

On behalf of 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 (the "Group") for the year ended 31 December 2006.

2006 is a year when we started rough and ended fruitful. We successfully completed production ramp-up for the new foundry CMW (Tianjin) Industry Company Ltd. ("CMWT"), and are very pleased with its outstanding financial and operational performance. We are honored to announce that CMWT has turned profitable in November 2006, a short 4-month after its mass production in July 2006. However, the year started under an adverse market setback from the air conditioning industry of which the down turn was tracked back to the third quarter of 2005. Demand from the air conditioning industry remained weak and our utilization and product shipment remained low for our existing facilities in Tianjin and Suzhou in the first half of 2006. However, in the second half of 2006, several new programs for automotive and mechanical customers launched mass production and the plant utilization have restored to around 70% up from 63% in the first half of 2006 for the existing plants. For CMWT, the financial results are very encouraging. While the start-up costs and product development costs incurred in first half of 2006 weakened the Group's overall performance. The new plant turned profitable and the utilization continued stepping up. In the fourth quarter of 2006, average utilization had reached around 33%. For 2006, overall financial performance for our three facilities is relatively below our expectation. Turnover grows about 10% year on year to approximately US\$120.0 million and net profit was down by about 12.9% to approximately US\$19.7 million. Automotive and mechanical applications continue to lead the growth and year on year growth for the two sectors was 46.5% and 13.1%, respectively. Air compressor sector, however, continued industry down cycle but have gradually climbed up from its trough. We began to regain order volume in the fourth quarter for the sector. Gross margin was about 27.6% in 2006, down from 30.6% in 2005, as a result of lower plant utilization rate and product development costs for CMWT operation. One positive note was that we have successfully reached agreement with several customers on sharing currency fluctuation risk and we will continue to improve operating efficiency to lower our production costs. The Group continues to tighten expense control although the effort was partially offset by the start-up costs of CMWT. The operating margin for the Group was about 18.2% compared to 22.1% in 2005. Net profit margin for the Group was about 16.4% compared to 20.7% in 2005.

FINANCIAL PERFORMANCE

For the year ended 31 December 2006, the Group recorded a turnover of approximately US\$120.0 million with profit attributable to shareholders of approximately US\$19.7 million.

DIVIDEND

The Directors recommend the payment of a final dividend to the shareholders of US cent 0.35 per share (equivalent to HK cents 2.72), together with the interim dividend of US cent 0.23 (equivalent to HK cents 1.79), the total dividend for the year will be US cent 0.58 (equivalent to HK cents 4.51).

FUTURE PROSPECTS AND APPRECIATION

The warm winter climate by the end of 2006 around the globe has posted optimistic demand growth for the air conditioning sector. The order flow is strong which is expected to boost plant utilization of the Tian Jin CMT Industry Company Limited and Suzhon CMS Machinery Company Limited to a record high in the first half of 2007. The new facility, CMWT, is expected to continue stepping up utilization rate from around 33% by the end of 2006 to around 70% by the end of 2007. With primary focus on the high value-added automotive parts and components, the improvement on plant utilization is expected to not only boost revenue growth but also advance our margin and profitability. In November 2006, CMWT had reached breakeven, which is a major milestone in CMI history, and the management team has evidently demonstrated its capability to execute such sizable capacity expansion plan, commence full-scale high-value added production launch, and reach profitability within only 4-month. The management team will continue to strive for achieving financial performance of our three plants and drive profitability growth through both volume and value improvement.

On behalf of the Board, 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 and also thank our business associates, investors, shareholders for their continued support over the years.

Ho Ming-Shiann

Chairman

Hong Kong, 30 March 2007