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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt about any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in the Company, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is addressed to the shareholders of the Company in connection with the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday 2 June 2009. This circular is not and does not constitute an offer of, nor is it intended to invite offers for, shares in or other securities of the Company.

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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)**

### CONTINUING CONNECTED TRANSACTIONS

AND

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**信達國際融資有限公司**  
CINDA INTERNATIONAL CAPITAL LIMITED

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 9 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 10 of this circular. A letter from Cinda containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 11 to 18 of this circular.

A notice convening the EGM to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 2 June 2009 at 10:30 a.m. or so soon thereafter the annual general meeting of the Company convened to be held on the same date and place at 9:30 a.m. shall be closed is set out on pages 24 to 25 of this circular. If you are not able to attend the meeting in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and deposit it with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

8 May 2009

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Cinda” or “IFA”	Cinda International Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement and the Proposed Caps
“Commencement Date”	the day on which the condition precedent of the Framework Agreement is completed
“Company”	Tai-I International Holdings Limited, a company incorporated in the Cayman Islands and whose Shares are listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Independent Shareholders to be held on Tuesday, 2 June 2009 to consider and, if thought fit, approve the Framework Agreement, the Transactions and the Proposed Caps
“Framework Agreement”	the conditional framework agreement entered into between the Company and Taiwan Tai-I on 16 April 2009 in relation to the purchase of the Products by the Company from Taiwan Tai-I or the Supplier
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company comprising of the five independent non-executive Directors, namely, Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe and Atsushi Kanayama

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM approving the Framework Agreement, the Transactions and the Proposed Caps and the transactions contemplated thereunder under the Listing Rules
“Latest Practicable Date”	4 May 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“%”	per cent
“PRC”	the People’s Republic of China (for the purposes of this circular, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Products”	high voltage power wires and cables
“Proposed Caps”	the proposed caps of the Transactions of HK\$380 million from the Commencement Date to 31 December 2009 and of HK\$760 million for each of the two financial years ending 31 December 2011
“Purchaser”	the Company and/or any party designated by the Company as purchaser in a Transaction
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplier”	Taiwan Tai-I and/or the party designated by Taiwan Tai-I as supplier in the Transaction

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## DEFINITIONS

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“Taiwan Tai-I”	台一國際股份有限公司 (Tai-I Electric Wire & Cable Co., Ltd.), a company established under Taiwan laws on 11 September 1979 and has become a listed company on the Taiwan Stock Exchange Corporation since 20 October 1995
“Transaction(s)”	the supply of the Products to the Company by Taiwan Tai-I or the Supplier as contemplated under the Framework Agreement

*Note: For the purpose of this circular and for reference only, exchange rate of RMB1.00 to HK\$1.135 is adopted*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors*

Huang Cheng-Roang (*Chairman*)  
Lin Chi-Ta (*Chief Executive Officer*)  
Huang Kuo-Feng  
Du Chi-Ting

*Independent non-executive Directors*

Kang Jung-Pao  
Cheng Yang-Yi  
Tsay Yang-Tzong  
Yan Minghe  
Atsushi Kanayama

*Registered office:*

Cricket Square, Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Principal place of business in the PRC:*

No. 77 Dongpeng Avenue  
Eastern District of Guangzhou Economic and  
Technological Development Zone  
Guangzhou  
Guangdong Province  
The PRC

*Principal place of business in Hong Kong:*

Room 1502, 15th Floor  
The Chinese Bank Building  
61-65 Des Voeux Road Central  
Hong Kong

8 May 2009

*To the Shareholders*

Dear Sir or Madam

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

The Board announced on 20 April 2009 that the Company and Taiwan Tai-I entered into the Framework Agreement on 16 April 2009, pursuant to which the Company agrees to purchase the Products from Taiwan Tai-I and Taiwan Tai-I agrees to supply the Products to the Company on a non-exclusive basis from the Commencement Date up to 31 December 2011.

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## LETTER FROM THE BOARD

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The transactions contemplated under the Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps at the EGM.

The purpose of this circular is to provide you with the information in relation to the Framework Agreement and the Group and to give you notice of the EGM.

### THE FRAMEWORK AGREEMENT

**Date:** 16 April 2009

**Parties:**

- (i) the Company; and
- (ii) Taiwan Tai-I

Taiwan Tai-I is the Company's controlling shareholder and is accordingly a connected person (as defined in the Listing Rules) of the Company.

**Summary of the principal terms:**

The principal terms of the Framework Agreement are as follows:-

*(i) Condition precedent*

The Framework Agreement is subject to and conditional upon the approval by the Independent Shareholders of the Framework Agreement, the Transactions and the Proposed Caps at the EGM to be held in accordance with the requirements of the Listing Rules.

*(ii) Period of the Framework Agreement*

The Framework Agreement is for a term from the Commencement Date to 31 December 2011 unless terminated by either party before the expiry of such term.

*(iii) The Transactions*

Pursuant to the terms of the Framework Agreement, the Company agrees to, on a non-exclusive basis, purchase the Products from Taiwan Tai-I or the Supplier for sale to customers of the Company in the international markets including the PRC.

The Company may designate its entities to be the purchaser to enter into the Transactions. Taiwan Tai-I shall guarantee and be responsible for the fulfillment of such Transactions entered into by its respective designated entities.

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## LETTER FROM THE BOARD

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*(iv) Delivery and payment arrangement*

The Purchaser shall send the purchase notice to the Supplier specifying the quantity of the Products required at least 120 days prior to the requested delivery date. Upon receipt of the purchase notice, the Supplier shall issue a price quotation within 7 days. Once the quotation is confirmed by the Supplier, it will then become effective and binding. The Purchaser shall settle the amount of purchase price in cash within 90 days after the date the Products are in receipt.

For the avoidance of doubt, the Purchaser shall have the right not to confirm any purchase order in the event it could obtain from independent third parties the same Products on more favorable terms. The Purchaser will refuse to confirm any purchase order in respect of a Transaction if the terms of which are less favorable to the terms which would otherwise be available to or obtainable by the Group from any independent third parties.

The Company confirms that none of the Company and its designated entities will enter into any Transaction the terms of which are less favorable to the terms which would otherwise be available to or obtainable by the Group from any independent third parties.

### **The Proposed Caps**

Under the terms of the Framework Agreement, it is anticipated that the Proposed Caps in respect of the period from the Commencement Date to 31 December 2009 will not exceed HK\$380 million and for each of the two financial years ending 31 December 2011 will not exceed HK\$760 million.

### **Basis of determining the Proposed Caps Rule**

The anticipated Proposed Caps in respect of the Transactions are determined by adopting 0.15% of the 15% annual growth rate of the investment in the power cables and wires in the PRC for the past 15 years and such investment reached RMB400 billion (equivalent to HK\$454 billion) in 2008 as disclosed in a publication “2008-2009年中國電線電纜行業調查諮詢報告” made by 中國情報網 (<http://www.askci.com>) published in July 2008. Leveraging on the Group’s existing customers’ network, the Directors believe that the Group’s goal in this diversification with reference to the Proposed Cap could be prudently achieved.



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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE FRAMEWORK AGREEMENT

In formulating the Board's decision with regard to the Framework Agreement, the Board has taken into account of the following principal factors and reasons:

(i) Business diversification

The Group is engaged principally in the manufacturing and sale of bare copper wire and magnet wire which are the raw material as well as major components of various electrical and motor products. In view of the current global economic environment, demand for the Group's products suffered a set back and the gross profit margin of these products had been squeezed further in particular in the second half of 2008. Facing the various challenges ahead, the Board considers it is necessary to execute its business strategy by diversification into new revenue generating business line so as to return to profitability for the Group for the benefit of the shareholders of the Company in the nearest future.

(ii) Future prospect of the Products related industry

As referred to in the press release made by the PRC government in March 2009, the PRC government has reviewed its investment priorities under the RMB4 trillion stimulus package to be spread over a period of two years. It is reported that nearly 38% of the total package will be allocated to public infrastructure developments such as railway, road, irrigation, and airport construction. The Directors believe that these projects will have a great demand in all kinds of the Products.

(iii) Industry insight and product sourcing

Leverage on the extensive expertise of the management in the cable industry and its networking in the PRC, the Directors are confident that they can identify potential customers for the Products. Moreover, since Taiwan Tai-I has a track record in the production of the Products since 1993, the Group is able to share its insight and market intelligence in respect of the Products while sourcing the Products for its potential customers. As the Framework Agreement is non-exclusive to Taiwan Tai-I, it provides an additional alternative source of Products for the Group and such flexibility is beneficial to the Group in conducting its business independently from Taiwan Tai-I.

(iv) Nature of the Transactions

The purchases of the Products will be carried out as the usual and ordinary course of business of the Group and will be on normal commercial terms.

### Confirmation from the Directors

The Directors confirm that the terms of the Framework Agreement, which was entered into in the ordinary and usual course of business of the Group and have been negotiated and agreed on an arm's length basis based on normal commercial terms, are fair and reasonable

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## LETTER FROM THE BOARD

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to the Group, and are in the interests of the Shareholders and the Group as a whole. The Directors also confirm that the Proposed Caps are fair and reasonable and in the interests of the Shareholders and the Group as a whole.

### REQUIREMENTS UNDER THE LISTING RULES

Taiwan Tai-I and/or its associates had an interest of approximately 38.56% in the Company. Accordingly, Taiwan Tai-I is a connected person (as defined in the Listing Rules) of the Company. Transactions between the Group and Taiwan Tai-I will be subject to the provisions set out in Chapter 14A of the Listing Rules.

Moreover, as Taiwan Tai-I is a connected person of the Company, and taking into account the amount involved in the transactions contemplated under the Framework Agreement, which will on annual basis exceed the 2.5% threshold and the HK\$10,000,000 threshold under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will seek the Independent Shareholders' approval for the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps at the EGM.

### EGM

The EGM is convened to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 2 June 2009 at 10:30 a.m. or so soon thereafter the annual general meeting of the Company convened to be held on the same date and place at 9:30 a.m. shall be closed to consider, and if thought fit, to approve the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps. A notice of the EGM is set out on pages 24 to 25 of this circular.

A form of proxy for use at the EGM is also enclosed. If you are not able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish. In accordance with the Listing Rules, the Taiwan Tai-I and/or its associates which held 229,905,000 Shares (representing approximately 38.56% of the entire issued share capital of the Company) will abstain from voting on the relevant ordinary resolution to be proposed at the EGM. The vote of the Independent Shareholders on such resolution will be taken by way of poll.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Messrs Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe and Atsushi Kanayama has been established to advise the Independent Shareholders as to the fairness and reasonableness of the terms of the Framework Agreement and the Proposed Caps.

Your attention is drawn to the letter of the Independent Board Committee set out on page 10 of this circular. Your attention is also drawn to the letter of advice from Cinda to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Framework Agreement and the Proposed Caps set out on pages 11 to 18 of this circular.

The Independent Board Committee, having taken into account the advice of Cinda, considers that the entering into the Framework Agreement is in the ordinary course of business of the Company, in normal commercial terms and in the best interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Framework Agreement and the Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favor of the ordinary resolution approving the Framework Agreement and all the transactions contemplated thereunder and the Proposed Caps at the EGM.

The Directors consider that the terms of the Framework Agreement and the Proposed Caps are fair and reasonable to the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the ordinary resolution at the EGM.

### ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the appendix to this circular.

Yours faithfully  
For and on behalf of the Board of  
**Tai-I International Holdings Limited**  
**Huang Cheng-Roang**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is a full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this circular:*



### 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)**

8 May 2009

*To the Independent Shareholders*

Dear Sir or Madam

#### CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to its Shareholders dated 8 May 2009 (the “**Circular**”) of which this letter forms part. Terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires. Under the Listing Rules, the transactions contemplated under the Framework Agreement constitute non-exempt continuing connected transactions for the Company and are subject to obtaining approval from the Independent Shareholders.

We have been appointed by the Board to consider the terms of the Framework Agreement and the Proposed Caps and to advise the Independent Shareholders as to whether, in our opinion, such terms and the Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned. Cinda has been appointed as the IFA to advise us in this respect.

We wish to draw your attention to the letter from the Board and the letter from Cinda as set out in the Circular. Having considered the principal factors and reasons considered by, and the advice of, Cinda as set out in its letter of advice, we consider that the entering into the Framework Agreement is in the ordinary course of business of the Company, on normal commercial terms and in the best interests of the Company and the Shareholders as a whole. We also consider that the terms of the Framework Agreement and the Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to vote in favor of the ordinary resolution approving the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps at the EGM.

Yours faithfully

For and on behalf of

**Independent Board Committee**

**Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe, Atsushi Kanayama**

*Independent non-executive Directors*

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## LETTER FROM CINDA

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*The following is the full text of a letter of advice from Cinda to the Independent Board Committee and the Independent Shareholders in relation to the terms of the Framework Agreement and the Proposed Caps, which has been prepared for the purpose of inclusion in this circular:*



**信達國際融資有限公司**  
CINDA INTERNATIONAL CAPITAL LIMITED

45th Floor, COSCO Tower  
183 Queen's Road Central  
Hong Kong

8 May 2009

*To the Independent Board Committee and the Independent Shareholders of  
Tai-I International Holdings Limited*

Dear Sirs and Madams,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Framework Agreement and the Proposed Caps, details of which are set out in the letter from the board ("**Letter from the Board**") contained in the circular (the "**Circular**") of the Company dated 8 May 2009 of which this letter forms part. Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the Circular.

On 16 April 2009, the Company and Taiwan Tai-I entered into a conditional Framework Agreement pursuant to which the Company agrees to purchase the Products from Taiwan Tai-I and Taiwan Tai-I agrees to supply the Products to the Company on a non-exclusive basis from the Commencement Date up to 31 December 2011.

As at the Latest Practicable Date, Taiwan Tai-I and/or its associates had interested in approximately 38.56% of the issued share capital of the Company. Accordingly, Taiwan Tai-I is a connected person of the Company under the Listing Rules. The Transactions between the Group and Taiwan Tai-I will be subject to the provisions set out in Chapter 14A of the Listing Rules. Moreover, as Taiwan Tai-I is a connected person of the Company, and taking into account the amount involved in the transactions contemplated under the Framework Agreement, which will on annual basis exceed 2.5% threshold and the HK\$10,000,000 threshold under Rule 14A.34 of the Listing Rules, the transactions contemplated under the Framework Agreement constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will seek the Independent Shareholders' approval for the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps at the

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## LETTER FROM CINDA

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EGM by way of poll, whereby Taiwan Tai-I and its associates shall abstain from voting in relation to the ordinary resolution approving the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps at the EGM.

The Independent Board Committee, comprising Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe and Atsushi Kanayama, has been established to advise the Independent Shareholders on the terms of Framework Agreement and the Proposed Caps.

### **BASIS OF OUR ADVICE**

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular, and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reasons to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of Taiwan Tai-I and the Group.

### **PRINCIPAL FACTORS TAKEN INTO ACCOUNT**

In arriving at our opinion in respect of the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps, we have taken into account the following principal factors and reasons:

#### **1. Background and reasons for the Transactions**

##### ***(a) Information on the Group and Taiwan Tai-I***

The Group is principally engaged in the sale and manufacture of bare copper wire and magnet wire in the PRC.

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## LETTER FROM CINDA

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Taiwan Tai-I and its subsidiaries (including the Group) are principally engaged in the manufacture and sale of wire and cable products (such as magnet wire, power cable) and polymer raw materials (such as varnish) for the production of wire and cable products.

*(b) Reasons for the Transactions*

On 16 April 2009, the Company and Taiwan Tai-I entered into the Framework Agreement pursuant to which the Company agrees to, on a non-exclusive basis, purchase the Products from Taiwan Tai-I or the Supplier for sale to customers of the Company in the international markets including the PRC. The Company may designate its entities to be the purchaser to enter into the Transactions. Taiwan Tai-I shall guarantee and be responsible for the fulfillment of such Transactions entered into by its respective designated entities.

The Board has taken into account the following principal factors and reasons prior to the entering into of the Framework Agreement:

*(i) Business diversification*

The Group is engaged principally in the manufacturing and sale of bare copper wire and magnet wire which are the raw material as well as major components of various electrical and motor products. In view of the current global economic environment, demand for the Group's products suffered a set back and the gross profit margin of these products had been squeezed further in particular in the second half of 2008. Facing the various challenges ahead, the Board considers it is necessary to execute its business strategy by diversification into new revenue generating business line so as to return to profitability for the Group for the benefit of the Shareholders in the nearest future.

*(ii) Future prospect of the Products related industry*

As referred to in the press release made by the PRC government in March 2009, the PRC government has reviewed its investment priorities under the RMB4 trillion stimulus package to be spread over a period of two years. It is reported that nearly 38% of the total package will be allocated to public infrastructure developments such as railway, road, irrigation, and airport construction. The Directors believe that these projects will have a great demand in all kinds of the Products.

*(iii) Industry insight and product sourcing*

Leverage on the extensive expertise of the management in the cable industry and its networking in the PRC, the Directors are confident that they can identify potential customers for the Products. Moreover, since Taiwan Tai-I has a track record in the production of the Products since 1993, the Group is able to share its insight and market intelligence in respect of the

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## LETTER FROM CINDA

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Products while sourcing the Products for its potential customers. As the Framework Agreement is non-exclusive to Taiwan Tai-I, it provides an additional alternative source of Products for the Group and such flexibility is beneficial to the Group in conducting its business independently from Taiwan Tai-I.

*(iv) Nature of the Transactions*

The purchases of the Products will be carried out as the usual and ordinary course of business of the Group and will be on normal commercial terms.

According to the final results announcement of the Company for the year ended 31 December 2008, the Group recorded a net loss of approximately RMB208.4 million for the year ended 31 December 2008, and a net profit of approximately RMB111.5 million for the year ended 31 December 2007. The Group has suffered from economic downturn and a negative gross profit was incurred for the financial year 2008. Having considered the adverse performance of the Group especially for the financial year 2008, the challenge from the current global economic environment, and the set back of the Group's product demand, we consider that business diversification could generate new income stream for the Group and is in the interests of the Group.

We have further discussed with the management of the Company and we are given to understand that the Transactions are trading in nature and the Products purchased from Taiwan Tai-I are for sale to the Company's customers. The management of the Company expects the purchase orders of the Products to be placed to Taiwan Tai-I will be mainly based on sale confirmations obtained by the Group from their customers.

In view of the above, and in particular that (i) the Group requires new revenue generating business line to improve its profitability to face the recent challenge from the worsen economic environment; (ii) nearly 38% of the stimulus package from the PRC government will be allocated to public infrastructure developments in relation to which the demand for all kinds of the Products is expected to be risen; (iii) leveraging on the extensive expertise of the management of the Company in the cable industry and their networking in the PRC may help the Group in the identification of potential customers for the Products; (iv) the Framework Agreement, which is non-exclusive to Taiwan Tai-I, will provide an additional alternative source of the Products for the Group; (v) the Transactions are in line with the business of the Group and are entered into in the usual and ordinary course of business of the Group on normal commercial terms; and (vi) the adverse performance of the Group for the financial year 2008 and the trading nature in relation to the Transactions as discussed above, we consider that the entering into of the Framework Agreement and the Transactions are in the interest of the Company and the Independent Shareholders as a whole.



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## LETTER FROM CINDA

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### **2. Principal terms of the Framework Agreement**

The Framework Agreement is for a term from the Commencement Date to 31 December 2011 unless terminated by either party before the expiry of such term.

Pursuant to the Framework Agreement, the Company agrees to, on a non-exclusive basis, purchase the Products from Taiwan Tai-I or the Supplier for sale to customers of the Company in the international markets including the PRC. The Company may designate its entities to be the purchaser to enter into the Transactions. Taiwan Tai-I shall guarantee and be responsible for the fulfillment of such Transactions entered into by its respective designated entities.

The Purchaser shall send the purchase notice to the Supplier specifying the quantity of the Products required at least 120 days prior to the requested delivery date. Upon receipt of the purchase notice, the Supplier shall issue a price quotation within 7 days. Once the quotation is confirmed by the Supplier, it will then become effective and binding. The Purchaser shall settle the amount of purchase price in cash within 90 days after the date the Products are in receipt.

Pursuant to the Framework Agreement, the Purchaser shall have the right not to confirm any purchase order in the event it could obtain from independent third parties the same Products on more favorable terms. The Purchaser could refuse to confirm any purchase order in respect of a Transaction if the terms of which are less favorable to the terms which offered by any independent third parties.

In view of the above, we have further discussed with the management of the Company and are given to understand that the selling price of the Products from the Supplier to the Purchaser will be specified in individual purchase contracts governing particular transactions, and the selling prices of the Products from the Supplier are determined on a case by case basis between the Company and the Supplier. In addition, pursuant to the Framework Agreement, which is on non-exclusive basis, the Purchaser is in their own discretion to confirm or refuse any purchase order from the Supplier in respect of the Transactions if the Purchaser can obtain more favorable terms for the same Products from independent third parties. Furthermore, both parties to the Framework Agreement are entitled to sell the Products to, or purchase the Products from, independent third parties. With respect to the above, and the Company further confirms that none of the Company and its designated entities will enter into any Transaction the terms of which are less favorable to the terms which would otherwise be available to or obtainable by the Group from any independent third parties, we are of the view that the entering into of the Framework Agreement would secure stable supply of the Products to the Group or the Purchaser while at the same time reserving the flexibility for the Group or the Purchaser to purchase the Products at a more favorable terms than those offering under the Framework Agreement from independent third parties.

With regard to the payment terms under the Framework Agreement, the Group is allowed to settle payments in cash to Taiwan Tai-I or the Supplier within 90 days after the date the Products are received. Despite the Group has not purchased any Products

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## LETTER FROM CINDA

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from Taiwan Tai-I and thus no relevant past settlement terms or sample invoice can be reviewed, the Directors consider that such payment terms given by Taiwan Tai-I for the Transactions are no less favorable to the Group, and on normal commercial terms. Furthermore, we are given to understand that the Company will offer credit periods of around 90 days to their customers for the sale of the Products. In addition, the Transactions are trading in nature and the Products purchased from Taiwan Tai-I are for sale to the Company's customers. The management of the Company expects the purchase orders of the Products to be placed to Taiwan Tai-I will be mainly based on sales confirmations obtained by the Group from their customers. In view of this, we consider that such payments terms granted by Taiwan Tai-I and offered to the Group's customers would not result in liquidity pressure of the Group.

Based on the abovementioned, and in particular that (i) the Group has no track record in trading of the Products; (ii) the Company or the Purchaser will only enter into the Transactions with Taiwan Tai-I or the Supplier if the terms of which are favorable to either the Company or the Purchaser; and (iii) the purchase orders of the Products to be placed to Taiwan Tai-I will be mainly based on sales confirmations obtained by the Company from their customers; and (iv) the Products are for sale to the Company's customers, we are therefore of the view that the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable to the Group so far as the Independent Shareholders are concerned, and the entering into of the Framework Agreement is in the interests of the Company and the Independent Shareholders as a whole.

#### **4. The Proposed Caps**

The Proposed Caps regarding the Transactions for the period from the Commencement Date to 31 December 2009 will not exceed HK\$380 million, and for each of the two financial years ending 31 December 2011 will not exceed HK\$760 million.

As set out in the Letter from the Board, the Proposed Caps in respect of the Transactions are determined by adopting 0.15% of the 15% annual growth rate of the investment in the power cables and wires in the PRC for the past 15 years and such investment reached RMB400 billion (equivalent to HK\$454 billion) in 2008 as disclosed in a publication "2008-2009年中國電線電纜行業調查諮詢報告" made by 中國情報網 (<http://www.askci.com>) published in July 2008. Leveraging on the Group's existing customers' network, the Directors believe that the Group's goal in this diversification with reference to the Proposed Caps could be prudently achieved.

In order to assess the fairness and reasonableness for the Proposed Caps, we have reviewed (i) the schedules provided by the Company for determining the Proposed Caps, and (ii) "2008-2009年中國電線電纜行業調查諮詢報告" for the expected growth rate of the investment in the power cables and wires in the PRC for the past 15 years, and noted that schedules and the expected growth rate are in line with the caps proposed by the Directors. We have discussed with the management of the Company and are given to understand that the management expect the Commencement Date to be around second to third quarter of the year, the proposed cap for the period from the

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## LETTER FROM CINDA

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Commencement Date to 31 December 2009 is therefore taken to be the half value of the proposed caps for each of the two financial years ending 31 December 2011 of HK\$760 million.

As there is no track record in trading of the Products by the Group, we have discussed with the management of the Company about the basis in determining the Proposed Caps. We are advised that the management of the Company is based on its experience on the expected market share to determine the Proposed Caps, which is 0.15% to the total investment in the power cables and wires in the PRC. In order to assess the fairness and reasonableness of the determination, we have obtained the schedules prepared by the Company for the estimation of sale of the Products for the years ending 31 December 2011. We are given to understand that the estimation of the sale of the Products is with reference to (i) the existing business scale of the Group which recorded turnover of approximately RMB6,491.1 million for the financial year ended 31 December 2008; (ii) the relevant downside factors including the competitive market of the Products which the Group has not previously engaged in and the price fluctuation of the Products in past; and (iii) the relevant upside factors including the Group's existing customers' network which the existing customers of the Group may purchase the Products from the Group and the increasing demand of the Products in the PRC. We compared the figures in the said schedules and the figure of 0.15% of the 15% annual growth rate of the investment in the power cables and wires in the PRC for the past 15 years and noted the figures in the said schedules are in line with the management's estimation of the respective market share. Having considered the above, we concur with the Directors' view that the Company has used a fair and reasonable basis to determine the Proposed Caps.

In view of the above, and having considered the potential benefits to the Group after entering into the Framework Agreement as mentioned under the section headed "Background and reasons for the Transactions", we are of the view that (i) the Directors have used fair and reasonable basis to determine the Proposed Caps, and (ii) the Proposed Caps are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

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## LETTER FROM CINDA

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### RECOMMENDATION

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the entering into of the Framework Agreement, the terms of the Framework Agreement and all the transactions contemplated thereunder, and the Proposed Caps are on normal commercial terms, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Independent Shareholders as a whole and are fair and reasonable so far as the Company and the Independent Shareholders are concerned. We therefore advise the Independent Shareholders and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Framework Agreement, the Transactions, and the Proposed Caps.

Yours faithfully,  
For and on behalf of  
**Cinda International Capital Limited**  
**Robert Siu**  
*Director*

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts with regard to the Company, the omission of which would make any statement in this circular misleading.

## 2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions, to be notified to the Company and the Stock Exchange.

## 3. SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at the Latest Practicable Date, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

### A. Aggregate long position in the shares and underlying shares of the Company

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company as at the Latest Practicable Date
Tai-I International (BVI) Limited ("Tai-I (BVI)")	Beneficial owner	229,905,000	38.56% (Note1)
Tai-I Electric Wire & Cable Co., Ltd ("Taiwan Tai-I")	Interest through controlled corporation	229,905,000	38.56% (Note1)

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company as at the Latest Practicable Date
First Sense International Limited	Beneficial owner	102,015,000	17.11% (Note 2)
AIF Capital Asia III, L.P.	Interest through controlled corporation	102,015,000	17.11% (Note 2)
Green Island Industries Limited (“Green Island”)	Beneficial owner	67,500,000	11.32% (Note 3)
Liu Tianni	Interest through controlled corporation	67,500,000	11.32% (Note 3)
Citigroup Global Markets Financial Products LLC	Beneficial owner	35,044,000	5.87% (Note 4)
Citigroup Global Markets Holdings GmbH	Interest through controlled corporation	35,044,000	5.87% (Note 4)
Citigroup Inc.	Interest through controlled corporation	35,044,000	5.87% (Note 4)

## Notes:

1. Taiwan Tai-I owns approximately 74% of the issued capital of Tai-I (BVI).
2. The entire issued share capital of First Sense International Limited is owned by AIF Capital Asia III, L.P..
3. The entire issued share capital of Green Island is owned by Liu Tianni.
4. The entire issued share capital of Citigroup Global Markets Financial Products LLC is owned by Citigroup Global Markets Holdings GmbH., which is a wholly-owned subsidiary of Citigroup Inc..

**B Aggregate short position in the shares and underlying shares of the Company**

As at the Latest Practicable Date, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at the Latest Practicable Date.

**4. DIRECTORS' SERVICE CONTRACTS**

Each executive Director has entered into a service contract with the Company for an initial term of three years commencing from 11 January 2007 which shall be terminated in accordance with provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing or in accordance with the provisions set out in the respective service agreement.

Each independent non-executive Director has entered into a service contract with the Company for an initial term of two years commencing from 11 January 2007 which shall be terminated in accordance with provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing or in accordance with the provisions set out in the respective service agreement. Each independent non-executive Director has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009.

As at the Latest Practicable Date, none of the Directors has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

**5. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest, either directly or indirectly, in any assets which have been, since 31 December 2008 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

None of the Directors is materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular which is significant in relation to the business of the Group.

**6. COMPETING BUSINESS INTEREST OF DIRECTORS**

As at the Latest Practicable Date, none of the Directors nor his/her associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up.

**8. EXPERT**

The following are the qualifications of the expert who has given opinion or advice which are contained in this circular:

<b>Name</b>	<b>Qualification</b>
Cinda	a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO.

Cinda was not interested in the share capital of any members of the Group nor had it have any rights (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

Cinda did not have any direct or indirect interests in any assets which had, since 31 December 2008, being the date to which the latest published audited accounts of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any members of the Group.

**9. CONSENT**

Cinda has given and has not withdrawn its written consent to the issue of this circular with inclusion herein of its letter and the reference to its name included herein in the form and context in which they respectively appear.

**10. LITIGATION**

As at the Latest Practicable Date, no member of the Group is engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group.



**11. MISCELLANEOUS**

- (i) The Company Secretary is Ms. Chan Yuen Ying, Stella ACIS, ACS, HKIoD. She is an associate member of the Institute of Chartered Secretaries and Administrators, an associate member of the Hong Kong Institute of Chartered Secretaries and a member of the Hong Kong Institute of Directors.
- (ii) The Qualified Accountant of the Company is Mr. Choi Kai Ming, Raymond ICAEQ, HKICPA.
- (iii) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of the Company's principal place of business in Hong Kong at Room 1502, 15th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong during normal business hours from the date of this circular up to and including Tuesday, 2 June 2009:

- (i) the articles of association of the Company;
- (ii) the annual reports of the Company for the two years ended 31 December 2008;
- (iii) the letter dated 8 May 2009 from the Independent Board Committee, the text of which is set out on page 10 of this circular;
- (iv) the announcement made by the Company on 28 April 2009 pursuant to Rule 13.09 of the Listing Rules.
- (v) the letter dated 8 May 2009 from Cinda to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 11 to 18 of this circular;
- (vi) the written consent from Cinda as referred to in paragraph 9 in this appendix; and
- (vii) the Framework Agreement.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**Meeting**”) of Tai-I International Holdings Limited (the “**Company**”) will be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 2 June 2009 at 10:30 a.m. or so soon thereafter the annual general meeting of the Company convened to be held on the same date and place at 9:30 a.m. shall be closed for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as an ordinary resolution:

#### ORDINARY RESOLUTION

**“THAT:**

- (i) the Framework Agreement (as defined in the circular of the Company dated 8 May 2009 (the “Circular”)), a copy of which has been produced to this meeting marked “A” and signed by the Chairman of this meeting for the purpose of identification, and made between the Company and 台一國際股份有限公司 (Tai-I Electric Wire and Cable Co., Ltd.) (“Taiwan Tai-I”) on 16 April 2009 in relation to the purchase of the Products (as defined in the Circular) by the Company from Tai-I Taiwan or the Supplier (as defined in the Circular) and all the transactions contemplated thereby; and
- (ii) the Proposed Caps (as defined in the Circular) for the transactions contemplated under the Framework Agreement for the three years ending 31 December 2011,

be and they are hereby approved and that the Directors of the Company be and they are hereby authorized to take any step as they consider necessary, desirable or expedient in connection with the Framework Agreement and the transactions contemplated thereby.”

By order of the Board  
**Tai-I International Holdings Limited**  
**Huang Cheng-Roang**  
*Chairman*

Hong Kong, 8 May 2009

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. A member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the Meeting.
4. As at the date of this notice, 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.