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 2009

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 2009, together with the comparative figures for the year ended 31 December 2008 as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	Notes	**2009**	2008
		RMB'000	*RMB'000*
Turnover	*5*	**4,369,621**	6,491,053
Cost of sales		**(4,238,205)**	(6,481,800)
Gross profit		**131,416**	9,253
Other revenue	*6*	**17,541**	42,786
Other net loss	*7*	**(2,810)**	(69,924)
Distribution expenses		**(18,628)**	(21,023)
General and administrative expenses		**(40,666)**	(60,402)
Other operating expenses		**(5,725)**	(15,015)
Profit/(loss) from operations		**81,128**	(114,325)
Finance costs	*8(i)*	**(48,626)**	(101,566)
Share of profit/(loss) of associate	*12*	**1,206**	(10,865)
Profit/(loss) before taxation		**33,708**	(226,756)
Income tax credit	*9(i)*	**5,637**	18,330
Profit/(loss) for the year attributable to equity holders of the Company		**39,345**	(208,426)

	Note	**2009**	2008
		RMB'000	*RMB'000*
Other comprehensive income for the year (after tax)			
Foreign currency translation differences for foreign operations		**110**	1,623
Cash flow hedge: net movement in hedging reserve		**35,496**	(35,056)
Total comprehensive income for the year attributable to equity holders of the Company		**74,951**	(241,859)
Basic and diluted earnings/(loss) per share (RMB)	*11*	**0.07**	(0.35)

Consolidated Balance Sheet

At 31 December 2009
(Expressed in Renminbi Yuan)

	Notes	**2009**	2008
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**428,014**	437,767
Lease prepayments		**31,346**	32,183
Interest in an associate	*12*	**18,750**	17,544
Deferred tax assets		**26,081**	24,411
		504,191	511,905
Current assets			
Inventories		**211,477**	230,525
Trade and other receivables	*13*	**1,085,762**	977,698
Derivative financial instruments		**5,712**	16,171
Pledged deposits		**284,494**	788,258
Time deposits		**245,780**	289,100
Cash and cash equivalents		**287,268**	291,016
		2,120,493	2,592,768
Current liabilities			
Bank loans		**1,000,977**	1,422,303
Trade and other payables	*14*	**986,302**	1,019,727
Derivative financial instruments		**6,387**	107,971
Income tax recoverable	*9(iii)*	**(1,284)**	(2,757)
		1,992,382	2,547,244
Net current assets		**128,111**	45,524
Total assets less current liabilities		**632,302**	557,429
NET ASSETS		**632,302**	557,429
Capital and reserves			
Share capital		**5,962**	5,966
Reserves		**626,340**	551,463
Total equity		**632,302**	557,429

NOTES

1. Review of annual results

The annual results of operations for the year ended 31 December 2009 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 2009 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 was 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 certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 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.

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 2009 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 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.

Information about judgements 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. Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- Revised IAS 1, *Presentation of financial statements*
- Amendment to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to IFRSs (2008)
- Amendment to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly, controlled entity or associate*
- Amendment to IAS 39, *Financial instruments – Recognition and measurement*
- Amendment to IAS 32, *Financial instruments – Presentation*
- Revised IAS 23, *Borrowing costs*

The amendments to IAS 23, IAS 27, IAS 39 and IAS 32 have had no material impact on the Group's financial statements as the amendments and improvements were consistent with the policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Board (see note 4). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the annual report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of Revised IAS 1, details of changes in equity during the year arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this annual report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. Corresponding amounts have also been provided on the same basis.

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to IAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

4. Segment reporting

The Group manages its business by divisions, which are mainly organised by business lines. On first-time adoption of IFRS 8, *Operating segments* and in a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Bare copper wires: The manufacturing and sale of bare copper wires and provision of processing services of bare copper wires.

- Magnet wires: The manufacturing and sale of magnet wires.

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales 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 profit is the "adjusted profit before taxation". To arrive at adjusted profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as share of profits less losses of an associate, directors' and auditors' remuneration and other head office or corporate administration costs. Inter-segment sales are priced with reference to price charged to external parties for similar orders.

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.

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Bare copper wires		**Magnet wires**		**Total**	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**3,191,245**	4,456,578	**1,178,376**	2,034,475	**4,369,621**	6,491,053
Inter-segment revenue	**989,092**	1,655,091	**–**	–	**989,092**	1,655,091
Reportable segment revenue	**4,180,337**	6,111,669	**1,178,376**	2,034,475	**5,358,713**	8,146,144
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	**23,755**	(119,268)	**23,550**	(74,094)	**47,305**	(193,362)
Interest income from bank deposits	**7,584**	23,115	**5,675**	11,126	**13,259**	34,241
Interest expense	**20,910**	51,709	**22,363**	41,468	**43,273**	93,177
Depreciation and amortisation for the year	**11,054**	9,853	**18,881**	20,262	**29,935**	30,115
Reportable segment assets	**2,068,623**	2,453,823	**932,914**	1,353,303	**3,001,537**	3,807,126
Additions to non-current segment assets during the year	**18,140**	451	**1,444**	1,979	**19,584**	2,430
Reportable segment liabilities	**1,840,456**	2,235,318	**608,992**	1,071,846	**2,449,448**	3,307,164

(b) ***Reconciliations of reportable segment revenues, profit/(loss), assets and liabilities***

	2009	2008
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**5,358,713**	8,146,144
Elimination of inter-segment revenue	**(989,092)**	(1,655,091)
Total	**4,369,621**	6,491,053
Profit/(loss) before taxation		
Reportable segment profit/(loss) before taxation	**47,305**	(193,362)
Elimination of inter-segment profits	**(1,910)**	(4,416)
Reportable segment profit derived from group's external customers	**45,395**	(197,778)
Share of profit/(loss) of associate	**1,206**	(10,865)
Unallocated head office and corporate expenses	**(12,893)**	(18,113)
Total	**33,708**	(226,756)
Assets		
Reportable segment assets	**3,001,537**	3,807,126
Elimination of inter-segment receivables	**(457,104)**	(764,271)
	2,544,433	3,042,855
Interests in associates	**18,750**	17,544
Deferred tax assets	**26,081**	24,411
Unallocated head office and corporate assets	**35,420**	19,863
Total	**2,624,684**	3,104,673
Liabilities		
Reportable segment liabilities	**2,449,448**	3,307,164
Elimination of inter-segment payables	**(457,104)**	(764,271)
	1,992,344	2,542,893
Unallocated head office and corporate liabilities	**38**	4,351
Total	**1,992,382**	2,547,244

5. 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:

	2009	2008
	RMB'000	*RMB'000*
Sales of bare copper wires	**3,166,888**	4,438,671
Sales of magnet wires	**1,178,376**	2,034,475
Processing services	**24,357**	17,907
	4,369,621	6,491,053

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.

6. Other revenue

	2009	2008
	RMB'000	*RMB'000*
Interest income	**13,291**	34,667
Government grants	**4,008**	–
Income tax refund	**–**	7,109
Others	**242**	1,010
	17,541	42,786

Government grants represent unconditional discretionary grants received from local Chinese government authorities in recognition of the Group's contribution to the development of the local economy during the year.

7. Other net loss

	2009	2008
	RMB'000	*RMB'000*
Net exchange (loss)/gain	**(8,266)**	32,089
Gain on sales of scrap materials	**1,730**	1,228
Loss on disposal of property, plant and equipment	**(164)**	(106)
Net gain/(loss) on derivative financial instruments		
– copper futures contracts	**589**	(34,702)
– foreign exchange forward contracts	**3,301**	(68,619)
Others	**–**	186
	(2,810)	(69,924)

8. Profit/(loss) before taxation

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

(i) Finance costs

	2009	2008
	RMB'000	*RMB'000*
Interest expenses	**43,273**	93,177
Letter of credit charges	**5,353**	8,389
	48,626	101,566

(ii) Staff costs

	2009	2008
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**43,828**	46,916
Contributions to defined contribution retirement schemes	**3,078**	3,952
	46,906	50,868

(iii) Other items

	2009	2008
	RMB'000	*RMB'000*
Cost of inventories #	**4,238,205**	6,481,800
Auditors' remuneration - audit services	**1,814**	2,212
Depreciation #	**29,173**	29,426
Amortisation of lease prepayments #	**837**	837
Impairment losses for doubtful debts	**–**	22,769
Impairment loss on associate	**–**	10,370
Operating leases charges in respect of properties	**631**	995

Cost of inventories includes RMB59,181,000 for the year ended 31 December 2009 (2008: RMB66,987,000), relating to staff costs, depreciation and amortisation of lease prepayments, which are included in the respective total amounts disclosed separately above and in note 8(ii) for each of these types of expenses.

9. Income tax credit

(i) Income tax credit in the consolidated statement of comprehensive income represents:

	2009	2008
	RMB'000	*RMB'000*
Current tax-PRC		
Provision for the year	–	(8,836)
Deferred tax		
Origination of temporary differences	**5,637**	27,166
	5,637	18,330

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.

No provision for Hong Kong profits tax has been made for the year as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to the new tax law and Circular Guoshuifa [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.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2009.

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 15% 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 expired 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.

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

	2009	2008
	RMB'000	*RMB'000*
Profit/(loss) before taxation	**33,708**	(226,756)
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (2009: 20%, 2008: 18%)	**(6,742)**	40,816
Effect of tax on profit/(losses) in holding companies	**862**	(5,244)
Effect of share of profit/(loss) of associate and impairment loss on interest in associate	**241**	(3,822)
Effect of non-deductible expenses	**(639)**	(67)
Effect of non-taxable income	**–**	640
Effect of change on tax rate	**11,915**	–
Others	**–**	104
Effect of PRC tax holidays granted to subsidiaries	**–**	(14,097)
	5,637	18,330

(iii) Taxation in the consolidated balance sheet represents:

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**(2,757)**	1,714
Provision for income tax for the year	**–**	8,836
Amounts received/(paid)	**1,473**	(13,307)
At 31 December	**(1,284)**	(2,757)

10. Dividends

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year	**–**	32,338

No dividend has been declared or paid by the Company for the year ended 31 December 2009.

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

The calculation of basic and diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the Company of RMB39,345,000 (2008: the loss of RMB208,426,000) and the weighted average of 596,246,806 (2008: 598,963,167) shares in issue during the year, calculated as follows:

	2009	2008
	Number of shares	*Number of shares*
Ordinary shares issued at 1 January	**596,618,000**	600,000,000
Effect of shares repurchased	**(371,194)**	(1,036,833)
Weighted average number of shares at 31 December	**596,246,806**	598,963,167

There were no dilutive potential ordinary shares in issue as at 31 December 2009 (2008: Nil).

12. Interest in an associate

	2009	2008
	RMB'000	*RMB'000*
Share of net assets	**18,750**	17,544
Goodwill arising on acquisition	**10,370**	10,370
	29,120	27,914
Less: Impairment on goodwill	**(10,370)**	(10,370)
	18,750	17,544

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 2009.

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

2009

	Assets	**Liabilities**	**Revenue**	**Profit after tax**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
100 percent	**345,646**	**(283,147)**	**325,782**	**4,020**
The Group's effective interest	**103,694**	**(84,944)**	**97,735**	**1,206**

2008

	Assets	Liabilities	Revenue	Loss after tax
	RMB'000	*RMB'000*	*RMB'000*	*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)

13. Trade and other receivables

		2009	2008
		RMB'000	*RMB'000*
Trade receivables	*(i)*	**525,526**	325,732
Bills receivable	*(i)*	**120,849**	151,384
		646,375	477,116
Deposits and prepayments made to suppliers	*(ii)*	**373,488**	376,681
Other receivables		**33,565**	61,343
Deposits for derivative financial instruments	*(iii)*	**32,334**	62,558
		1,085,762	977,698

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:

	2009	2008
	RMB'000	*RMB'000*
Invoice date:		
Within 1 month	**357,559**	357,773
Over 1 month but less than 3 months	**213,799**	55,646
Over 3 months but less than 1 year	**55,316**	58,467
Over 1 year but less than 2 years	**23,793**	26,475
Over 2 years	**33,162**	16,009
	683,629	514,370
Less: Impairment losses for doubtful debts	**(37,254)**	(37,254)
	646,375	477,116

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

	2009	2008
	RMB'000	*RMB'000*
At 1 January	**37,254**	14,485
Impairment loss recognised during the year	**3,624**	27,024
Reversed during the year	**(3,624)**	(4,255)
At 31 December	**37,254**	37,254

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.

14. Trade and other payables

		2009	2008
		RMB'000	*RMB'000*
Trade creditors	*(i)*	**542,603**	621,772
Bills payable	*(ii)*	**400,109**	302,956
		942,712	924,728
Non-trade payables and accrued expenses		**48,715**	93,593
Other taxes (recoverable)/payable		**(5,125)**	1,406
		986,302	1,019,727

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 payable with the following ageing analysis as of the balance sheet date:

	2009	2008
	RMB'000	*RMB'000*
Due within 3 months or on demand	**796,643**	692,118
Due after 3 months but within 6 months	**145,225**	231,996
Due after 6 months but within 1 year	**111**	219
Due after 1 year but within 2 years	**127**	229
Due after 2 years	**606**	166
	942,712	924,728

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits. As at 31 December 2009, outstanding letters of credit included in trade creditors amounted to RMB676,358,000 (2008: RMB614,196,000).

(ii) Certain bills payable outstanding as at 31 December 2009 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2009, the revenue of the Group amounted to approximately RMB4,369,621,000 (2008: RMB6,491,053,000), representing a decrease of 32.68% from last year. Sales volume of bare copper wires and processing services of the Group rose while that of magnet wires fell, and the total sales volume increased by 2,650 tonnes. However, the turnover of the Group still dropped by approximately RMB2,121,432,000 as a result of the fall in international average copper prices (LME annual average copper price fell 26% to USD5,149.71/tonne in 2009 from USD6,955.88/tonne in 2008).

Sales volume of bare copper wires of the Group amounted to 86,756 tonnes of 2009, increasing by 2,365 tonnes (or a growth rate of 2.80%) as compared with 84,391 tonnes of 2008; sales volume of magnet wires amounted to 26,489 tonnes of 2009, decreasing by 7,066 tonnes (or a decrease of approximately 21.06%) as compared with 33,555 tonnes of 2008; volume of processing services amounted to 35,584 tonnes of 2009, increasing by 7,351 tonnes (or a growth rate of 26.04%) as compared with 28,233 tonnes of 2008.

Revenue of bare copper wires for 2009 recorded at RMB3,166,888,000 (2008: RMB4,438,671,000), reducing by RMB1,271,783,000. Revenue of magnet wires for 2009 recorded at RMB1,178,376,000 (2008: RMB2,034,475,000), representing a drop of RMB856,099,000. However, revenue of processing services of bare copper wires recorded at RMB24,357,000 in 2009 (2008: RMB17,907,000), increasing by approximately RMB6,450,000.

Gross profit

For the year ended 31 December 2009, gross profit was RMB131,416,000 (2008: RMB9,253,000), increasing by approximately RMB122,163,000.

The growth of gross profit for 2009 was due to the effective management of purchase price of copper plates and sales price and the cost reduction measures implemented by the Company. Gross profit of magnet wires increased by RMB16,394,000 compared with that of 2008; gross profit of bare copper wires increased by RMB101,057,000 compared with that of 2008; gross profit of processing services increased by RMB4,712,000 compared with that of 2008.

Other revenue

For the year ended 31 December 2009, other revenue of the Group was approximately RMB17,541,000 (2008: RMB42,786,000). Other revenue mainly represented interest income of RMB13,291,000 for the year ended 31 December 2009 (2008: RMB34,667,000), the decrease in interest income was mainly due to the weighted average interest rate of time deposits and pledged deposits of 2009 was significantly lower than that of 2008; and government grants of RMB4,008,000 for the year ended 31 December 2009 (2008: Nil).

Other net loss

Other net loss of the Group was approximately RMB2,810,000 for the year ended 31 December 2009 (2008: RMB69,924,000), which was mainly attributable to net loss on exchange of RMB8,266,000 (net gain on exchange for 2008: RMB32,089,000), net gain on derivative financial instruments–copper futures contracts of approximately RMB589,000 (net loss for 2008: RMB34,702,000), net gain on derivative financial instruments–foreign exchange forward contracts of approximately RMB3,301,000 (net loss for 2008: approximately RMB68,619,000) and other income such as the sale of scrap copper of RMB1,730,000 (2008: RMB1,228,000).

Finance costs

Finance costs of the Group for the year ended 31 December 2009 was approximately RMB48,626,000 (2008: RMB101,566,000), representing a decrease of approximately RMB52,940,000. The decrease in finance costs was mainly due to interest expenses of approximately RMB43,273,000 (2008: RMB93,177,000) which represented a decrease of approximately RMB49,904,000. The finance costs of the Group were mainly arising from letters of credit for copper purchase from the international market and short term financing facilities for copper purchase within China. The finance costs of the Group was far less than that of 2008 due to: (1) the financing amount of 2009 was lower than that of 2008 because international copper prices were lower than those in 2008 thereby requiring lower borrowings to finance working capital; and (2) the average interest rate of 2009 was also lower than that of 2008. Besides, the issuance fees of letters of credit was recorded at approximately RMB5,353,000 (2008: RMB8,389,000), representing a decrease of approximately RMB3,306,000.

Profit/(Loss) for the year

The Group recorded a profit of approximately RMB39,345,000 for the year ended 31 December 2009 versus a loss of RMB208,426,000 in 2008.

Final Dividend

The Board did not propose a final dividend for the year ended 31 December 2009 (2008: Nil).

Return on Shareholder's Equity

For the year ended 31 December 2009, the Group achieved a profit of RMB39,345,000 (2008: a loss of RMB208,426,000) and a return on shareholders' equity of 6.61% (2008: -29.97%), shareholders' return on shareholders' equity increased by 36.58 percent 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 2009, the Group maintained cash and cash equivalents amounted to RMB287,268,000 (2008: RMB291,016,000). The short term bank borrowings as at 31 December 2009 amounted to RMB1,000,977,000 (2008: RMB1,422,303,000). As at 31 December 2009, the Group's current ratio was 106.43% (31 December 2008: 101.79%), 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 6.99% (2008: 1.74%).

Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper plates amounted to RMB284,494,000 as at 31 December 2009 (2008: RMB788,258,000), decreased by 63.91%. During 2009, 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 2009, 61%, 3% and 36% of the Group's revenue were denominated in US dollar, Hong Kong dollar and Renminbi, while 66% and 34% of its payments were denominated in US dollar and Renminbi. For the year ended 31 December 2009, the Group has a net foreign exchange loss of RMB8,266,000 (2008: a net gain of RMB32,089,000).

Pledge of Assets

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

Assets	As at 31 December **2009** *RMB'000*	2008 *RMB'000*	Purpose
Buildings	**86,485**	89,059	Bank loans
Land use rights	**31,346**	32,183	Bank loans
Inventories	–	100,000	Bank loans, letters of credit and commercial bills
Bank deposits	**284,494**	788,258	Letters of credit and commercial bills
Machinery, equipment and tools	**157,977**	170,546	Letters of credit and commercial bills
Total	**560,302**	1,180,046	

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 2009, the net proceeds were utilized in the following manner:

	Per prospectus *HK$'000*	**Amount utilised** *HK$'000*	**Balance as at 31 December 2009** *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**	**66,394**	**69,748**
Repayment of short-term borrowings	**44,000**	**44,000**	–
General working capital	**22,076**	**22,076**	–
Total	**220,762**	**151,014**	**69,478**

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 2009 was 67.88% (2008: 61.54%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2009 was 106.43% (2008: 101.79%). 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 expenditure for the year ended 31 December 2009 and 2008:

	For the year ended 31 December	
	2009	2008
	RMB'000	*RMB'000*
Building	–	13
Machinery, equipment and tools	**1,450**	410
Dies and moulds	**1,020**	1,438
Motor vehicles and other fixed assets	**403**	346
Construction in progress	**16,711**	223
	19,584	2,430

Commitments

(i) Capital commitments

Outstanding capital commitments at 31 December 2009 not provided for in the financial statements were as follows:

	As at 31.12.2009	As at 31.12.2008
	RMB'000	*RMB'000*
Contracted	–	16,582

(ii) Lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2009	2008
	RMB'000	*RMB'000*
Less than one year	**620**	858
Between one and two years	**9**	128
Between two and three years	**2**	9
	631	995

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

Contingent Liabilities

As at 31 December 2009, there was no significant contingent liability (2008: Nil).

BUSINESS REVIEW

The global economy in the first half of 2009 was still under the impact of the global financial crisis of 2008 and the momentum of market recovery was still weak. However, in order to maintain a drive for economic growth, the Chinese government continued to launch domestic demand expansion policies to stimulate the domestic consumption market so as to offset the blow to its export trade brought by the global recession. Since the beginning of the second half of 2009, China's domestic demand expansion policies started taking effect. Driven by the robust domestic consumption, the production of industries continued to develop steadily, posting China's GDP growth for 2009 at 8.7%, thereby succeeding to achieve the goal of 8% for the macro economic fine tuning. In addition, the global economy stabilized gradually and the international consumption market recovered gradually.

Moreover, international copper prices reversed the decline in the second quarter of 2009. According to a research report of the International Copper Study Group (the "ICSG"), the global consumption of refined copper in 2009 doubled compared to that of 2008, and China's consumption of refined copper during 2009 accounted for approximately 40% of the world. The Group is located in China-a market with steady growth, and enjoys geographical advantages, enabling it to adjust the sales strategy according to market demand and supply.

Continuous growth of sales of bare copper wires

Due to the expansion of bare copper wire of the Group in 2009 and the effects of the growth of China's domestic demand and the economic incentive schemes put forward by the Chinese government to expand domestic demand, the sales volume of bare copper wires of the Group rose by 2,365 tonnes to 86,756 tonnes of 2009 from 84,391 tonnes of 2008, representing an increase of 2.80% over 2008. However, as a consequence of the fall in international copper prices (LME annual average copper price fell 26% to USD5,149.71/tonne in 2009 from USD6,955.88/tonne in 2008), the turnover of bare copper wires reduced to RMB3,166,888,000 of 2009 from RMB4,438,671,000 of 2008, representing a decrease of 28.65% over last year.

Drop in sales of magnet copper wires and increase in the proportion of domestic sales

In contrast with bare copper wires, magnet copper wires of the Group are relatively downstream products, and the demand of which in the international and China markets was recovering at a slower pace. The sales volume of magnet copper wires reduced by 7,066 tonnes to 26,489 tonnes of 2009 from 33,555 tonnes of 2008, representing a fall of approximately 21.06%. The turnover also fell to RMB1,178,376,000 of 2009 from RMB2,034,475,000 of 2008, representing a decrease of approximately 42.08%. However, in response to the growth of China's domestic sales in 2009, the Group adjusted the proportion of its domestic sales. In 2008, the ratio of domestic sales to export sales was 30.13%: 69.87% while in 2009 the ratio was 33.10%: 66.90%.

Modifying facilities to increase capacity

The plan for the modification of facilities to increase production capacity of Tai-I Jiang Corp, a subsidiary of the Company, was completed in March 2009. As a result, the Group owned a worldwide patented SCR continuous casting and rolling production system with an annual capacity of 180,000 tonnes(annual capacity of 150,000 tonnes in 2008), and enjoyed the competitive advantages of having facilities featuring excellent functions, high capacity, sophisticated production techniques, prime quality products and low costs. This effectively increased the proportion of the Group's sales and processing activities in China, which in turn enhanced the Group's profitability, enabled the Group to capture the opportunity brought by the growth of the domestic demand in China and to achieve the goal of sales of all volume produced.

Striving for the best quality to minimize complaints from clients

The technical and quality control departments of the Group have been relentless in improving the quality of magnet wires, which was effective in reducing complaints about axis damages and oxidation. Consequently, complaints from clients of magnet wires were minimized in the second half year of 2009.

Quality control system implementation

In 2009, all product categories of magnet wire products of the Group obtained the certification of ISO/TS16949 auto components supplier quality control system from a certification organization. Previously, only part of these products obtained this certification. The full implementation of this quality control system implied that there was a further enhancement in the quality control standard of magnet wire products of the Group, which served to safeguard and further improve the competitive edge of products of the Group.

EMPLOYEES

As at 31 December 2009, the Group employed 922 full-time employees in the PRC (2008: 986). 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 of the Company will be examined by the Board to ensure it conformed to the remuneration package of the executive Directors.

BUSINESS OUTLOOK

On-going future plans for sustainable development of the Group:

Marketing enhancement plan

The Group will fully leverage on the growth of domestic sales in China and the recovery of the international market to capture emerging market opportunities, enhance marketing management, identify new clients and boost the sales volume for the sake of enhancing the competitiveness of the Group. The Group will work more closely with clients of automobile magnet wires and internationally-renowned major clients of high frequency resistant magnet wires.

Production management and man power quality enhancement plans

The Group will enhance its production management and the quality of manpower in 2010 to upgrade the production management efficiency and decrease the unit labour cost in order to strengthen the profitability of the Group. The Group plans to devote efforts to refined production plans. At the same time, the Group will devote further efforts to its safety management, energy saving, consumption reduction and environmental friendly production to enhance the overall competitiveness of the Group.

New product development plan

In order to enhance the profitability of the Group, we will actively develop high value-added downstream bare copper wire products. We will also develop green products with our high quality bare copper wires and sophisticated processing technologies to meet market demand in the future.

Energy saving and consumption reduction intensification

Tai-I Copper, a subsidiary of the Group, will continue to carry out equipment modification projects mainly on the heated wind conduit after the shift of heat from furnaces and the recovery of residual heat. It is expected that the savings in energy consumption will reach 908 tonnes per year and the annual energy costs of Tai-I Copper will be reduced by RMB5,500,000. In addition, we have been working hard to implement energy saving and consumption reduction measures in the hope that we can further initiate projects in these areas.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2009, the Company repurchased 460,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.185 to HK$0.196 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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$*	*HK$*
March 2009	460,000	0.196	0.185	88,302
Total	460,000			88,302

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices (the "CG Code") of 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 CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance practices.

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 2009.

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, 12 March 2010

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.