On behalf of the board of directors (the "Board"), I am pleased to present to the Shareholders the first annual report of China Metal International Holdings Inc. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2004.

SHARE OFFER

The Company was incorporated in the Cayman Islands on 5 August 2004 and was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 31 December 2004 following a successful placing of 175,000,000 new shares and public offer of 75,000,000 new shares at an issue price of HK$1.42 per share (the "Share Offer"), together with the exercise of the over-allotment option by the underwriters which a further 37,500,000 shares were issued on 17 January 2005, the Company raised approximately US$49,780,000 from the Share Offer to fund its future expansion of production facilities and improve its competitiveness.

USE OF PROCEEDS FROM THE COMPANY'S SHARE OFFER

The proceeds from the Share Offer, after deduction of related listing expenses, amounted to approximately US$43,107,000. Since the Company listed its shares on the Stock Exchange on 31 December 2004, the proceeds have not been utilized as at 31 December 2004.

FINANCIAL PERFORMANCE

For the year ended 31 December 2004, the Group recorded a turnover of approximately US$88,759,000 with profit attributable to shareholders of approximately US$17,849,000.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2004.

BUSINESS REVIEW

The Group achieved sizable growth on turnover as well as net profit in 2004. Turnover increased approximately 94.1% year on year and net profit was up by approximately 57.5% compared to 2003. All three business segments for compressor parts, automobile parts and components and mechanical parts showed significant improvement year on year. In 2004, the fastest growth area was contributed by the business segment of automobile parts and components. We began shipment of exhaust manifolds and brackets to leading auto makers and Tier 1 suppliers in North America in June 2004. However, our bottom line growth fell behind top line growth as a result of rising raw material costs. Pig iron and scrap steel peaked in the first quarter of 2004 to RMB2,800 per tonne. While material prices adjusted downward during the second quarter, the material prices gradually climbed up to the previous peak and remained at the higher end by the end of 2004. The impact of material prices resulted in margin decreased to 31.5% from 34.1% in 2003. In order to maintain margin stability, we have formulated selling price adjustment with major customers. The Group continues to tighten expense control and operating margin for the Group was 22.1% compared to 25.0% in 2003. Net profit margin for the Group was 20.1% compared to 24.8% in 2003. The Company successfully completed its listing on the Stock Exchange on 31

December 2004. Net proceeds from offering excluding share issue expenses (not including net proceeds from over-allotment), are approximately US$43,107,000. The Group continues to maintain sound financial position. Gearing ratio (a ratio of total bank loans over total assets) was 19.2% down from 24.4% in 2003.

FUTURE PROSPECTS AND APPRECIATION

Upon completion of the Company's listing on the Main Board of the Stock Exchange, the Group accelerates its expansion plans in Tianjin and Suzhou. The Group began construction for its second foundry and machining facility, CMW (Tianjin) Industry Company Limited ("CMW"), in Tianjin with projected foundry capacity of 60,000 tonnes per annum ("tpa"). CMW will focus on casting and machining for the automobile parts and components and mechanical parts. Demand from North America outsourcing orders remains positive and we are well positioned to grow with our customers and win new customer orders. In Suzhou, we are in the process of applying for the establishment of a wholly owned foreign enterprise ("Suzhou New Company") in order to meet new order growth on value-added services from air compressor and mechanical parts and components. We will also relocate a portion of current machining facilities in Suzhou CMS Machinery Company Limited ("CMS") to Suzhou New Company to consolidate technology development and business know-how. The available space in CMS will be designated to install another DISA 230B to meet increasing demand from our customers on air compressor and mechanical parts. The foundry capacity for both CMW and Suzhou New Company is expected to commence economic production in 2006 and we will continue to advance our top line and bottom line growth to meet market competition.

I would like to take this opportunity to express my sincere appreciation and gratitude to all our fellow directors, management and employees for their contributions to the Group. I also thank our business associates, investors, shareholders for their continued support over the years.

Ho Ming-Shiann
Chairman

Hong Kong, 31 March 2005