

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to present to the shareholders the annual report of China Metal International Holdings Inc. (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2005.

2005 is a very challenging year to the management team and the Group. Upon completion of the Group's listing on 31 December 2004, the management team has been strived on delivering the financial performance of our existing facilities in Tianjin and Suzhou and executing plant construction of CMW (Tianjin) Industry Co., Ltd. ("CMWT"), which will continue to focus on cast and machined parts for applications in the automotive and mechanical industry. In 2005, overall financial performance for existing facilities is in line with our expectation. Turnover grew approximately 22.9% year on year to approximately US\$109.1 million and net profit was up by approximately 26.6% to approximately US\$22.6 million. Automotive and mechanical applications continue to lead the growth and the year on year growth for the two sectors were approximately 124.1% and approximately 19.3%, respectively. Air compressor sector, however, had experienced evident slowdown due to industry inventory accumulation. The macroeconomic control had depressed the growth rate of new realty projects, which had adversely impacted the air conditioner sales. The weaker demand combined with strong capacity expansion in the past five years of major air compressor makers had led to supply surplus and evident slow inventory turnover in the third quarter. Leveraging the slow season in air compressor sector, however, our management team has taken the opportunity to accelerate product development for CMWT. Gross margin was approximately 30.6% in 2005, down from approximately 31.5% in 2004, as a result of lower plant utilization rate and product development costs for future CMWT operation. A positive note was that the raw material costs are stabilized costs in 2005. The Group continues to tighten expense control although the effort was partially offset by the expenses incurred in supporting the major construction and personnel training for CMWT. The operating margin for the Group was leveled at approximately 22.1% compared to approximately 22.1% in 2004. Net profit margin for the Group was approximately 20.7% compared to approximately 20.1% in 2004.

FINANCIAL PERFORMANCE

For the year ended 31 December 2005, the Group recorded a turnover of approximately US\$109.1 million with profit attributable to shareholders of approximately US\$22.6 million.

DIVIDEND

The Board recommends the payment of a final dividend to the shareholders of US 0.30 cents per share (equivalent to HK 2.33 cents), together with the interim dividend of US 0.25 cents (equivalent to HK 1.95 cents), the total dividend for the year will be US 0.55 cents per share (equivalent to HK 4.28 cents).

FUTURE PROSPECTS AND APPRECIATION

The primary working objective for 2006 is the execution of production ramp up for CMWT. Benefited from the product development support in Tian Jin CMT Industry Company Limited ("CMT") and Suzhou CMS Machinery Company Limited ("CMS"), CMWT has significantly shortened the learning curve and has successfully completed customer certification and launched machining production in first quarter of 2006. The foundry facility is expected to complete equipment

Chairman's Statement

installation in first quarter of 2006 and available for customer certification. Mass production of foundry operation of CMWT is scheduled in second quarter of 2006. Customer order flow remains optimistic and per customer order log, the production volume in CMWT is expected to reach economy of scale by the end of 2006. It is a major milestone in the Company's history to execute such sizable capacity expansion and commence full-scale high-value added production. The management team will continue to strive for achieving financial performance of existing plants and drive profitability growth through both volume and value improvement.

The Company 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, 29 March 2006