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TAI-I INTERNATIONAL HOLDINGS LIMITED
台一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1808)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

ANNUAL RESULTS

The board of directors (the "Board") of Tai-I International Holdings Limited (the "Company") announces the consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008, together with the comparative figures for the year ended 31 December 2007 as follows:

Consolidated Income Statement
For the year ended 31 December 2008

	Note	**2008** *RMB'000*	2007 *RMB'000*
Turnover	*4*	**6,491,053**	6,488,376
Cost of sales		**(6,481,800)**	(6,357,954)
Gross profit		**9,253**	130,422
Other revenue	*5*	**42,786**	23,664
Other net (loss)/income	*6*	**(69,924)**	156,362
Distribution expenses		**(21,023)**	(22,455)
General and administrative expenses		**(60,402)**	(46,321)
Other operating expenses		**(15,015)**	(3,787)
(Loss)/profit from operations		**(114,325)**	237,885
Finance costs	*7(i)*	**(101,566)**	(112,283)
Share of loss of associate	*11*	**(10,865)**	(1,260)
(Loss)/profit before taxation		**(226,756)**	124,342
Income tax credit/(expenses)	*8(i)*	**18,330**	(12,837)
(Loss)/profit for the year attributable to equity holders of the Company		**(208,426)**	111,505
Dividends payable to equity holder of the Company attributable to the year			
Final dividend proposed after the balance sheet date	*9*	**–**	32,400
Basic and diluted (loss)/earnings per share (RMB)	*10*	**(0.35)**	0.19

Consolidated Balance Sheet
At 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**437,767**	464,875
Lease prepayments		**32,183**	33,020
Interest in an associate	*11*	**17,544**	38,779
Deferred tax assets		**24,411**	–
		511,905	536,674
Current assets			
Inventories		**230,525**	345,551
Trade and other receivables	*12*	**977,698**	1,338,989
Derivative financial instruments		**16,171**	87,803
Pledged deposits		**788,258**	875,178
Time deposits		**289,100**	209,907
Cash and cash equivalents		**291,016**	340,295
		2,592,768	3,197,723
Current liabilities			
Bank loans		**1,422,303**	1,395,899
Trade and other payables	*13*	**1,019,727**	1,457,997
Derivative financial instruments		**107,971**	38,844
Income tax (recoverable)/payable	*8(iii)*	**(2,757)**	1,714
		2,547,244	2,894,454
Net current assets		**45,524**	303,269
Total assets less current liabilities		**557,429**	839,943
Non-current liabilities			
Deferred tax liabilities		**–**	6,598
		–	6,598
Net assets		**557,429**	833,345
Capital and reserves			
Share capital		**5,966**	6,000
Reserves		**551,463**	827,345
Total equity		**557,429**	833,345

NOTES

1. Review of annual results

The annual results of operations for the year ended 31 December 2008 have been reviewed by the audit committee of the Company ("Audit Committee").

The figures in respect of the preliminary announcement of the Group's results of operations for the year ended 31 December 2008 have been compared by the Company's auditors, KPMG, Certified Public Accountants, to the amount set out in the Group's audited financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect was limited and did not constitute an audit, review or other assurance engagement and consequently no assurance has been expressed by the Company's auditors on this announcement.

2. Significant accounting policies

The Company is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 January 2007.

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new Interpretations and an amendment to IFRSs that are first effective for the current accounting period of the Group and the Company. However, these developments have had no material impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's or the Company's operations.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the derivative financial instruments which are stated at their fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, 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.

Information about judgments made by management in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and major sources of estimation uncertainty is included.

3. Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacturing and sale of bare copper wires and magnet wires and providing processing services. In addition, analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of the sales are generated from the PRC market.

4. Turnover

The principal activities of the Group are the manufacturing and sale of bare copper wires and magnet wires and provision of processing services.

The amount of each significant category of revenue recognised during the year is as follows:

	2008	2007
	RMB'000	*RMB'000*
Sales of bare copper wires	**4,438,671**	4,161,131
Sales of magnet wires	**2,034,475**	2,305,638
Processing services	**17,907**	21,607
	6,491,053	6,488,376

The Group's operations are mostly located in the PRC. During the year, a substantial proportion of the Group's products were sold to its customers for further processing and eventual export to overseas countries.

5. Other revenue

	2008	2007
	RMB'000	*RMB'000*
Interest income	**34,667**	23,028
Income tax refund	**7,109**	–
Others	**1,010**	636
	42,786	23,664

6. Other net (loss)/income

	2008	2007
	RMB'000	*RMB'000*
Net exchange gain	**32,089**	10,117
Gain on sales of scrap materials	**1,228**	4,275
Loss on disposal of property, plant and equipment	**(106)**	(1,160)
Net (loss)/gain on derivative financial instruments		
– copper futures contracts	**(34,702)**	87,563
– foreign exchange forward contracts	**(68,619)**	52,987
Others	**186**	2,580
	(69,924)	156,362

7. (Loss)/Profit before taxation

(Loss)/profit before taxation is arrived at after charging:

(i) Finance costs

	2008	2007
	RMB'000	*RMB'000*
Interest expenses	**93,177**	104,183
Letter of credit charges	**8,389**	8,100
	101,566	112,283

(ii) Staff costs

	2008	2007
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**46,916**	45,368
Contributions to defined contribution retirement schemes	**3,952**	3,290
	50,868	48,658

(iii) Other items

	2008	2007
	RMB'000	*RMB'000*
Cost of inventories#	**6,481,800**	6,357,954
Auditors' remuneration-audit services	**2,212**	1,551
Depreciation#	**29,426**	30,717
Amortisation of lease prepayments#	**837**	838
Impairment losses for doubtful debts	**22,769**	14,485
Impairment loss on associate	**10,370**	–
Operating leases charges in respect of properties	**995**	1,560

Cost of inventories includes RMB66,987,000 for the year ended 31 December 2008 (2007: RMB68,741,000), relating to staff costs, depreciation and amortisation of lease prepayments, which are also included in the respective total amounts disclosed separately above and in note 7(ii) for each of these types of expenses.

8. Income tax credit/(expenses)

(i) Income tax credit/(expenses) in the consolidated income statement represents:

	2008	2007
	RMB'000	*RMB'000*
Current tax-PRC		
Provision for the year	**(8,836)**	(6,239)
Deferred tax		
Origination and reversal of temporary differences	**27,166**	(6,598)
	18,330	(12,837)

No provision has been made for Hong Kong Profits Tax as the Group did not earn income subject to Hong Kong Profits Tax during the year.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

According to the new tax law and Circular Guofa [2007] No. 39 "Notice on Corporate Income Tax Rate for the Transitional Period", the income tax rates applicable to Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper") increase from 15% to 25% over a five year transitional period, being 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% from 2012.

Pursuant to the approvals obtained from the relevant PRC tax authorities, being production oriented enterprises established in an Economic and Technological Zone, Tai-I Jiang Corp and Tai-I Copper are entitled to a preferential income tax rate of 18% and are entitled to a tax concession period in which they are fully exempted from PRC income tax for two years commencing from their first profit-making year (after the offset of tax losses brought forward), followed by a 50% reduction in PRC income tax for the next three years. The tax holidays will expire in 2009.

As a result of the completion of a reassessment by the tax authorities during 2008 of the annual PRC income tax filings from 2002 to 2007, the first profit-making year of Tai-I Copper was changed from 2004 to 2005. The first profit-making year of Tai-I Jiang Corp is 2005. Consequently, these subsidiaries were exempted from PRC income tax for 2005 and 2006, and are entitled to a 50% income tax reduction from 2007 to 2009. Therefore the applicable PRC income tax rates in 2007, 2008 and 2009 are 7.5%, 9% and 10% respectively.

The new tax rate was considered to determine the Group's deferred tax assets and liabilities as at 31 December 2008.

(ii) Reconciliation between income tax credit/(expenses) and accounting (loss)/profit at applicable tax rates:

	2008	2007
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(226,756)**	124,342
Notional tax on (loss)/profit before tax, calculated at the rate applicable to the Group's (loss)/profit in the tax jurisdiction concerned (2008: 18%; 2007: 15%)	**40,816**	(18,651)
Effect of tax losses in holding companies	**(5,244)**	(6,784)
Effect of share of loss of associate and impairment loss on interest in associate	**(3,822)**	(189)
Effect of non-deductible expenses	**(67)**	(185)
Effect of non-taxable income	**640**	–
Others	**104**	–
Effect of PRC tax holidays granted to subsidiaries	**(14,097)**	12,972
	18,330	(12,837)

(iii) Taxation in the consolidated balance sheet represents:

	2008	2007
	RMB'000	*RMB'000*
At 1 January	**1,714**	1,343
Provision for income tax for the year	**8,836**	6,239
Amounts paid	**(13,307)**	(5,868)
At 31 December	**(2,757)**	1,714

9. Dividends

	2008	2007
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK 6 cents per share	**–**	32,400
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$ 6 cents per share	**32,338**	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

10. Basic and diluted (loss)/earnings per share

The calculation of basic and diluted loss per share for the year ended 31 December 2008 is based on the loss attributable to equity holders of the Company of RMB208,426,000 (2007: the profit of RMB111,505,000) and the weighted average of 598,963,167 (2007: 587,671,233) shares in issue during the year, calculated as follows:

	2008	2007
	Number of shares	*Number of shares*
Ordinary shares issued at 1 January	**600,000,000**	450,000,000
Effect of issuance of share for placing and public offering	**–**	137,671,233
Effect of shares repurchased	**(1,036,833)**	–
Weighted average number of shares at 31 December	**598,963,167**	587,671,233

There were no dilutive potential ordinary shares in issue as at 31 December 2008 (2007: Nil).

11. Interest in an associate

	2008	2007
	RMB'000	*RMB'000*
Share of net assets	**17,544**	28,409
Goodwill arising on acquisition	**10,370**	10,370
	27,914	38,779
Less: Impairment on goodwill	**(10,370)**	–
	17,544	38,779

Interest in an associate represents investment in the equity interest of JCC-Taiyi Special Electric Material Co., Ltd. ("JCC-Taiyi"), an entity established in the PRC. The principal activities of JCC-Taiyi are the manufacturing and sales of bare copper wires and magnet wires. The Group, through its wholly owned subsidiary, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 31 December 2008.

The summary of financial information based on the audited management accounts of the associate is shown as follows:

2008

	Assets *RMB'000*	**Liabilities** *RMB'000*	**Revenue** *RMB'000*	**Loss after tax** *RMB'000*
100 percent	**311,479**	**(253,000)**	**461,390**	**(36,217)**
The Group's effective interest	**93,444**	**(75,900)**	**138,417**	**(10,865)**

2007

	Assets *RMB'000*	Liabilities *RMB'000*	Post-acquisition revenue *RMB'000*	Post-acquisition loss after tax *RMB'000*
100 percent	367,084	(272,386)	164,008	(4,200)
The Group's effective interest	110,125	(81,716)	49,202	(1,260)

12. Trade and other receivables

		2008 *RMB'000*	2007 *RMB'000*
Trade receivables	*(i)*	**325,732**	859,838
Bills receivable	*(i)*	**151,384**	247,915
		477,116	1,107,753
Deposits and prepayments made to suppliers	*(ii)*	**376,681**	136,983
Other receivables		**61,343**	65,376
Deposits for derivative financial instruments	*(iii)*	**62,558**	28,877
		977,698	1,338,989

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

(i) Included in trade and other receivables are trade receivables and bills receivable with the following ageing analysis as of the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
Invoice date:		
Within 1 month	**357,773**	712,977
Over 1 month but less than 3 months	**55,646**	270,997
Over 3 months but less than 1 year	**58,467**	117,217
Over 1 year but less than 2 years	**26,475**	17,643
Over 2 years	**16,009**	3,404
	514,370	1,122,238
Less: Impairment losses for doubtful debts	**(37,254)**	(14,485)
	477,116	1,107,753

The movement in the allowance for doubtful debts during the year is as follows:

	2008	2007
	RMB'000	*RMB'000*
At 1 January	**14,485**	–
Impairment loss recognised during the year	**27,024**	14,485
Reversed during the year	**(4,255)**	–
At 31 December	**37,254**	14,485

During the year, credit terms granted to customers of bare copper wire were different from those granted to customers of magnet wire. Customers of bare copper wire were usually required to settle the payment in full prior to delivery or at each month end. For customers of magnet wire, credit terms granted ranged from 30 days to 60 days. The credit terms granted to each customer vary depending on the customers' relationship with the Group, its creditworthiness and settlement record.

(ii) According to the terms of purchase of copper plate entered into with the Group's suppliers, the Group is usually required to place certain deposits and/or make prepayment prior to delivery. Those deposits are generally refundable upon termination of the respective purchase contracts. The prepayments made are to offset with the invoiced amount of the copper plate delivered.

(iii) The Group has placed deposits with futures agents for copper futures contracts entered into in the normal course of business.

13. Trade and other payables

		2008	2007
		RMB'000	*RMB'000*
Trade creditors	*(i)*	**621,772**	1,068,409
Bills payable	*(ii)*	**302,956**	310,966
		924,728	1,379,375
Non-trade payables and accrued expenses		**93,593**	73,521
Other taxes payable		**1,406**	5,101
		1,019,727	1,457,997

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

Included in trade and other payables are trade creditors and bills payables with the following ageing analysis as of the balance sheet date:

	2008	2007
	RMB'000	*RMB'000*
Due within 3 months or on demand	**692,118**	1,220,886
Due after 3 months but within 6 months	**231,996**	158,139
Due after 6 months but within 1 year	**219**	184
Due after 1 year but within 2 years	**229**	166
Due after 2 years	**166**	–
	924,728	1,379,375

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits. As at 31 December 2008, outstanding letters of credit included in trade creditors amounted to RMB614,196,000 (2007: RMB759,475,000).

(ii) Certain bills payable outstanding as at 31 December 2008 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB170,546,000 (2007: RMB183,978,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2008, the revenue of the Group amounted to approximately RMB6,491,053,000 (2007: RMB6,488,376,000), a slight increase of approximately 0.04% as compared to the previous year. The revenue of bare copper wires in 2008 was RMB4,438,671,000 (2007: RMB4,161,131,000), by increasing approximately RMB277,540,000, while the revenue of magnet wires in 2008 was RMB2,034,475,000 (2007: RMB2,305,638,000), by decreasing approximately RMB271,163,000. The revenue of processing services in 2008 was RMB17,907,000 (2007: RMB21,607,000), by decreasing approximately RMB3,700,000.

For the year ended 31 December 2008, the Group's revenue was increased slightly. In respect of sales volume, the sales volume of bare copper wires for the year ended 31 December 2008 was 84,391 tonnes (2007: 74,184 tonnes), with an increase of 10,207 tonnes. The increase was mainly attributable to the steady growth of domestic demand in China. The impact of the Financial Crisis on sales of bare copper wires was comparatively less.

The sales volume of magnet wires for the year ended 31 December 2008 was 33,555 tonnes (2007: 36,920 tonnes), with a decrease of 3,365 tonnes. The decrease in sales volume of magnet wires, which are mainly used as raw material in the upstream of 3C products and home appliances industry, was mainly attributable to the reduction of sales orders as a result of the Financial Crisis, while the impact of "Home Appliances to Rural Area" policy in the PRC was not brought out.

Meanwhile, the processing service volume of bare copper wires also decreased from 38,836 tonnes for the year ended 31 December 2007 to 28,233 tonnes for the year ended 31 December 2008.

Gross Profit

For the year ended 31 December 2008, gross profit was approximately RMB9,253,000 (2007: RMB130,422,000). Gross profit decreased by approximately RMB121,169,000. The significant decrease of gross profit for the year ended 31 December 2008 was mainly attributable to the following three reasons: (i) due to the impact of the Financial Crisis, international and domestic copper price dropped down significantly, the copper price in London Metal Exchange was fell by about 54.26% from US$6,930 per tonne on 11 September 2008 to US$3,170 per tonne on 11 December 2008, meanwhile, the copper price in Shanghai Future Exchange was fell by about 55.49% from RMB54,550 per tonne on 11 September 2008 to RMB24,280 per tonne. The significant drop-down of international and domestic copper price resulted a decrease in the selling price of the Group's safety copper stock and a gross loss was recorded in November and December 2008 as the selling price was lower than the weighted average unit cost; (ii) Customers who had placed advance order for bare copper wire and magnet wire at high unit prices delayed shipments due to the weakening of orders they received. However, the raw material of copper for such high unit selling priced orders was stocked in batches before 31 December 2008. Therefore the cost of copper was raised and a negative gross profit was incurred; and (iii) the sales volume of magnet wires for the year ended 31 December 2008 was lower than that in 2007 by 3,365 tonnes, consequently gross profit in 2008 decreased as comparing to 2007.

Other Revenue

For the year ended 31 December 2008, the Group recorded other revenue of approximately RMB42,786,000 (2007: RMB23,664,000), an increase of RMB19,122,000. Other revenue mainly represented interest income of RMB34,667,000 for the year ended 31 December 2008 (2007: RMB23,028,000), an increase of RMB11,639,000; and income tax refund of RMB7,109,000 for the year ended 31 December 2008 (2007: Nil).

Other Net (Loss)/Income

For the year ended 31 December 2008, the Group recorded other net loss of approximately RMB69,924,000 (Other net income for 2007: RMB156,362,000). The main loss was attributable to (i) loss on copper futures contracts of RMB34,702,000; and (ii) loss on foreign exchange forward contracts of approximately RMB68,619,000, which was mainly from the realized loss of approximately RMB14,338,000 as at 31 December 2008 on contracts for buying RMB/selling USD and the unrealized valuation loss of RMB54,281,000 on contracts for buying RMB/selling USD. Net gain on exchange was RMB32,089,000 (2007: RMB10,117,000) and other incomes such as from selling scrap copper was RMB1,308,000 (2007: RMB5,695,000).

Finance Costs

The finance costs of the Group for the year ended 31 December 2008 was approximately RMB101,566,000 (2007: RMB112,283,000), a decrease of RMB10,717,000, mainly due to the decrease in interest expenses of RMB11,006,000.

(Loss)/Profit for the Year

The Group recorded a loss of approximately RMB208,426,000 for the year ended 31 December 2008 versus a profit of RMB111,505,000 in 2007. This loss was mainly affected by a decrease in gross margin, loss on copper futures and loss on foreign exchange forward contracts.

Final Dividend

The Board did not propose a final dividend for the year ended 31 December 2008 (2007: HK 6 cents per share).

Return on Equity Holders' Equity

For the year ended 31 December 2008, the Group recorded a loss for the year of RMB208,426,000 (2007: a profit of RMB111,505,000) and a return on equity of -29.97% (2007: 16.68%), equity holders' return on equity decreased by 46.65 point from last year.

Liquidity and Financial Resources

The Group's working capital is funded by the cash generated by internal operating activities or short term bank borrowings. As at 31 December 2008, the Group maintained cash and cash equivalent amounted to RMB291,016,000 (2007: RMB340,295,000). The short term bank borrowing as at 31 December 2008 amounted to RMB1,422,303,000 (2007: RMB1,395,899,000). As at 31 December 2008, the Group current ratio was 101.79% (2007: 110.48%), and the Group's net gearing ratio (balance of total borrowings less cash and cash equivalent, time deposits and pledged deposits divided by total assets and multiplied by 100%) was 1.74% (2007: -0.8%).

Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper plates amounted to RMB788,258,000 as at 31 December 2008 (2007: RMB875,178,000), decreased by 9.93%. During 2008, pledged deposits were required by the banks for the issuance of letters of credit and commercial bills.

Foreign Exchange

The Group's revenue is mainly denominated in US dollar, Hong Kong dollar and Reminbi while it pays US dollar and Renminbi for raw materials purchase. For the year ended 31 December 2008, 65.51%, 3.98% and 30.51% of the Group's revenue were denominated in US dollar, Hong Kong dollar and Renminbi, while 61.81% and 38.19% of its payments were denominated in US dollar and Renminbi. Due to the appreciation of Renminbi, for the year ended 31 December 2008, the Group has a net foreign exchange gain of RMB32,089,000 (2007: RMB10,117,000).

Pledge of Assets

In order to obtain bank loans for working capital, letters of credit and commercial bills would be transformed into short-term credit loan subsequently. The carrying amount of the Group's assets pledged is as follows:

	As at 31 December		
Assets	**2008**	2007	**Purpose**
	RMB'000	*RMB'000*	
Buildings	**89,059**	91,621	Bank loans, letter of credit and commercial bills
Land use rights	**32,183**	33,020	Bank loans, letter of credit and commercial bills
Inventories	**100,000**	–	Bank loans
Bank Deposits	**788,258**	875,178	Letters of credit and commercial bills
Machinery, Equipment and Tools	**170,546**	183,978	Bank loans, letter of credit and commercial bills
Total	**1,180,046**	1,183,797	

Use of Proceeds

The proceeds from the issuance of new shares by the Company in January 2007, net of listing expenses, were approximately HK$220,762,000. As at 31 December 2008, the net proceeds were utilized in the following manner:

	Per prospectus	Amount Utilised	Balance as at 31 December 2008
	HK$'000	*HK$'000*	*HK$'000*
Expansion of Production capacity of the Group, of which:			
– Upgrading of existing production facilities	18,544	18,544	–
– Acquisition of new production facilities or related business	136,142	47,203	88,939
Repayment of short-term borrowings	44,000	44,000	–
General working capital	22,076	22,076	–
Total	220,762	131,823	88,939

The unutilized balance was placed in short-term deposits and time deposits with banks and financial institutions.

Capital Structure

The Group adopts a prudent treasury policy, and its net debt-to-adjusted capital ratio (calculated as bank loans less pledged deposits and cash and cash equivalent plus unaccrued proposed dividend then divided by adjusted capital) as at 31 December 2008 was 61.54% (2007: 26.57%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2008 was 101.79% (2007: 110.48%). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

Capital Expenditure

The Group's capital expenditures were mainly for the acquisition of properties, plant and equipment. The following table shows the Group's capital expenditures for the year ended 31 December 2008 and 2007:

	For the year ended 31 December	
	2008	2007
	RMB'000	*RMB'000*
Building	**13**	446
Machinery, equipment and tools	**410**	10,145
Dies and moulds	**1,438**	3,307
Motor vehicles and other fixed assets	**346**	2,161
Construction in progress	**223**	67
	2,430	16,126

Commitments

(i) Capital commitments

Outstanding capital commitments at 31 December 2008 not provided for in the financial statements were as follows:

	As at	As at
	31.12.2008	31.12.2007
	RMB'000	*RMB'000*
Contracted	**16,582**	–

(ii) Lease commitments

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2008	2007
	RMB'000	*RMB'000*
Less than one year	**858**	1,490
Between one and two years	**128**	47
Between two and three years	**9**	23
	995	1,560

The Group leased a number of properties under operating lease during the year. None of the leases includes contingent rentals.

Contingent Liabilities

As at 31 December 2008, there was no significant contingent liability (2007: Nil).

BUSINESS REVIEW

In 2008, factors such as energy shortage, escalating raw material prices and the Financial Crisis led to a slow down in both global production and consumption of copper. In view of the impact of the Financial Crisis in the fourth quarter of 2008, the GDP growth of China in 2009 is expected to be 8.0% or down to around 7.5%. In order to achieve the macro-economic control target of maintaining a 8% growth, the government of China has launched policies to expand domestic demand in November 2008 under which RMB4 trillion will be invested before 2010 to stimulate domestic consumption power. The policies will be implemented through 10 driving initiatives along three main axes including taking people's livelihood as the core, focusing on rural construction and stressing on technology development. Besides increasing the said RMB4 trillion investments to expand domestic demand, the government has set up an additional budget of RMB4 trillion to stimulate consumption, of which RMB2 trillion will be used to stimulate rural consumption under the subsidizing policy of "Home Appliances to Rural Area" for the expansion of domestic demand. According to the preliminary estimation of the Ministry of Commerce of China, sales may exceed RMB150 billion under such policy. Relevant economic simulation policies of China will benefit the Group's sales of bare copper wire and increase the sales of magnet wire of upstream consumer products.

Due to the growth in domestic demand of China and under the influence of the economic stimulation package launched by the government for the expansion of domestic demand, the sales of bare copper wires of the Group increased from 74,184 tonnes in 2007 to 84,391 tonnes in 2008, representing a growth of 13.76 % over 2007. Revenue also grew 6.67% year-on-year.

The Group's sales of magnet wire were affected by the global economic slowdown in 2008, with both sales volume and revenue of magnet wire lowered than 2007. Sales volume decreased from 36,920 tonnes in 2007 to 33,555 tonnes in 2008, representing a decrease of 9.11%. Revenue also decreased from RMB2,305,638,000 in 2007 to RMB2,034,475,000, representing a decrease of 11.76 %.

Due to the impact of the Financial Crisis, international and domestic copper price dropped down significantly, the copper price in London Metal Exchange was fell by about 54.26% from US$6,930 per tonne on 11 September 2008 to US$3,170 per tonne on 11 December 2008, meanwhile, the copper price in Shanghai Future Exchange was fell by about 55.49% from RMB54,550/per tonne on 11 September 2008 to RMB24,280 per tonne. The significant drop-down of international and domestic copper price resulted a decrease in the selling price of the Group's safety copper stock and a gross loss was recorded in November and December 2008 as the selling price was lower than the weighted average unit cost;

Customers who had placed advance order for bare copper wire and magnet wire at high unit selling prices delayed shipments due to the weakening of orders they received. However, the raw material of copper for such high unit priced orders was stocked in batches before 31 December 2008. Therefore the cost of copper was raised and processing revenue was pressurized, and a negative gross profit was incurred.

EMPLOYEES

As at 31 December 2008, the Group employed 986 full-time employees in the PRC (2007: 1,393). The Group's salaries and remuneration policies are to determine the remuneration package of employees by reference to their performance, experience and prevailing market conditions, and their positions, duties and responsibilities in the Group. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC.

The executive Directors' remuneration package is determined by the Board by reference to their duties and responsibilities and market rate. The proposals made by the Remuneration Committee will be examined by the Board to ensure it conformed to the remuneration package of the executive Directors.

BUSINESS OUTLOOK

Looking forward in 2009, the Group will continue to improve copper purchasing and sales strategies which are (i) To adopt a strategy of making purchase from our suppliers of copper plates with flexibility in quantity, enabling adjustment in accordance with temporary increase and decrease in sales orders; (ii) Restrict the right of price determination by customers to avoid customers' delaying shipment; and (iii) To manage copper stock by using Futures to prevent net loss associated with our safety stock arising from fluctuation of copper price.

Besides, we adjust the management strategy for the foreign exchange forward contracts. The Group recorded an unrealized valuation loss on foreign exchange forward contracts in 2008 due to the appreciation of Renminbi did not meet expectation. Hence, we will not increase the total amount of the contracts for buying Renminbi/selling US dollar on the same level in 2009, as well as, we will take risk control and stop loss strategy strategic actively to prevent the net loss as a result of the global economic turmoil in the fourth quarter of 2008.

Moreover, we will capture the opportunities of the stimulus policies which the PRC government tends to stimulate domestic demands and keep corporation stable. In addition, we will further raise our capacity, creativity and utilization rate to increase competitive strengths. The Group is committed to formulate business strategic so as to return to profitability for our shareholders in the nearest future.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, the Company repurchased 3,382,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.60 to HK$0.29 per share on the Stock Exchange of Hong Kong Limited. Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase consideration
		HK$	*HK$*	*HK$*
September 2008	2,318,000	0.60	0.55	1,381,000
October 2008	1,042,000	0.59	0.33	557,000
November 2008	22,000	0.34	0.29	7,000
Total	3,382,000			1,945,000

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices (the "Code") of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules")

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The Board emphases on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value.

The Company has adopted the code provisions set out in the Code as set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has met the code provisions set out in the Code during the year ended 31 December 2008.

AUDIT COMMITTEE

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group.

The Company established the Audit Committee with written terms of reference on 18 December 2006. The Audit Committee currently consists of five independent non-executive Directors, namely Mr. Tsay Yang-Tzong (as Chairman), Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Yan Minghe and Mr. Atsushi Kanayama.

On behalf of the Board
Tai-I International Holdings Limited
Huang Cheng-Roang
Chairman

Hong Kong, 16 April 2009

As at the date of this announcement, the Board comprises four executive directors, namely Mr. Huang Cheng-Roang (Chairman), Mr. Lin Chi-Ta (Chief Executive Officer), Mr. Huang Kuo-Feng and Mr. Du Chi-Ting, and five independent non-executive directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama.