015.

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 2015 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	√
Ms. CHEN Shun Min	√
Ms. HO Pei-Lin	√
Mr. Christian Odgaard PEDERSEN	√
Mr. LAM Ting Lok	√
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 of the independent non-executive Director gives an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

The non-executive Director and all independent non-executive Directors were appointed for a specific term, and they are also subject to retirement by rotation in accordance with the Articles.

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 12 August 2013 (the "Policy") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

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 2015, the Board held 5 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Director	Number of attendance
Mr. KING Fong-Tien	5/5
Mr. TSAO Ming-Hong	5/5
Ms. CHEN Shun Min	5/5
Ms. HO Pei-Lin	2/5
Mr. Christian Odgaard PEDERSEN	5/5
Mr. LAM Ting Lok	5/5
Mrs. CHIU LIN Mei-Yu	3/5
Mr. CHEN Pou-Tsang	5/5

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

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

GENERAL MEETING

During the year ended 31 December 2015, 1 general meeting of the Company, being the 2015 annual general meeting, was held on 15 May 2015 ("2015 AGM").

Name of Directors	Number of attendance
Mr. KING Fong-Tien	1/1
Mr. TSAO Ming-Hong	1/1
Ms. CHEN Shun Min	1/1
Ms. HO Pei-Lin	1/1
Mr. Christian Odgaard PEDERSEN	1/1
Mr. LAM Ting Lok	1/1
Mrs. CHIU LIN Mei-Yu	1/1
Mr. CHEN Pou-Tsang	1/1

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 Mr. LAM Ting Lok, being the chairman of the Audit Committee, attended the 2015 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.

The Company established a nomination committee (the "Nomination Committee") on 28 March 2012. The terms of reference of the Nomination Committee is aligned with the code provisions set out in the 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.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the measurable objectives, if any, for implementing the Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

During the financial year ended 31 December 2015, the Nomination Committee held 1 meeting for (1) reviewing the Board composition, (2) reviewing the independence of the independent non-executive Directors, (3) assessing the necessity to set measurable objectives of the Policy and (4) considering the re-election of retiring Directors.

Nomination Committee member	**Number of attendance**
Mr. KING Fong-Tien	1/1
Mrs. CHIU LIN Mei-Yu	0/1
Mr. CHEN Pou-Tsang	1/1

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company established a remuneration committee (the "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 of the Remuneration Committee is aligned with the code provisions set out in the 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 2015, 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	1/1
Mr. KING Fong Tien	1/1

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 are set out in note 7 to the consolidated financial statements.

Senior Management's Remuneration

Senior Management's remuneration payment of the Group for the year ended 31 December 2015 falls within the following bands:

	Number of individuals
Nil to US$100,000	2
US$100,001 to US$200,000	3

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 Mr. LAM Ting Lok (as chairman), Mrs. CHIU LIN Mei-Yu and Mr. CHEN Pou-Tsang.

The terms of reference of the Audit Committee are aligned with the code provisions set out in the 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, re-appointment 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 2015, the Audit Committee held 2 meetings.

Audit Committee member	Number of attendance
Mr. LAM Ting Lok	2/2
Mrs. CHIU LIN Mei-Yu	2/2
Mr. CHEN Pou-Tsang	2/2

CORPORATE GOVERNANCE COMMITTEE

The Company established a corporate governance committee (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, Ms. CHEN Shun Min and Ms. HO Pei-Lin, and the Company Secretary of the Company, Mr. TSE Kam Fai.

Terms of reference of the CG Committee is aligned with the code provisions set out in the 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 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 2015, the CG Committee held 1 meeting for reviewing the Company's policies and practices on corporate governance; reviewing the training and continuous professional development of Directors and senior management; and reviewing the Company's compliance with the CG Code.

CG Committee member	Number of attendance
Mr. KING Fong-Tien	1/1
Mr. TSAO Ming-Hong	1/1
Ms. CHEN Shun Min	1/1
Ms. HO Pei-Lin (Note)	N/A
Mr. TSE Kam Fai	1/1

Note: Ms. HO Pei-Lin was appointed as a member of the CG Committee on 15 March 2016.

RISK COMMITTEE

The Company established a risk committee (the "Risk Committee") on 31 December 2015 in order to be in line with the amendments to Appendix 14 to the Listing Rules in respect of risk management and internal control and for more effective risk management of the Group. The primary responsibilities of the Risk Committee are (i) to advise the risk profile and risk management strategy of the Group; (ii) to oversee the risk management and internal control systems on an ongoing basis; and (iii) to review the risk management and internal control systems (other than the financial control and reporting system). The risk committee will also be responsible for advising further enhancement on corporate governance and internal control systems.

The Risk Committee currently comprises two independent non-executive Directors, namely Mrs. CHIU LIN Mei-Yu and Mr. CHEN Pou-Tsang and one executive Director, namely Ms. CHEN Shun Min.

AUDITORS' REMUNERATION

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

Services rendered	**Fee paid/payable**
	RMB$'000
Audit services	3,250
Non-audit services *(Note)*	50
	3,300

Note: Non-audit services include services for reviewing of control on continuing connected transactions.

COMPANY SECRETARY

The Company engages 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 (2013 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 2016 AGM will be voted 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 Mr. Lam Ting Lok, being the chairman of the Audit Committee, attended the 2015 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.

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 Group's consolidated financial statements for each financial period which give a true and fair view of financial position of the Group and of the Group's financial performance and cash flows for that period. In preparing the financial statements for the year ended 31 December 2015, 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 2015, 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 2015.

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.

BUSINESS REVIEW

Overview

A review of the business of the Group for the year ended 31 December 2015 and a discussion on the Group's future business development, and also the Group's performance during the year ended 31 December 2015 using the key financial performance indicators are provided in the "Management Discussion and Analysis" on pages 4 to 5. No important event affecting the Group has occurred since the end of the year under review.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risk

Market risk is the risk that deteriorates profitability or affects ability to meet business objectives arising from the movement in market prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign exchange risk

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 is not freely convertible. There is a risk that the Chinese government may take actions affecting exchange rates which may have a material adverse effect on the Group's net assets, earnings and any dividends it declares if such dividend is to be exchanged or converted into foreign exchange. The Group has not entered into any hedging transactions to manage the potential fluctuation in foreign currencies. The Group does not consider that it has any significant exposure to the risk of fluctuation in the exchange rate between HK$, US$ and RMB.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels.

Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Environmental Policy and Performance

The operation of our cast iron foundry is inevitably have smoke and dust as by-products in the processes. With increasing concerns of environmental issues, both in governmental and civilian sectors become hypersensitive, despite certain expensive environment-friendly measures have been planned and will be implemented, we still concern that some more strict requirements could be put into practice.

Compliance with the Relevant Laws and Regulations

During the year under review, as far as the Board and management are aware, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the businesses and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, the management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between the Group and its business partners or bank enterprises.

RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 29.

An interim dividend of US cent 0.80 (equivalent to HK cents 6.20) per ordinary share and a special dividend of US cents 1.39 (equivalent to HK cents 10.77) per ordinary share were paid to the shareholders during the year. The Directors recommend to the shareholders of the Company at the forthcoming annual general meeting of the Company to be held on Friday, 13 May 2016 ("2016 AGM") a final dividend of US cent 0.97 per ordinary share (equivalent to HK cents 7.52) and a special dividend of US cent 0.99 per ordinary share (equivalent to HK cents 7.67) for the year ended 31 December 2015 to be paid on Friday, 27 May 2016 to the shareholders whose names appear on the register of members of the Company on Thursday, 19 May 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the identity of the shareholders to attend and vote at the 2016 AGM, the register of members of the Company will be closed from Thursday, 12 May 2016 to Friday, 13 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the 2016 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 Wednesday, 11 May 2016.

For determining the entitlement of the shareholders to the proposed final dividend and special dividend, the register of members of the Company will be closed on Thursday, 19 May 2016, no transfer of shares will be registered on that date. In order to qualify for the proposed final dividend and special 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, 18 May 2016.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of movements in the Company's share capital for the year ended 31 December 2015 are set out in note 23(c) to the consolidated financial statements. No share was issued during the year ended 31 December 2015.

CHARITABLE DONATIONS

During the year, the Group did not have charitable donation (2014: nil).

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 2015.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution to the shareholders amounted to approximately US$167,844,000 (2014: US$152,378,000).

PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance when the Report of the Board of the Directors prepared by the Directors is approved in accordance with section 391(1)(a) of the Companies Ordinance.

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for certain legal actions brought against its directors and officers

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)*
Ms. CHEN Shun Min
Ms. HO Pei-Lin

Non-executive Director

Mr. Christian Odgaard PEDERSEN

Independent Non-executive Directors

Mr. LAM Ting Lok
Mrs. CHIU LIN Mei-Yu *(also known as Mary Lin Chiu)*
Mr. CHEN Pou-Tsang *(also known as Angus P.T. Chen)*

In accordance with Article 108(a) of the Articles, Ms. HO Pei-Lin, Mr. LAM Ting Lok and Mr. CHEN Pou-Tsang will retire by rotation at the forthcoming 2016 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 ("Old Scheme") on 8 December 2004 and terminated the same pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 9 May 2014, and the Company adopted a new share option scheme ("2014 Scheme") on 13 May 2014 pursuant to a resolution passed at the above meeting. The purpose of both share option schemes is to enable the Board, at its discretion, to grant options to any eligible participants who include Directors and employees as incentives or rewards for their contribution to the Group. Under both schemes, the Directors may grant options to eligible participants, including directors of the Company, its subsidiaries, to subscribe for shares in the Company.

The principal terms of the 2014 Scheme are summarized as follows:

(1) The maximum number of shares in respect of which options may be granted under the 2014 Scheme and under any other share option scheme of the Company must not exceed 10% of total issued shares of the Company in issue as at the date of passing the relevant resolution for approving and adopting the 2014 Scheme, being 100,433,200 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 2014 Scheme is 100,433,200 shares, which represents approximately 9.98% 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 2014 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 2014 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 2014 Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 13 May 2014.

Details of the 2014 Scheme are set out in the circular of the Company dated 7 April 2014.

Details of the movement in the share options granted under the Old Scheme during the year ended 31 December 2015 are as follows:

				Number of share options			
Grantees	Date of grant of share options	Exercisable period	Exercise price of share options *(HK$)*	Outstanding at 1 January 2015	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2015
Directors							
Mr. TSAO Ming-Hong	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	1,000,000	-	-	1,000,000
Ms. CHEN Shun Min	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	900,000	-	-	900,000
Mr. Christian Odgaard PEDERSEN	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	300,000	-	-	300,000
Mrs. CHIU LIN Mei-Yu	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	180,000	-	-	180,000
Sub-total				2,380,000	-	-	2,380,000
Employees							
In aggregate	03.01.2011	03.01.2014 to 02.01.2021 *(Note)*	2.52	7,140,000	-	(2,340,000)	4,800,000
Total				**9,520,000**	**-**	**(2,340,000)**	**7,180,000**

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.

No options were granted under the 2014 Scheme since its adoption and up to the date of this report.

EQUITY-LINKED AGREEMENTS

Save as disclosed above in the section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2015.

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

Each of Mr. King Fong-Tien, Mr. Tsao Ming-Hong, Ms. Chen Shun Min and Ms. Ho Pei-Lin entered into service agreement with the Company on 26 March 2014 for a term of three years commencing from 26 March 2014 unless terminated by not less than one month's notice in writing served by either party on the other.

Mr. Chen Pou-Tsang, who was appointed as an independent non-executive Director of the Company on 15 May 2012, signed an appointment letter issued by the Company for a term of three years commencing from 15 May 2012, which expired on 15 May 2015. Subsequently on 29 March 2016, Mr. Chen signed an appointment letter issued by the Company for a term of three years with retrospective effect from 15 May 2015.

Mr. Lam Ting Lok, who was appointed as an independent non-executive Director of the Company on 7 August 2013, signed an appointment letter issued by the Company for a term of three years commencing from 7 August 2013 unless terminated by not less than one month's notice in writing served by either party on the other.

Each of Mr. Christian Odgaard Pedersen and Mrs. Chiu Lin Mei-Yu signed an appointment letter issued by the Company for a term of three years commencing from 26 March 2014 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 2016 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 2015, 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:

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

Name of Directors	Type of Interests	Long position/ Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Mr. TSAO Ming-Hong	Beneficial interest	Long position	7,373,766 *(Note 1)*	0.73%
	Family interest	Long position	166,386 *(Note 2)*	0.02%
Ms. CHEN Shun Min	Beneficial interest	Long position	5,595,320 *(Note 3)*	0.56%
Ms. HO Pei-Lin	Beneficial interest	Long position	783,193	0.08%
	Family interest	Long position	861,435 *(Note 4)*	0.09%
Mr. Christian Odgaard PEDERSEN	Beneficial interest	Long position	1,800,000 *(Note 5)*	0.18%
Mrs. CHIU LIN Mei-Yu	Beneficial interest	Long position	300,000 *(Note 6)*	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 Schemes".

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 900,000 shares derived from the share options granted by the Company, details are set out in the section headed "Share Option Schemes".

4. Pursuant to section 316 of the SFO, Ms. Ho Pei-Lin is deemed to be interested in 861,435 shares held by her spouse, Mr. Wu Cheng-Tao.

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 Schemes".

6. Included interest in 180,000 shares derived from the share options granted by the Company, details as set out in the section headed "Share Option Schemes".

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

At 31 December 2015, 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	553,586,059	55.02%
United Elite Agents Limited ("UEA") *(Note)*	Beneficial interest	Long position	553,586,059	55.02%
Vald Birns Holding A/S	Beneficial interest	Long position	102,298,922	10.17%
Delta Lloyd Asset Management NV	Investment manager	Long position	70,310,000	6.99%

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 2015.

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 2015.

CONNECTED TRANSACTIONS

For the year ended 31 December 2015, 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.76(2) of the Listing Rules:

1. On 26 March 2014, 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 2014 to 31 December 2016.

   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 2015 is US$1,500,000.

   For the year ended 31 December 2015, the aggregate fees paid by the Group to CMAI pursuant to the CMAI Services Agreement amounted to approximately US$1,184,000.

2. On 26 March 2014, 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 2014 to 31 December 2016.

   The annual cap for the fees payable by the Group CMJ pursuant to the CMJ Services Agreement for the financial year ended 31 December 2015 is US$850,000.

   For the year ended 31 December 2015, the aggregate fees paid by the Group to CMJ pursuant to the CMJ Services Agreement amounted to approximately US$254,000.

3. On 26 March 2014, CMB (Hong Kong) Company Limited ("CMB (HK)"), a wholly-owned subsidiary of the Company, entered into a master supply agreement ("2014 Master Supply Agreement") with Vald. Birn A/S ("Birn"), a substantial shareholder of the Company, pursuant to which, CMB (HK) shall supply to Birn the Relevant Products (as defined in the 2014 Master Supply Agreement) on a long-term and ongoing basis with retrospective effect from 1 January 2014 to 31 December 2016.

   The annual cap for sale of the Relevant Products for the financial year ended 31 December 2015 has been revised to US$2,000,000 pursuant to the announcement of the Company dated 9 March 2015.

   For the year ended 31 December 2015, the sale of the Relevant Products to Birn amounted to approximately US$960,000.

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

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

2. on normal commercial terms; 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 auditor of the Company has also performed an assurance engagement and issued a letter to the Board confirming that based on the procedures carried out on the continuing connected transactions, nothing has come to their attention that causes them to believe that the transaction:

(i) has not been approved by the Board;

(ii) was not entered into, in all material respects, in accordance with the relevant agreement governing such transaction; and

(iii) has exceeded the annual cap amount as set out in the relevant announcements.

MAJOR CUSTOMERS AND SUPPLIERS

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

During the year, the percentage of sales attributable to the largest customer and the five largest customers of the group is 14% and 47% respectively.

The largest supplier and the five largest suppliers of the Group accounted for approximately 6% and 28% 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, which was further revised on 31 December 2015 to comply with the relevant code provisions set out in the CG Code. 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, namely Mr. LAM Ting Lok (as chairman), Mrs. CHIU Lin Mei-Yu and Mr. CHEN Pou-Tsang. The Audit Committee has reviewed the audited annual financial report of the Group for the year ended 31 December 2015.

AUDITOR

A resolution will be submitted to the 2016 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, 29 March 2016

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. King Fong-Tien, aged 68, 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 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, and a director of CMAI, a 94% subsidiary 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.

Mr. Tsao Ming-Hong, aged 67, was appointed as the vice-chairman and an executive Director of the Company on 8 December 2004. 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 39 years of experience in casting industry. He joined the Group in 1994. He is currently 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. He is also the vice chairman of CMP, a director of CMJ, a 83.3% subsidiary of CMP and a director of CMAI.

Ms. Chen Shun-Min, aged 56, was appointed as an executive Director of the Company on 28 March 2013. She 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. 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. She is also a supervisor of CMAI.

Ms. Ho Pei-Lin, aged 44, was appointed as an executive Director of the Company on 26 March 2014. She is a member of the CG Committee. She has over 10 years' experience in finance and derivative instruments. She graduated from the Department of Business Administration of Soochow University in 1993. She has been the trader of bonds, head of capital movement and the training speaker of Grand Cathay Securities Corporation during the period from 1993 to 1997. She has been the vice president of JP Morgan Chase Bank in charge of the forex, design and trading of derivative financial instrument during the period from 1997 to 2003. During the period from 2003 to 2012, she was a volunteer of Da Ai Tsu Chi for the public relation and human education.

NON-EXECUTIVE DIRECTOR

Mr. Christian Odgaard Pedersen, aged 69, was appointed as a non-executive Director of the Company on 8 December 2004. Mr. Pedersen graduated from Arhus School of Business with a diploma in business administration in 1973. Mr. Pedersen is currently managing director of Vald. Birn Holding A/S, a substantial shareholder of the Company, and the chairman of Birn Foundation. Mr. Pedersen is a board member of each of Jysk/Fynsk Kapitalanlæg A/S and Nupark Innovation A/S and the chairman of Danspin A/S. Mr. Pedersen is also the vice chairman of the Faerch Foundations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ting Lok, aged 43, was appointed as an independent non-executive Director and the chairman of the audit committee of the Company ("Audit Committee") on 7 August 2013. Mr. Lam has over 15 years' experience in the accounting and financial industry. He has extensive experience in IPO, M&A, fund raising and corporate advisory. He started his career in KPMG from 1995 to January 2000. He then moved on to the investment banking division of ICEA Capital Limited from February 2000 to October 2004, and worked at REXCAPITAL (Hong Kong) Limited as a corporate finance manager from April 2006 and as an associate director from October 2007 to December 2010. He is now the managing director of Amasse Capital Limited. Mr. Lam has been an independent non-executive director of each of Enterprise Development Holdings Limited (HKSE Stock Code: 1808) during the period between March 2011 and October 2014, EPI (Holdings) Limited (HKSE Stock Code: 689) during the period between April 2013 and January 2014, and Wonderful Sky Financial Group Holdings Limited (HKSE Stock Code: 1260) during March 2012 and January 2016. Mr. Lam holds a bachelor's degree in Business Administration from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a charterholder of the Chartered Financial Analyst.

Mrs. Chiu Lin Mei-Yu (also known as Mary Lin Chiu), aged 68, was appointed as an independent non-executive Director of the Company on 8 December 2004. She is the 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.

Mr. Chen Pou-Tsang (also known as Angus P.T. Chen), aged 62, 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 of the Company. 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 30 years' experience in financial industry. Mr. Chen worked at Citibank National Association, Taiwan Branch ("Citybank, 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. He also funded 財團法人樹和教育基金會(Shehe Education Foundation) in April 2013, a non-profit organization to provide free after-school tutoring to primary school children from disadvantaged families in Taichung City and serves as chairman.

COMPANY SECRETARY

Mr. Tse Kam Fai, aged 52, was appointed as the Company Secretary of the Company on 8 December 2004. Mr. Tse is a fellow member of The Institute of Chartered Secretaries and Administrators and of The Hong Kong Institute of Chartered Secretaries. He is also a member of the Hong Kong Institute of Directors. He is currently the company secretary of another two companies whose shares are listed on the Main Board of the Stock Exchange and two companies whose shares are listed on the Growth Enterprise Market of the Stock Exchange. He is also an executive director of a local professional firm providing regulatory compliance, corporate governance and corporate secretarial services to listed and unlisted corporations. Mr. Tse has more than 25 years' experience in handling listed company secretarial and compliance related matters.

SENIOR MANAGEMENT

Mr. Yen Fu-Shan, aged 54, 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 20 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. 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. Wang Kuo-Nien, aged 46, is the vice president of CMW and CMT. 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. He was appointed as the vice president of CMT in 2015.

Mr. Wu Chin-Hsiu, aged 54, 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 62, 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 23 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. Lin Yu-Chieh, aged 35, is the manager of sales and marketing division of CMT and CMWT. He is responsible for management and supervision of the overall sales and marketing business of CMT and CMWT. Mr. Lin graduated from Southern Taiwan University of Science and Technology with a bachelor degree of Computer Science and Information Engineering in June 2003, and graduated from William Woods University with a Master of Business Administration in July 2007. Mr. Lin joined the Group in 2007 as the assistant manager of the sales and marketing division of CMT. He was appointed as the manager of the sales and marketing division of CMT in 2012, and was then appointed as the director of the sales and marketing division of CMT and CMWT in 2013.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of China Metal International Holdings Inc. (the "Company") and its subsidiaries (together the "Group") set out on pages 29 to 81, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other 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 financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

29 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Revenue	3	**309,506**	346,855
Cost of sales		**(230,601)**	(260,839)
Gross profit		**78,905**	86,016
Other revenue	4(a)	**1,371**	2,193
Other net income/(loss)	4(b)	**2,610**	(700)
Selling and distribution costs		**(16,838)**	(18,939)
Administrative expenses		**(17,404)**	(17,536)
Profit from operations		**48,644**	51,034
Finance costs	5(a)	**(853)**	(1,223)
Profit before taxation	5	**47,791**	49,811
Income tax	6	**(7,839)**	(8,777)
Profit for the year		**39,952**	41,034
Attributable to:			
Equity shareholders of the Company		**39,952**	41,034
Non-controlling interests		**–**	–
Profit for the year		**39,952**	41,034
Earnings per share	10		
Basic (cents)		**3.97**	4.08
Diluted (cents)		**3.97**	4.08

The notes on pages 34 to 81 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 23(b).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Profit for the year		**39,952**	41,034
Other comprehensive income for the year (after tax and reclassification adjustment):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries in the People's Republic of China ("PRC") and in Hong Kong	9	**(20,115)**	(2,362)
Total comprehensive income for the year		**19,837**	38,672
Attributable to:			
Equity shareholders of the Company		**19,837**	38,672
Non-controlling interests		**–**	–
Total comprehensive income for the year		**19,837**	38,672

The notes on pages 34 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Non-current assets			
Property, plant and equipment	11	191,119	214,378
Lease prepayments	12	7,402	8,054
Other financial assets	14	37	37
		198,558	222,469
Current assets			
Inventories	15(a)	41,157	52,174
Trade and other receivables	16	145,492	147,452
Amounts due from related companies	26(b)	441	426
Pledged bank deposits	18	4,614	2,260
Cash and cash equivalents	17	31,665	38,838
Time deposits		-	2,942
		223,369	244,092
Current liabilities			
Trade and other payables	18	53,555	60,370
Bank loans	19	24,000	44,357
Amounts due to related companies	26(c)	172	1,236
Current taxation	22(a)	3,372	1,726
		81,099	107,689
Net current assets		142,270	136,403
Total assets less current liabilities		340,828	358,872
Non-current liabilities			
Long-term loans	19	15,000	20,679
Deferred tax liabilities	22(b)	1,248	1,381
		16,248	22,060
NET ASSETS		324,580	336,812
CAPITAL AND RESERVES			
Share capital	23(c)	1,293	1,293
Reserves		323,287	335,519
Total equity attributable to equity shareholders of the Company		324,580	336,812
Non-controlling interests		-	-
TOTAL EQUITY		324,580	336,812

Approved and authorised for issue by the board of directors on 29 March 2016.

King Fong-Tien
Director

Chen Shun-Min
Director

The notes on pages 34 to 81 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

(Expressed in United States dollars)

	Note	Attributable to equity shareholders of the Company										
		Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve-share option $'000	Other reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2014		1,291	43,484	42	23,181	47,908	1,333	20,074	192,698	330,011	-	330,011
Changes in equity for 2014:												
Profit for the year		-	-	-	-	-	-	-	41,034	41,034	-	41,034
Other comprehensive income	9	-	-	-	-	(2,362)	-	-	-	(2,362)	-	(2,362)
Total comprehensive income		-	-	-	-	(2,362)	-	-	41,034	38,672	-	38,672
Dividends approved in respect of the previous year	23(b)(ii)	-	-	-	-	-	-	-	(18,771)	(18,771)	-	(18,771)
Transfer to statutory surplus reserve		-	-	-	2,794	-	-	-	(2,794)	-	-	-
Shares issued under share option scheme	23(c)(ii)	2	846	-	-	-	(237)	-	-	611	-	611
Equity settled share-based transactions	21(c)	-	-	-	-	-	74	-	-	74	-	74
Dividends approved in respect of the current year	23(b)(i)	-	-	-	-	-	-	-	(13,785)	(13,785)	-	(13,785)
Balance at 31 December 2014		1,293	44,330	42	25,975	45,546	1,170	20,074	198,382	336,812	-	336,812

	Note	Attributable to equity shareholders of the Company										
		Share capital $'000	Share premium $'000	Capital redemption reserve $'000	Statutory surplus reserve $'000	Exchange fluctuation reserve $'000	Capital reserve-share option $'000	Other reserve $'000	Retained profits $'000	Sub-total $'000	Non-controlling interests $'000	Total $'000
Balance at 1 January 2015		1,293	44,330	42	25,975	45,546	1,170	20,074	198,382	336,812	-	336,812
Changes in equity for 2015:												
Profit for the year		-	-	-	-	-	-	-	39,952	39,952	-	39,952
Other comprehensive income	9	-	-	-	-	(20,115)	-	-	-	(20,115)	-	(20,115)
Total comprehensive income		-	-	-	-	(20,115)	-	-	39,952	19,837	-	19,837
Dividends approved in respect of the previous year	23(b)(ii)	-	-	-	-	-	-	-	(10,062)	(10,062)	-	(10,062)
Transfer to statutory surplus reserve		-	-	-	2,157	-	-	-	(2,157)	-	-	-
Equity settled share-based transactions	21(c)	-	-	-	-	-	29	-	-	29	-	29
Dividends approved in respect of the current year	23(b)(i)	-	-	-	-	-	-	-	(22,036)	(22,036)	-	(22,036)
Balance at 31 December 2015		1,293	44,330	42	28,132	25,431	1,199	20,074	204,079	324,580	-	324,580

The notes on pages 34 to 81 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2015

(Expressed in United States dollars)

	Note	2015 $'000	2014 $'000
Operating activities			
Cash generated from operations	17(b)	**70,623**	62,247
Income tax paid		**(6,074)**	(10,169)
Net cash generated from operating activities		**64,549**	52,078
Investing activities			
Payment for purchase of property, plant and equipment		**(13,325)**	(19,255)
Proceeds from disposal of property, plant and equipment		**154**	183
Interest received		**411**	763
Decrease/(increase) in time deposits with maturity over 3 months		**2,942**	(2,942)
Net cash used in investing activities		**(9,818)**	(21,251)
Financing activities			
Proceeds from shares issued under share option		**–**	611
Proceeds from new bank loans		**119,000**	234,297
Repayment of bank loans		**(145,036)**	(222,602)
Increase in pledged bank deposits		**(2,354)**	(459)
Interest paid		**(853)**	(1,323)
Dividends paid to equity shareholders of the Company		**(32,098)**	(32,556)
Net cash used in financing activities		**(61,341)**	(22,032)
Net (decrease)/increase in cash and cash equivalents		**(6,610)**	8,795
Cash and cash equivalents at 1 January		**38,838**	30,384
Effect of foreign exchange rate changes		**(563)**	(341)
Cash and cash equivalents at 31 December	17(a)	**31,665**	38,838

The notes on pages 34 to 81 form part of these financial statements.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). A summary of the significant accounting policies adopted by the 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 2015 comprise the Company and its subsidiaries (together referred to as the "Group").

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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the group:

- Amendments to HKAS 19, *Employee benefits: Defined benefit plans: Employee contributions*
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

These developments do not have an impact on the Group's financial results or financial position.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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 non-controlling interests' 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 statement of profit or loss and the consolidated statement of profit or loss and other 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 or 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 venture.

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

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Investments in equity securities

The Group's and the Company'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 it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

Investments in equity securities that do not have a quoted price in an active market for an identical instrument and whose fair value cannot be reliably measured are recognised in the statement of financial position at cost less impairment losses (see note 1(h)). Dividend income from equity securities is recognised in profit or loss in accordance with the policies set out in note 1(q)(ii).

When the investments are derecognised or impaired (see note 1(h)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(f) Property, plant and equipment

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

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(s)).

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.

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(f) Property, plant and equipment *(continued)*

Construction in progress represents property, plant and equipment under construction and equipment pending installation, and is stated at cost less impairment losses (see note 1(h)). 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 property, plant and equipment 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.

(g) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Lease prepayments

Lease prepayments represent the cost of acquiring land use rights paid to the PRC's governmental authorities. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see note 1(h)). Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights (50 years).

(iii) 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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) 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 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 share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within 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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) Impairment of assets *(continued)*

(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

– investments in subsidiaries.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal 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 the 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 of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

(n) Employee benefits

(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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Employee benefits *(continued)*

(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 lattice model, taking into account 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 at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(o) Income tax

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

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

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

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

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Income tax *(continued)*

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the 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:

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

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

  - the same taxable entity; or

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

(p) Provisions and contingent liabilities

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

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

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

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

(ii) Dividends

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

(iii) Interest income

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

(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 income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

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

The results of foreign operations 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 reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

(t) 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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

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.

(Expressed in United States dollars unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Segment reporting

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

Notes 21 and 24 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 property, plant and equipment

Property, plant and equipment are assessed at each reporting period to identify indications that they may be impaired. Such indications include physical damage of an item of property, plant and equipment and a decrease in the revenue derived from an item of property, plant and equipment. If any such indication exists, the recoverable amount of that property, plant and equipment 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 an item of property, plant and equipment 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 item.

(Expressed in United States dollars unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(CONTINUED)*

(e) Income taxes

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are design, development, manufacture and sale of customised metal castings for use in various industries.

Revenue 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 is as follows:

	2015	2014
	$'000	*$'000*
Sales of:		
– Automobile parts and components	**226,887**	228,871
– Mechanical parts	**54,262**	82,063
– Compressor parts	**28,357**	35,921
	309,506	346,855

The Group's customer base is diversified and includes only two customers with whom transactions have exceeded 10% of the Group's revenues (2014: two customers). In 2015 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 $44 million and $32 million in the United States and the PRC, respectively (2014: $47 million and $41 million in the United States and the PRC, respectively). Details of concentrations of credit risk arising from these customers are set out in note 24(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")

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE 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 individual segments 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 profits is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administrative costs.

In addition to receiving segment information concerning adjusted EBITDA, 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 segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

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

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 2015 and 2014 is set out below:

	CMT		CMS		CMWT		CMB		TOTAL	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Revenue from external customers	45,369	73,879	104,521	125,984	130,436	133,119	29,180	13,873	309,506	346,855
Inter-segment revenue	871	216	2,345	1,086	14,083	1,482	3,345	5,207	20,644	7,991
Reportable segment revenue	46,240	74,095	106,866	127,070	144,519	134,601	32,525	19,080	330,150	354,846
Reportable segment profit (adjusted EBITDA)	1,216	14,801	26,250	26,329	43,918	31,522	3,446	(1,641)	74,830	71,011
Interest income from bank deposits	164	207	128	328	57	64	62	164	411	763
Interest expense	(431)	(635)	(422)	(588)	-	-	-	-	(853)	(1,223)
Depreciation and amortisation for the year	(1,608)	(1,997)	(5,480)	(5,043)	(9,707)	(10,220)	(5,567)	(4,470)	(22,362)	(21,730)
Reportable segment assets	56,238	78,572	101,872	117,477	159,549	165,188	106,588	102,332	424,247	463,569
Additions to non-current segment assets during the year	26	86	3,469	3,649	3,235	2,705	4,656	9,153	11,386	15,593
Reportable segment liabilities	1,517	9,121	14,703	14,377	30,221	30,982	18,215	11,029	64,656	65,509

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

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

	2015 $'000	2014 $'000
Revenue		
Reportable segment revenue	330,150	354,846
Elimination of inter-segment revenue	(20,644)	(7,991)
Consolidated revenue (note 3(a))	309,506	346,855

	2015 $'000	2014 $'000
Profit		
Reportable segment profit	74,830	71,011
Elimination of depreciation related to inter-segment fixed assets transfer	503	405
Elimination of inter-segment (profit)/loss	(4,320)	1,010
Reportable segment profit derived from the Group's external customers	71,013	72,426
Depreciation and amortisation	(22,362)	(21,730)
Interest income	411	763
Finance costs	(853)	(1,223)
Unallocated head office and corporate expenses	(418)	(425)
Consolidated profit before taxation	47,791	49,811

	2015 $'000	2014 $'000
Assets		
Reportable segment assets	424,247	463,569
Elimination of inter-segment receivables	(7,195)	(1,672)
	417,052	461,897
Non-current financial assets	37	37
Unallocated head office and corporate assets	4,838	4,627
Consolidated total assets	421,927	466,561

(Expressed in United States dollars unless otherwise indicated)

3 REVENUE AND SEGMENT REPORTING *(CONTINUED)*

(b) Segment reporting *(continued)*

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

	2015 $'000	2014 $'000
Liabilities		
Reportable segment liabilities	64,656	65,509
Elimination of inter-segment payables	(7,195)	(1,672)
	57,461	63,837
Unallocated head office and corporate liabilities	39,886	65,912
Consolidated total liabilities	97,347	129,749

(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	
	2015 $'000	2014 $'000
The PRC	172,764	190,448
United States	107,879	111,251
Japan	15,232	27,005
Other countries	13,631	18,151
Total	309,506	346,855

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

(Expressed in United States dollars unless otherwise indicated)

4 OTHER REVENUE AND NET INCOME/(LOSS)

	2015 $'000	2014 $'000
(a) Other revenue		
– Interest income	411	763
– Sundry income	960	1,430
	1,371	2,193

	2015 $'000	2014 $'000
(b) Other net income/(loss)		
Net foreign exchange gain/(loss)	2,842	(729)
Net (loss)/gain on sale of property, plant and equipment	(232)	6
Others	–	23
	2,610	(700)

5 PROFIT BEFORE TAXATION

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

	2015 $'000	2014 $'000
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	853	1,323
Less: interest expense capitalised into construction in progress*	–	(100)
	853	1,223

* The borrowing costs have been capitalised at a rate of 0.95% – 1.83% per annum in 2014.

(Expressed in United States dollars unless otherwise indicated)

5 PROFIT BEFORE TAXATION *(CONTINUED)*

(b) Staff costs:

	2015 $'000	2014 $'000
Salaries, wages and other benefits	41,198	38,600
Contributions to retirement benefit schemes	3,677	3,435
Equity settled share-based payment expenses (note 21)	29	74
Termination benefits	3,399	–
	48,303	42,109

Pursuant to the restructuring of CMT in 2015, the Group terminated the employment of certain staff. Termination benefits represent payments made to these staff.

(c) Other items:

	2015 $'000	2014 $'000
Amortisation of lease prepayments	196	200
Depreciation	22,166	21,530
Operating lease charges: minimum lease payments (including property rentals)	362	398
Auditors' remuneration – audit services	522	513

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015 $'000	2014 $'000
Current tax		
Provision for income tax for the year	7,863	7,413
Under/(over)-provision in respect of prior years	31	(12)
	7,894	7,401
Deferred tax		
Origination and reversal of temporary differences	(55)	1,376
	7,839	8,777

(Expressed in United States dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(CONTINUED)*

(a) Taxation in the consolidated statement of profit or loss represents: *(continued)*

(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:

	Notes	2015	2014
CMT	(1)	15%	15%
CMS	(1)	15%	15%
CMWT	(2)	15%	15%
CMB	(3)	15%	15%

Notes:

(1) In September 2011 and October 2011, CMS and CMT were granted the status of Advanced and New Technology Enterprise ("ANTE") that entitled them to a preferential CIT rate of 15% for the three-year period ended 31 December 2013. CMS and CMT renewed and obtained the ANTE certificates in March 2015 and October 2014, respectively, and are entitled to a preferential CIT rate of 15% for a period of three years from 2014 to 2016.

(2) In May 2013, CMWT was granted the status of ANTE that entitled it to a preferential CIT rate of 15% for the three-year period ended 31 December 2014. CMWT renewed and obtained the ANTE certificate in August 2015 and are entitled to a preferential CIT rate of 15% for a period of three years from 2015 to 2017.

(3) In May 2014, CMB was granted the status of ANTE that entitled it to a preferential CIT rate of 15% for the three-year period ended 31 December 2015.

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%.

(Expressed in United States dollars unless otherwise indicated)

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(CONTINUED)*

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

	2015 $'000	2014 $'000
Profit before taxation	47,791	49,811
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	10,828	10,638
Tax effect of non-deductible expenses	139	4
Tax effect of unused tax losses not recognised	282	–
Tax effect of distributed profits of subsidiaries	1,270	803
Under/(over)-provision in prior years	31	(12)
(Reversal)/origination of deferred tax liability arising from depreciation timing difference	(54)	1,961
Tax effect of tax concessions	(4,657)	(4,617)
Actual tax expense	7,839	8,777

7 DIRECTORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000 (note 26(a))	Bonuses $'000	Share-based payments (note) $'000	2015 Total $'000
Executive directors						
Mr. King Fong-Tien	65	27	–	6	–	98
Mr. Tsao Ming-Hong	65	41	–	7	8	121
Ms. Chen Shun-Min	65	52	–	16	8	141
Ms. Ho Pei-Lin	65	–	–	–	–	65
Non-executive director						
Mr. Christian Odgaard Pedersen	39	–	–	–	3	42
Independent non-executive directors						
Mrs. Chiu Lin Mei-Yu	39	–	–	–	3	42
Mr. Chen Pou-Tsang	39	–	–	–	–	39
Mr. Lam Ting-Lok	39	–	–	–	–	39
Total	416	120	–	29	22	587

(Expressed in United States dollars unless otherwise indicated)

7 DIRECTORS' REMUNERATION *(CONTINUED)*

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Retirement scheme contributions $'000 (note 26(a))	Bonuses $'000	Share-based payments (note) $'000	2014 Total $'000
Executive directors						
Mr. King Fong-Tien	65	20	–	12	–	97
Mr. Tsao Ming-Hong	65	43	–	11	6	125
Mr. Wu Cheng-Tao*	23	–	–	–	–	23
Ms. Chen Shun-Min	64	56	–	43	6	169
Ms. Ho Pei-Lin	49	–	–	–	–	49
Non-executive director						
Mr. Christian Odgaard Pedersen	39	–	–	–	2	41
Independent non-executive directors						
Mrs. Chiu Lin Mei-Yu	39	–	–	–	2	41
Mr. Chen Pou-Tsang	39	–	–	–	–	39
Mr. Lam Ting-Lok	39	–	–	–	–	39
Total	422	119	–	66	16	623

* Mr. Wu Cheng-Tao resigned as director of the company on 9 May 2014.

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(n)(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 21.

(Expressed in United States dollars unless otherwise indicated)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015	2014
	$'000	*$'000*
Salaries, allowances and benefits in kind	**282**	227
Bonuses	**126**	143
Share-based payments	**12**	13
	420	383

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015 Number of individuals	2014 Number of individuals
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$1,500,000	**2**	1
	3	3

9 OTHER COMPREHENSIVE INCOME

	2015			2014		
	Before-tax amount	**Tax (expense)/ benefit**	**Net-of-tax amount**	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Exchange differences on translation of financial statements of subsidiaries in the PRC and in Hong Kong	**(20,115)**	**-**	**(20,115)**	(2,362)	–	(2,362)

(Expressed in United States dollars unless otherwise indicated)

10 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 $39,952,000 (2014: $41,034,000) and the weighted average number of 1,006,212,000 (2014: 1,004,904,000) ordinary shares in issue during the year.

(i) Weighted average number of ordinary shares

	2015 '000	2014 '000
Issued ordinary shares at 1 January	1,006,212	1,004,332
Effect of share options exercised	–	572
Weighted average number of ordinary shares at 31 December	1,006,212	1,004,904

(b) Diluted earnings per share

The diluted earnings per share for the year ended 31 December 2015 is the same as the basic earnings per share as all potential ordinary shares are anti-dilutive. The calculation of diluted earnings per share for the year ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of $41,034,000 and the weighted average number of ordinary shares of 1,005,712,000 calculated as follows:

(i) Weighted average number of ordinary shares (diluted)

	2014 '000
Weighted average number of ordinary shares at 31 December	1,004,904
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	808
Weighted average number of ordinary shares (diluted) at 31 December	1,005,712

(Expressed in United States dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings $'000	Leasehold improvements $'000	Machinery and equipment $'000	Motor vehicles $'000	Office equipment, furniture and fixtures $'000	Sub-total $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2015	80,675	3,961	286,827	2,587	17,625	391,675	9,372	401,047
Exchange adjustments	(4,339)	(240)	(18,041)	(145)	(1,421)	(24,186)	(413)	(24,599)
Additions	-	1,629	2,808	29	579	5,045	6,341	11,386
Transfer from construction in progress	3,206	-	5,418	30	751	9,405	(9,405)	-
Disposals	-	(1,338)	(2,149)	(204)	(2,346)	(6,037)	-	(6,037)
At 31 December 2015	79,542	4,012	274,863	2,297	15,188	375,902	5,895	381,797
Accumulated amortisation and depreciation:								
At 1 January 2015	(16,957)	(1,838)	(154,717)	(1,877)	(11,280)	(186,669)	-	(186,669)
Exchange adjustments	1,045	89	10,622	110	640	12,506	-	12,506
Charge for the year	(2,471)	(917)	(17,528)	(222)	(1,028)	(22,166)	-	(22,166)
Written back on disposals	-	1,338	2,004	174	2,135	5,651	-	5,651
At 31 December 2015	(18,383)	(1,328)	(159,619)	(1,815)	(9,533)	(190,678)	-	(190,678)
Carrying amount:								
At 31 December 2015	61,159	2,684	115,244	482	5,655	185,224	5,895	191,119

(Expressed in United States dollars unless otherwise indicated)

11 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

	Buildings $'000	Leasehold improvements $'000	Machinery and equipment $'000	Motor vehicles $'000	Office equipment, furniture and fixtures $'000	Sub-total $'000	Construction in progress $'000	Total $'000
Cost:								
At 1 January 2014	64,343	4,272	274,326	2,561	14,685	360,187	30,825	391,012
Exchange adjustments	(441)	(26)	(2,085)	(21)	(96)	(2,669)	(354)	(3,023)
Additions	94	728	1,897	24	304	3,047	12,837	15,884
Transfer from construction in progress	16,679	-	13,853	71	3,333	33,936	(33,936)	-
Disposals	-	(1,013)	(1,164)	(48)	(601)	(2,826)	-	(2,826)
At 31 December 2014	80,675	3,961	286,827	2,587	17,625	391,675	9,372	401,047
Accumulated amortisation and depreciation:								
At 1 January 2014	(14,713)	(2,077)	(139,830)	(1,654)	(10,693)	(168,967)	-	(168,967)
Exchange adjustments	80	12	1,009	13	64	1,178	-	1,178
Charge for the year	(2,324)	(786)	(16,913)	(279)	(1,228)	(21,530)	-	(21,530)
Written back on disposals	-	1,013	1,017	43	577	2,650	-	2,650
At 31 December 2014	(16,957)	(1,838)	(154,717)	(1,877)	(11,280)	(186,669)	-	(186,669)
Carrying amount:								
At 31 December 2014	63,718	2,123	132,110	710	6,345	205,006	9,372	214,378

12 LEASE PREPAYMENTS

	2015 $'000	2014 $'000
Cost:		
At 1 January	9,891	9,984
Exchange adjustments	(570)	(93)
At 31 December	9,321	9,891
Accumulated amortisation:		
At 1 January	(1,837)	(1,649)
Exchange adjustments	114	12
Charge for the year	(196)	(200)
At 31 December	(1,919)	(1,837)
Net book value:		
At 31 December	7,402	8,054

13 INVESTMENTS IN SUBSIDIARIES

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 a subsidiary %	Principal activity
China Metal International (BVI) Limited	British Virgin Islands/Taiwan	$162	100	100	–	Investment holding
CMB (Hong Kong) Company Limited	Hong Kong/ Taiwan	HK$93,600,000	100	100	–	Investment holding and trading of casting products
CMP (Hong Kong) Industry Company Limited	Hong Kong/ Taiwan	HK$179,195,000	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	$82,000,000	100	–	100	Manufacturing and sale of casting products

14 OTHER NON-CURRENT FINANCIAL ASSETS

	2015 $'000	2014 $'000
Unquoted equity securities outside Hong Kong, at cost	186	186
Less: impairment loss	(149)	(149)
	37	37

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 2015, 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 2015.

(Expressed in United States dollars unless otherwise indicated)

15 INVENTORIES

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

	2015 $'000	2014 $'000
Raw materials	2,321	3,841
Work in progress	5,860	8,483
Finished goods	29,475	35,883
Others	3,501	3,967
	41,157	52,174

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

	2015 $'000	2014 $'000
Carrying amount of inventories sold	230,601	260,839
Reversal of write-down of inventories	–	–
	230,601	260,839

16 TRADE AND OTHER RECEIVABLES

	2015 $'000	2014 $'000
Trade receivables	129,161	128,860
Bills receivable	3,980	5,720
Other receivables, deposits and prepayments	12,351	12,872
	145,492	147,452

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

Included in trade receivables are amounts due from related companies of $688,000 (2014: $915,000), details of which are disclosed in note 26(b).

(a) Ageing analysis

As of 31 December 2015, the ageing analysis of trade receivables and bills receivable (which are included in trade and other receivables), based on the delivery date and net of allowance for doubtful debts, is as follows:

	2015 $'000	2014 $'000
Within 3 months	104,527	112,175
3 to 12 months	27,512	21,661
12 to 24 months	924	683
Over 24 months	178	61
	133,141	134,580

Trade receivables and bills receivable are due within 60 to 120 days from the date of billing. Further details on the Group's credit policy are set out in note 24(a).

(Expressed in United States dollars unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES *(CONTINUED)*

(b) Impairment of trade receivables and bills receivable

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

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

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

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

	2015	2014
	$'000	*$'000*
Neither past due nor impaired	**108,074**	111,259
Less than 3 months past due	**22,631**	21,725
3 to 12 months past due	**1,851**	1,076
12 to 24 months past due	**407**	459
Over 24 months past due	**178**	61
	25,067	23,321
	133,141	134,580

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

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

17 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2015	2014
	$'000	*$'000*
Cash at bank and in hand	**31,665**	18,410
Deposits with banks	**–**	20,428
	31,665	38,838

(Expressed in United States dollars unless otherwise indicated)

17 CASH AND CASH EQUIVALENTS *(CONTINUED)*

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

	note	2015 $'000	2014 $'000
Profit before taxation		**47,791**	49,811
Adjustments for:			
Amortisation of lease prepayments	5(c)	**196**	200
Depreciation	5(c)	**22,166**	21,530
Net loss/(gain) on sale of property, plant and equipment	4(b)	**232**	(6)
Interest income	4(a)	**(411)**	(763)
Finance costs	5(a)	**853**	1,223
Foreign exchange gain		**(7,255)**	(532)
Equity settled share-based payment expenses	5(b)	**29**	74
Changes in working capital			
Decrease in inventories		**11,017**	4,868
Decrease/(increase) in trade and other receivables		**3,369**	(16,837)
(Increase)/decrease in amounts due from related companies		**(15)**	192
(Decrease)/increase in amounts due to related companies		**(1,064)**	1,170
(Decrease)/increase in trade and other payables		**(6,285)**	1,317
Cash generated from operations		**70,623**	62,247

18 TRADE AND OTHER PAYABLES

	2015 $'000	2014 $'000
Trade payables	**19,008**	31,823
Bills payable	**16,633**	7,745
Other payables	**17,914**	20,802
	53,555	60,370

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

Bills payable of $16,633,000 (2014: $7,745,000) as at 31 December 2015 were secured by bank deposits of $4,614,000 (2014: $2,260,000).

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

	2015 $'000	2014 $'000
Within 1 month	**17,336**	11,996
1 to 3 months	**11,988**	18,733
3 to 6 months	**6,275**	8,733
Over 6 months	**42**	106
	35,641	39,568

(Expressed in United States dollars unless otherwise indicated)

19 BANK LOANS

At 31 December 2015, unsecured bank loans were repayable as follows:

	2015 $'000	2014 $'000
Within 1 year or on demand	24,000	44,357
After 1 year but within 2 years	–	6,429
After 2 years but within 5 years	15,000	14,250
	15,000	20,679

At 31 December 2015, the Group had banking facilities totalling $134,320,000 (2014: $127,592,000) which were utilised to the extent of $43,681,000 (2014: $67,803,000).

20 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 26(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.

21 EQUITY SETTLED SHARE-BASED TRANSACTIONS

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

The Company adopted new Share Option Scheme on 13 May 2014 and the existing Share Option Scheme was terminated from 13 May 2014. Options granted prior to such termination will continue to be valid and exercisable in accordance with the rules of the existing Share Option Scheme. There is no impact on the existing share options granted.

(Expressed in United States dollars unless otherwise indicated)

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

(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:

	2015		2014	
	Weighted average exercise price	Number of options (thousand)	Weighted average exercise price	Number of options (thousand)
Outstanding at the beginning of the year	HK$2.52	9,520	HK$2.52	12,700
Lapsed during the year	HK$2.52	(2,340)	HK$2.52	(1,300)
Exercised during the year	HK$2.52	–	HK$2.52	(1,880)
Outstanding at the end of the year	HK$2.52	7,180	HK$2.52	9,520
Exercisable at the end of the year	HK$2.52	4,720	HK$2.52	2,680

The options outstanding at 31 December 2015 had an exercise price of HK$2.52 (2014: HK$2.52) and a weighted average remaining contractual life of 5 years (2014: 6 years).

(Expressed in United States dollars unless otherwise indicated)

21 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 lattice 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 $29,000 was charged to administrative expenses in profit or loss for the year ended 31 December 2015 (2014: $74,000).

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2015	2014
	$'000	*$'000*
At 1 January	**1,726**	4,492
Under/(over)-provision in respect of prior year	**31**	(12)
Provision for income tax for the year	**7,863**	7,413
Income tax paid	**(6,074)**	(10,169)
Exchange adjustments	**(174)**	2
At 31 December	**3,372**	1,726

(Expressed in United States dollars unless otherwise indicated)

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

(b) Deferred tax liabilities recognised:

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

Deferred tax arising from:	**Depreciation differences** *$'000*	**Deductible loss** *$'000*	**Withholding tax for undistributed profits** *$'000*	**Total** *$'000*
At 1 January 2014	–	–	–	–
Charged/(credited) to profit or loss	1,961	(585)	–	1,376
Exchange adjustment	5	–	–	5
At 31 December 2014	1,966	(585)	–	1,381
At 1 January 2015	1,966	(585)	–	1,381
Charged/(credited) to profit or loss	(54)	(1)	–	(55)
Exchange adjustment	(109)	31	–	(78)
At 31 December 2015	1,803	(555)	–	1,248

(c) Deferred tax liabilities not recognised

At 31 December 2015, deferred tax liabilities have not been recognised in respect of temporary differences relating to the undistributed profits of subsidiaries amounting to $124,753,000 (2014: $127,195,000). Deferred tax liabilities of $9,273,000 (2014: $8,390,000) 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.

(Expressed in United States dollars unless otherwise indicated)

23 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 individual components of equity between the beginning and the end of the year are set out below:

	Share Capital $'000	Share premium $'000 (note 23(d)(i))	Capital redemption reserve $'000 (note 23(d)(ii))	Capital reserve share option $'000	Contributed surplus $'000 (note 23(d)(vi))	Retained profits $'000	Total $'000
At 1 January 2015	1,293	44,330	42	1,170	74,653	32,183	153,671
Dividends approved in respect of the previous year	-	-	-	-	-	(10,062)	(10,062)
Profit for the year	-	-	-	-	-	47,535	47,535
Equity settled share-based transactions	-	-	-	29	-	-	29
Dividends declared in respect of the current year	-	-	-	-	-	(22,036)	(22,036)
At 31 December 2015	1,293	44,330	42	1,199	74,653	47,620	169,137

	Share Capital $'000	Share premium $'000 (note 23(d)(i))	Capital redemption reserve $'000 (note 23(d)(ii))	Capital reserve share option $'000	Contributed surplus $'000 (note 23(d)(vi))	Retained profits $'000	Total $'000
At 1 January 2014	1,291	43,484	42	1,333	74,653	61,555	182,358
Dividends approved in respect of the previous year	-	-	-	-	-	(18,771)	(18,771)
Profit for the year	-	-	-	-	-	3,184	3,184
Shares issued under share option scheme	2	846	-	(237)	-	-	611
Equity settled share-based transactions	-	-	-	74	-	-	74
Dividends declared in respect of the current year	-	-	-	-	-	(13,785)	(13,785)
At 31 December 2014	1,293	44,330	42	1,170	74,653	32,183	153,671

(Expressed in United States dollars unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Dividends

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

	2015 $'000	2014 $'000
Interim dividend declared and paid of 0.80 cent (2014: 0.88 cent) per ordinary share	8,050	8,833
Special interim dividend declared and paid of 1.39 cents (2014: 0.49 cent) per ordinary share	13,986	4,952
Final dividend proposed after the end of the reporting period of 0.97 cent (2014: 1.00 cent) per ordinary share	9,760	10,062
Special final dividend proposed after the end of the reporting period of 0.99 cent per ordinary share in 2015	9,961	–
	41,757	23,847

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

	2015 $'000	2014 $'000
Final dividend in respect of previous financial year, approved and paid during the year of 1.00 cent (2014: 0.88 cent) per ordinary share	10,062	8,833
Special final dividend in respect of previous financial year, approved and paid in 2014 of 0.99 cent per ordinary share	–	9,938
	10,062	18,771

(Expressed in United States dollars unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(c) Share capital

(i) Authorised and issued share capital

	2015 Number of shares (thousand)	2015 $'000	2014 Number of shares (thousand)	2014 $'000
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**12,853**	10,000,000	12,853
Issued:				
At 1 January	**1,006,212**	**1,293**	1,004,332	1,291
Shares issued under share option scheme	**-**	**-**	1,880	2
At 31 December	**1,006,212**	**1,293**	1,006,212	1,293

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.

(ii) Shares issued under share option scheme

On 11 September 2014, options were exercised to subscribe for 1,880,000 ordinary shares in the Company at a consideration of HK$4,737,600 (equivalent to $611,000) of which HK$18,800 (equivalent to $2,000) was credited to share capital and the balance of HK$4,718,800 ($609,000) was credited to the share premium accounts. $237,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(n)(ii).

(Expressed in United States dollars unless otherwise indicated)

23 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 subsidiaries in the PRC and in Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(r).

(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 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was $167,844,000 (2014: $152,378,000).

(Expressed in United States dollars unless otherwise indicated)

23 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 monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes interest-bearing loans and borrowings) less cash and cash equivalents.

The adjusted net debt-to-capital ratio at 31 December 2015 and 2014 was as follows:

	Note	2015 *$'000*	2014 *$'000*
Current liabilities			
Bank loans	19	24,000	44,357
Trade and other payables	18	53,555	60,370
		77,555	104,727
Non-current liabilities			
Long-term loans	19	15,000	20,679
Total debts		92,555	125,406
Less: Cash and Cash equivalents	17	(31,665)	(38,838)
Adjusted net debt		60,890	86,568
Total equity		324,580	336,812
Adjusted net debt-to-capital ratio		19%	26%

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

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

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 risk management policies and practices used by the Group to manage these risks 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 economic 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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had a certain concentration of credit risk as 40% (2014: 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 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 16.

(b) Liquidity risk

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

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Liquidity risk *(continued)*

The following tables show the remaining contractual maturities at the end of the reporting period of the Group'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 can be required to pay:

	2015 Contractual undiscounted cash flow					
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 3 years**	**More than 3 years**	**Total**	**Carrying amount at 31 Dec**
	$'000	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
Bank loans	**24,476**	**233**	**15,062**	**-**	**39,771**	**39,000**
Trade and other payables	**53,555**	**-**	**-**	**-**	**53,555**	**53,555**
	78,031	**233**	**15,062**	**-**	**93,326**	**92,555**

	2014 Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 3 years	More than 3 years	Total	Carrying amount at 31 Dec
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Bank loans	44,856	6,694	14,303	–	65,853	65,036
Trade and other payables	60,370	–	–	–	60,370	60,370
	105,226	6,694	14,303	–	126,223	125,406

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(c) Interest rate risk

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

The Group's interest rate profile as monitored by management is set out in (i) below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2015		2014	
	Effective interest rate p.a.		Effective interest rate p.a.	
	%	$'000	%	$'000
Variable rate borrowings:				
Bank loans	1.66%	39,000	1.49%	65,036

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately $195,000 (2014: $325,000).

The sensitivity analysis above indicates 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 2014.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchase which give rise to receivables, payables and cash balances that are denominated in foreign currencies, i.e. currencies other than the functional currencies 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 currencies 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 2015, the Group had cash at bank and bank deposits denominated in Renminbi, amounted to $25,258,000 (2014: $36,732,000).

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(continued)*

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in United States dollars, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of subsidiaries in the PRC and in Hong Kong into the Group's presentation currency are excluded.

	2015					2014				
	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	279	465	68	-	-	759	137	16	-	-
Cash and cash equivalents	613	940	57	43	5	715	2,238	126	129	24
Inter-company receivable/ (payable) within the Group	49,981	190	(389)	-	(21)	38,428	439	-	-	4
Trade and other payables	(243)	-	(10)	-	-	-	-	-	-	-
Net exposure arising from recognised assets and liabilities	50,630	1,595	(274)	43	(16)	39,902	2,814	142	129	28

(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. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies.

	2015		2014	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits $'000
United States Dollars	5%	2,532	5%	1,995
	(5)%	(2,532)	(5)%	(1,995)
Euros	5%	80	5%	141
	(5)%	(80)	(5)%	(141)
Japanese Yen	5%	(14)	5%	7
	(5)%	14	(5)%	(7)

(Expressed in United States dollars unless otherwise indicated)

24 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(CONTINUED)*

(d) Currency risk *(continued)*

(ii) Sensitivity analysis (continued)

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 subsidiaries in the PRC and in Hong Kong into the Group's presentation currency. The analysis is performed on the same basis for 2014.

(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 2015 and 2014.

25 COMMITMENTS

Capital commitments

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

	2015	2014
	$'000	*$'000*
Contracted for	**4,693**	6,357

26 MATERIAL RELATED PARTY TRANSACTIONS

During the year ended 31 December 2015, transactions with the following parties are considered as related party transactions.

Name of party	Relationship
China Metal Products Company Limited ("CMP")	Shareholder of the Company
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:

	2015 **$'000**	2014 $'000
Sales of goods to		
– Yanmar	**9,698**	16,960
– Birn	**960**	1,417
	10,658	18,377
Commission to		
– CMAI	**1,184**	1,334
– CMJ	**254**	436
	1,438	1,770
Reimbursement of expenses to		
– CMAI	**3,948**	5,969
– CMP	**246**	331
	4,194	6,300

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 $153,000 (2014: $232,000) for the year ended 31 December 2015. The schemes are administered by CMP. Based on an agreement between the Group and CMP, CMP is responsible for the retirement liability of these employees. The Group is not obliged to incur any liability beyond the contribution.

In addition, remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7 and certain of highest paid employees as disclosed in note 8, is as follows:

	2015 **$'000**	2014 $'000
Short-term employee benefits	**3,243**	3,324
Equity settled share-based transactions	**29**	74
	3,272	3,398

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

(Expressed in United States dollars unless otherwise indicated)

26 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(b) Amounts due from related companies

	2015 $'000	2014 $'000
Trade		
– Yanmar	688	915
	688	915
Non-trade		
– CMP	–	4
– BIRN	441	422
	441	426
	1,129	1,341

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 2015.

(c) Amounts due to related companies

	2015 $'000	2014 $'000
Non-trade		
– CMP	21	–
– CMJ	24	94
– CMAI	127	1,142
	172	1,236

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

(d) Applicability of the Listing Rules relating to connected transactions

The related party transactions with CMAI, CMJ and Birn above constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in Section "Connected Transactions" of the Report of the Directors.

(Expressed in United States dollars unless otherwise indicated)

27 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2015 $'000	2014 $'000
Non-current assets			
Investments in subsidiaries	13	165,910	165,910
Current assets			
Inventories		8,946	10,984
Trade and other receivables		27,035	31,529
Amounts due from subsidiaries		76,425	72,249
Amounts due from related companies		559	272
Cash and cash equivalents		1,612	2,438
		114,577	117,472
Current liabilities			
Trade and other payables		888	876
Bank loans	19	24,000	44,357
Amounts due to subsidiaries		71,425	63,728
Amounts due to related companies		37	71
		96,350	109,032
Net current assets		18,227	8,440
Total assets less current liabilities		184,137	174,350
Non-current liabilities			
Long-term loans	19	15,000	20,679
NET ASSETS		169,137	153,671
CAPITAL AND RESERVES	23(a)		
Share capital		1,293	1,293
Reserves		167,844	152,378
TOTAL EQUITY		169,137	153,671

Approved and authorised for issue by the board of directors on 29 March 2016.

King Fong-Tien
Director

Chen Shun-Min
Director

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors proposed a final dividend and special final dividend. Further details are disclosed in note 23(b).

(Expressed in United States dollars unless otherwise indicated)

29 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2015, 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.

30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Annual improvements to HKFRSs 2012-2014 Cycle	1 January 2016
HKFRS 14, *Regulatory deferral accounts*	1 January 2016
Amendments to HKFRS 11, *Accounting for acquisitions of interests in joint operations*	1 January 2016
Amendments to HKAS 16 and HKAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to HKAS 16 and HKAS 41, *Agriculture: Bearer plants*	1 January 2016
Amendments to HKAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28, *Investment entities: Applying the consolidation exception*	1 January 2016
Amendments to HKAS 1, *Disclosure initiative*	1 January 2016
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018

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

HKFRS 9 reduces the complexity of the accounting for financial instruments focusing on three main phases 1) the classification and measurement of financial assets and financial liabilities; 2) impairment and 3) hedge accounting. The new impairment methodology replaces the "incurred loss" model with an "expected credit loss" model and it is not necessary for a credit event to have occurred before credit losses are recognised.

HKFRS15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

In addition, the International Accounting Standards Board issued a new standard, IFRS 16, *Leases*, effective for annual periods beginning on or after 1 January 2019. We expect that the HKICPA will issue the equivalent standard soon to maintain convergence with IFRSs. IFRS 16 provides comprehensive guidance for the identification of lease arrangements and their treatment by lessees and lessors. In particular, IFRS 16 introduces a single lessee accounting model, whereby assets and liabilities are recognised for all leases, subject to limited exceptions. It replaces IAS 17, *Leases* and the related interpretations including IFRIC 4, *Determining whether an arrangement contains a lease*.

The Group does not plan to early adopt the above new standards or amendments. With respect to HKFRSs 9, 15, and 16, given the Group has not completed its assessment of their full impact on the Group, their possible impact on the Group's results of operations and financial position has not been quantified.

FIVE YEARS SUMMARY

(Expressed in United States dollars)

	2011 *$'000*	2012 *$'000*	2013 *$'000*	2014 *$'000*	**2015** ***$'000***
Results					
Revenue	307,000	299,332	321,239	346,855	**309,506**
Profit from operations	36,630	38,853	48,040	51,034	**48,644**
Finance costs	(430)	(740)	(561)	(1,223)	**(853)**
Profit before taxation	36,200	38,113	47,479	49,811	**47,791**
Income tax	(3,092)	(4,213)	(6,451)	(8,777)	**(7,839)**
Profit for the year	33,108	33,900	41,028	41,034	**39,952**
Assets and liabilities					
Non-current assets	179,308	201,058	230,417	222,469	**198,558**
Net current assets	120,391	158,603	142,844	136,403	**142,270**
Total assets less current liabilities	299,699	359,661	373,261	358,872	**340,828**
Non-current liabilities	(20,107)	(55,107)	(43,250)	(22,060)	**(16,248)**
NET ASSETS	279,592	304,554	330,011	336,812	**324,580**
Share capital	1,291	1,291	1,291	1,293	**1,293**
Reserves	270,404	291,927	328,720	335,519	**323,287**
Total equity attributable to equity shareholders of the Company	271,695	293,218	330,011	336,812	**324,580**
Non-controlling interests	7,897	11,336	–	–	**–**
TOTAL EQUITY	279,592	304,554	330,011	336,812	**324,580**
Attributable to:					
Equity shareholders of the Company	31,389	30,694	41,117	41,034	**39,952**
Non-controlling interests	1,719	3,206	(89)	–	**–**
Profit for the year	33,108	33,900	41,028	41,034	**39,952**
Earnings per share					
Basic (cents)	3.13	3.06	4.09	4.08	**3.97**
Diluted (cents)	3.13	3.06	4.09	4.08	**3.97**

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.