THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in Tai-I International Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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)

MAJOR TRANSACTION
ACQUISITION OF 100% INTEREST IN LIANG HUI HOLDINGS LIMITED

A notice convening an extraordinary general meeting of the Company to be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 14 July 2010 at 3:00 p.m. is set out on pages 167 to 168 of this circular. A form of proxy for use thereat is also enclosed.

Whether or not you are able to attend and vote at the extraordinary general meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Ltd. at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

28 June 2010

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Share by the Purchaser, and the assignment of the Sale Loan, pursuant to the Sale and Purchase Agreement
"Announcement"	the announcement of the Company dated 7 June 2010 in relation to the Acquisition
"associates"	has the meaning ascribed to this term under the Listing Rules
"Beijing OLM"	北京東方龍馬軟件發展有限公司 (Beijing Oriental LegendMaker Software Development Company Limited*), a domestic company established in PRC on 20 August 1998, and became a wholly foreign owned enterprise on 8 June 2010 with limited liability, which is wholly owned by OLM
"Board"	the board of Directors
"Business Day"	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
"Chengdu OLM"	成都東方龍馬信息產業有限公司 (Chengdu Oriental LegendMaker Information Industry Company Limited*), a domestic company established in the PRC on 28 December 2001 with limited liability which is wholly-owned by Beijing OLM
"Company"	Tai-I International Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the main board of the Stock Exchange
"Completion"	the completion of the Acquisition

"Completion Date"	the fifth Business Day after the fulfillment of all the conditions precedent of the Sale and Pursuant Agreement or such other date as the Vendor and the Purchaser may agree in writing on which Completion shall take place
"Consideration"	HK$96,000,000, being the purchase price for the Sale Share and the Sale Loan, subject to the downward adjustment in accordance with the profit guarantee given by the Vendor and the Vendor's Guarantor to the Purchaser pursuant to the Sale and Purchase Agreement
"Deed of Assignment"	the deed to be entered into between the Vendor and the Purchaser on or prior to the Completion Date in relation to the assignment of the Sale Loan
"Directors"	the directors of the Company
"Domestic Acquisition"	the acquisition of the entire equity interest in Beijing OLM by OLM pursuant to an equity transfer agreement dated 26 April 2010 entered into between OLM and the existing equity holders of Beijing OLM
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
"Enlarged Group"	the enlarged Group immediately following Completion
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	person(s) who (i) is/are not connected person(s) (defined under the Listing Rules) of the Company and (ii) is/are independent of and not connected with the Company, any of the directors, chief executive and substantial shareholders of the Company or any of its subsidiaries, or any of their respective associates
"Latest Practicable Date"	23 June 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Long Stop Date"	15 August 2010 or such other date as the Vendor and the Purchaser may agree in writing
"Management Agreement"	the agreement to be entered into between the Vendor and the Purchaser on or prior to the Completion Date in relation to the appointment of the Vendor as management consultant of the Purchaser to oversee and operate the business activities, that is, development of computer software and related matters, of Beijing OLM, Chengdu OLM and Shanghai OLM
"OLM"	Oriental LegendMaker Technology Limited, a company incorporated under the laws of Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"Option Loan"	the Sale Loan assigned or agreed to be assigned to the Purchaser under the Sale and Purchase Agreement
"Option Period"	exercise period of the Put Option, being any time on or before the expiry of a period of 18 months from the date of the Put Option Deed
"Option Price"	equivalent to the Consideration which is subject to the downward adjustment in accordance with the profit guarantee given by the Vendor and the Vendor's Guarantor to the Purchaser pursuant to the Sale and Purchase Agreement
"Option Share"	the Sale Share to be sold and transferred to the Purchaser (or its nominee) under the Sale and Purchase Agreement
"PRC"	the People's Republic of China excluding for this purpose, Hong Kong, the Macau Special Administrative Region and Taiwan
"Promissory Note"	the promissory note in the principal amount equivalent to the Consideration (subject to downward adjustment under the Sale and Purchase Agreement) to be issued by the Purchaser, with guarantee to be given by the Company, upon Completion in full settlement of the Consideration
"Purchaser"	Winsino Investments Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company

"Put Option"	an option as granted by the Vendor to the Purchaser under the Put Option Deed pursuant to which the Purchaser has the right to transfer to the Vendor all (but not part of the) Option Share and the Option Loan at the Option Price within the Option Period upon and subject to the terms and conditions contained in the Put Option Deed
"Put Option Deed"	the deed to be entered into between the Vendor and the Purchaser in relation to the Put Option
"Sale and Purchase Agreement"	the agreement dated 7 June 2010 entered into between the Purchaser, the Vendor and the Vendor's Guarantor in relation to the Acquisition
"Sale Loan"	the entire amount of the shareholder loan of RMB60,000,000 to be advanced by the Vendor to the Target Company as shareholder's loan to OLM prior to Completion in satisfaction of the consideration in relation to the Domestic Acquisition
"Sale Share"	one ordinary share of par value of US$1.00 each in the share capital of the Target Company beneficially owned by the Vendor, representing the entire issued share capital of the Target Company
"SFO"	the Securities and Futures Ordnance, Chapter 571 of the Laws of Hong Kong
"Shanghai OLM"	上海東方龍馬軟件技術有限公司 (Shanghai Oriental LegendMaker Software Technique Company Limited*), a domestic company established in the PRC on 10 August 1998 with limited liability which was owned as to 90% by Chengdu OLM and 10% by an Independent Third Party as at the date of the Sale and Purchase Agreement, and has become a wholly-owned subsidiary of Chengdu OLM since 11 June 2010
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholders"	holder(s) of Share(s) from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"Target Company"	Liang Hui Holdings Limited (亮暉控股有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and is wholly-owned by the Vendor
"Target Group"	the Target Company and its subsidiaries upon completion of the Domestic Acquisition
"Vendor"	Advance Mode Limited, a company incorporated under the laws of the British Virgin Islands with limited liability and wholly-owned by the Vendor's Guarantor
"Vendor's Guarantor" or "Mr. Lo"	Mr. Lo Kai Bong
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

* *For identification purpose*

For the purpose of this circular, unless otherwise indicated, conversion of RMB into HK$ is calculated at the approximate exchange rate of HK$1 to RMB0.88. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate or at all.

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

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

28 June 2010

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF 100% INTEREST IN LIANG HUI HOLDINGS LIMITED

INTRODUCTION

Reference is made to the Announcement. On 7 June 2010, the Purchaser, the Vendor and the Vendor's Guarantor entered into the Sale and Purchase Agreement pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Share, together with the assignment of the Sale Loan, at the Consideration.

THE ACQUISITION

(a) Date

7 June 2010

(b) Parties

Purchaser:	Winsino Investments Limited, a wholly-owned subsidiary of the Company
Vendor:	Advance Mode Limited
Vendor's Guarantor:	Mr. Lo Kai Bong

The Vendor's Guarantor is the sole ultimate beneficial owner of the Vendor and has agreed to guarantee the performance and observance of the obligations of the Vendor under the Sale and Purchase Agreement and to indemnify the Purchaser for all loss and damages suffered as a result of any failure of the Vendor to do so.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, the Vendor and its ultimate beneficial owner, the Vendor's Guarantor, are Independent Third Parties.

(c) Assets to be acquired

(i) The Sale Share, representing the entire issued share capital of the Target Company. The Target Company, an investment holding company incorporated under the laws of the British Virgin Islands with limited liability, is wholly-owned by the Vendor; and

(ii) the Sale Loan of RMB60,000,000 to be advanced by the Vendor to the Target Company as shareholder's loan to OLM prior to Completion in satisfaction of the consideration in relation to the Domestic Acquisition.

The Purchaser shall not be obliged to complete the purchase of the Sale Share and the assignment of the Sale Loan unless the purchase of the Sale Share and the assignment of the Sale Loan are completed simultaneously.

(d) Consideration and adjustment

The Consideration is HK$96,000,000, which shall be satisfied by the Purchaser by the issue of the Promissory Note to the Vendor upon Completion which will be held in escrow, subject to the downward adjustment based on the profit guarantee as stated below.

The Vendor and the Vendor's Guarantor have unconditionally and irrevocably warranted to and undertaken with the Purchaser that the audited consolidated net profit after tax and extraordinary items of Beijing OLM (in the ordinary course of business and excluding profits arising from merger and acquisition) for the year ending 31 December 2010 in accordance with International Financial Reporting Standards or Hong Kong Financial

Reporting Standards shall not be less than HK$16,000,000. Should there be any shortfall, both the Consideration and the principal of the Promissory Note shall be reduced by the amount equivalent to six times the amount of such shortfall. For the avoidance of doubt, if the consolidated net profit mentioned above shall be equal to or exceed HK$16,000,000, both the Consideration and the principal amount of the Promissory Note shall not be adjusted. If consolidated net loss is recorded by Beijing OLM in 2010, the Purchaser may exercise the Put Option and no arrangement or agreement has been made between the Vendor and the Purchaser that the Vendor will compensate the Purchaser in such event.

The Consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to, among other things, the unaudited consolidated net profit after tax of Beijing OLM for the year ended 31 December 2009 and that of Chengdu OLM for the period from 1 January 2009 to 19 October 2009, multiplied by a price-to-earnings ratio of six times. Such price-to-earnings ratio is determined with reference to the range of price-to-earnings ratio of approximately 12 to 22 times among certain companies listed in Hong Kong and of which the principal business are similar with that of Beijing OLM and Chengdu OLM. Taking into account that (i) the price-to-earnings ratio of the aforesaid companies are higher than six times, (ii) Beijing OLM and its subsidiaries are private companies and thus their liquidity are lower than listed companies and (iii) the operating performance of Beijing OLM and its subsidiaries, the Directors consider that the use of the price-to-earnings ratio of six times and the Consideration is fair and reasonable.

The Purchaser undertakes to the Vendor to procure the Company to act as primary obligor under the Promissory Note to guarantee to the Vendor the due observance and performance by the Purchaser of all the obligations contained in the Promissory Note on the part of the Purchaser to be observed and performed.

(e) Put Option

The Vendor and the Purchaser will enter into the Put Option Deed on or prior to the Completion Date, pursuant to which the Vendor will grant the Put Option to the Purchaser to transfer the Option Share and the Option Loan to the Vendor at the Option Price within the Option Period.

In the event that the Put Option is exercised, the Vendor shall pay the Option Price to the Purchaser by way of returning the Promissory Note to the Purchaser for cancellation. The Put Option, if not exercised on or before the expiry of the Option Period, shall automatically lapse.

(f) Management Agreement

The Vendor and the Purchaser will enter into the Management Agreement on or prior to the Completion Date pursuant to which the Purchaser will appoint the Vendor as its management consultant to oversee and operate the business activities, that is, development of computer software and related matters, of Beijing OLM, Chengdu OLM and Shanghai OLM. The Management Agreement shall take effect from the date of signing and remain in force until the earlier of (i) the expiry of the period of 18 months from the date of signing or (ii) the date of completion of the exercise of the Put Option. Pursuant to the Management Agreement, the Vendor shall procure the senior management of Beijing OLM, Chengdu

OLM and Shanghai OLM to execute undertakings upon Completion that they will enter into the respective service agreements, adopting terms of their existing service agreements, for a term of at least 18 calendar months upon Completion such that the senior management will continue to operate the business activities of Beijing OLM and its subsidiaries.

Provided that audited consolidated net profit after tax and extraordinary items of Beijing OLM (in the ordinary course of business and excluding profits arising from merger and acquisition) for the year ending 31 December 2011 shall exceed HK$20,000,000, the Purchaser shall pay the Vendor a consultancy fee calculated as follows:

Consultancy fee = (A – HK$20,000,000)/3

whereas A = audited consolidated net profit after tax and extraordinary items of Beijing OLM (in the ordinary course of business and excluding profits arising from merger and acquisition) for the financial year ending on 31 December 2011

provided that the consultancy fee shall not in any event exceed HK$1,000,000 and provided also that if the Put Option shall be exercised by the Purchaser, no consultancy fee shall be payable by the Purchaser to the Vendor. The consultancy fee is arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the profit guarantee of HK$16 million of Beijing OLM for the year ending 31 December 2010 given by the Vendor and the Vendor's Guarantor.

(g) Conditions Precedent

Completion shall be conditional upon:–

i. the passing of an ordinary resolution by the Shareholders at a general meeting of the Company approving, inter alia, the entering into of the Sale and Purchase Agreement and all transactions contemplated thereunder;

ii. the Purchaser notifying the Vendor in writing that it is satisfied with the due diligence review and investigation on the Target Group;

iii. the Vendor's warranties given under the Sale and Purchase Agreement remaining true, accurate and not misleading in any respect;

iv. completion of the Domestic Acquisition in accordance with the relevant agreement and in compliance with the applicable laws and regulations including but not limited to the approval and registration requirements under the PRC law to the satisfaction of the Purchaser; and

v. all necessary consents, approvals and permits required for consummation of the transactions contemplated under the Sale and Purchase Agreement having been obtained by the Vendor, the Purchaser and the Company and not revoked.

As at the Latest Practicable Date, condition iv above has been satisfied and there is no occurrence of any events which would give rise to any breach, claims or demands as stated in condition iii above. The Purchaser may in its absolute discretion at any time before Completion waive the condition precedent set out in condition ii above by notice in writing to the Vendor, and such waiver may be subject to such terms and conditions as determined by the Purchaser.

(h) Completion

Subject to all the conditions precedent to the Sales and Purchase Agreement being fulfilled (or waived by the Purchaser), Completion shall take place at or before 5:00 p.m. on the Completion Date.

(i) Termination

If any of the conditions precedent above (other than condition iv) has not been fulfilled (or waived by the Purchaser in respect of condition ii above) on or before the Long Stop Date, the Purchaser shall be entitled to rescind the Sale and Purchase Agreement by giving written notice to the Vendor.

If any of the conditions precedent set out in condition i and v above (in so far as obtaining consents and approvals by the Purchaser and/or the Company is concerned) has not been fulfilled on or before the Long Stop Date, the Vendor shall be entitled to rescind the Sale and Purchase Agreement by giving written notice to the Purchaser.

Should the Sale and Purchase Agreement be rescinded, the provisions of the Sale and Purchase Agreement (other than all rights and liabilities of the parties which have accrued before termination shall continue to exist) shall from such date have no further force and effect and no party shall have any liability under them (without prejudice to the rights of the parties in respect of any antecedent breaches).

SUMMARY OF TERMS OF PROMISSORY NOTE

The principal of the Promissory Note shall be payable by the Purchaser with guarantee to be given by the Company to the Vendor upon the expiry of a period of 18 months from the date of issue of the Promissory Note provided that if the Put Option is exercised by the Purchaser, the Promissory Note shall be returned on completion of the exercise of the Put Option to the Purchaser for cancellation. The principal terms of the Promissory Note are as follows:

(a) Aggregate principal amount

HK$96,000,000, subject to downward adjustment based on the profit guarantee given by the Vendor and the Vendor’s Guarantor under the Sale and Purchase Agreement as mentioned in the paragraphs headed “(d) Consideration and adjustment” above.

(b) Interest

No interest shall be payable on all or any portion of the principal outstanding at any time during the continuance of the Promissory Note.

(c) Transferability

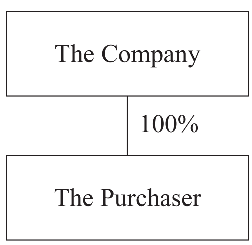
The Promissory Note is not negotiable, and shall not be assigned or transferred by the Vendor or the Purchaser in whole or in part.

SHAREHOLDING STRUCTURE

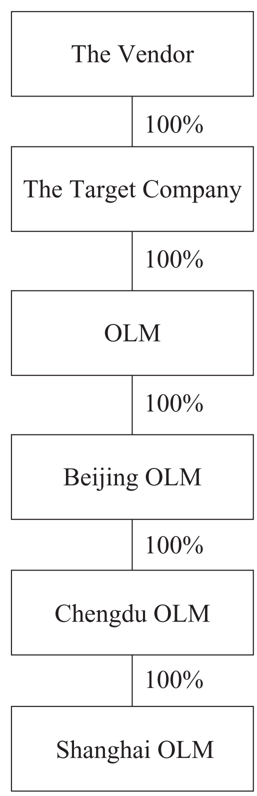
Set out below are the group chart of the Company and the Target Group immediately before and after Completion :

Immediately before Completion

The Group (simplified)

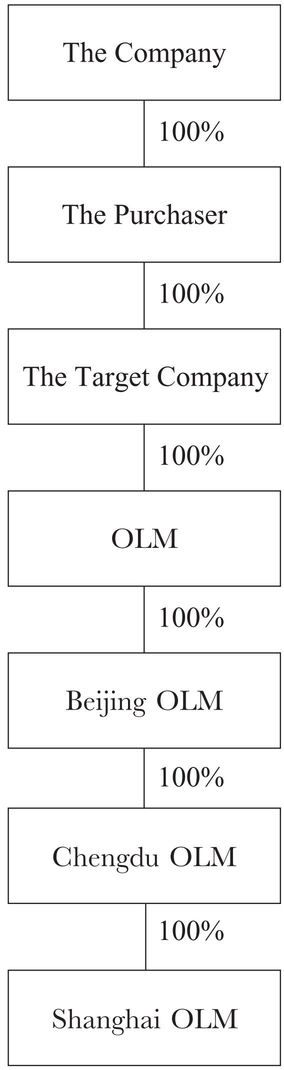


The Target Group



Immediately after Completion

The Enlarged Group



INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company incorporated under the laws of the British Virgin Islands on 6 January 2010 with limited liability which is wholly-owned by the Vendor. OLM is an investment holding company incorporated under the laws of Hong Kong on 31 March 2010 which is wholly-owned by the Target Company.

On 26 April 2010, OLM entered into an equity transfer agreement relating to the Domestic Acquisition pursuant to which OLM will acquire the entire equity interest in Beijing OLM at a consideration of RMB60 million from the existing shareholders of Beijing OLM whom are Independent Third Parties and independent from the Vendor. The Domestic Acquisition was completed on 8 June 2010 and Beijing OLM has become a direct wholly-owned subsidiary of OLM. Chengdu OLM, the direct wholly-owned subsidiary of

Beijing OLM, owned 90% equity interest in Shanghai OLM as at the date of the Sale and Purchase Agreement. The Vendor undertakes that, upon Completion, Shanghai OLM shall become a direct wholly-owned subsidiary of Chengdu OLM. Shanghai OLM has become a direct wholly-owned subsidiary of Chengdu OLM since 11 June 2010. Upon Completion, the Target Company will become a wholly-owned subsidiary of the Purchaser.

Beijing OLM, Chengdu OLM and Shanghai OLM were established in the PRC on 20 August 1998, 28 December 2001 and 10 August 1998 respectively and are principally engaged in the business of development of computer software and related matters in the PRC.

The Target Company and OLM have no material business activities since incorporation. Upon completion of the Domestic Acquisition, the Target Company and OLM have no material assets and liabilites other than Beijing OLM and the Sale Loan.

The entire equity interest of Chengdu OLM was acquired by Beijing OLM on 19 October 2009 at a consideration of RMB30 million. Hence, financial results of Chengdu OLM have been consolidated into the financial statements of Beijing OLM since then. Set out below is the financial information of Beijing OLM and Chengdu OLM extracted from their accountants' reports set out in Appendix 2 and 3 respectively to this Circular.

Beijing OLM

	Year ended 31 December	
	2008	**2009**
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(1,182)	2,599
(Loss)/profit for the year	(1,226)	2,082

	As at 31 December	
	2008	**2009**
	RMB'000	*RMB'000*
Net assets	24,691	41,746

Chengdu OLM

	Year ended 31 December 2008	**From 1 January to 19 October 2009**
	RMB'000	*RMB'000*
Profit before taxation	4,242	9,413
Profit for the year/period	3,562	7,970

	As at 31 December 2008	As at 19 October 2009
	RMB'000	*RMB'000*
Net assets	27,631	35,601

INFORMATION ON THE VENDOR

The Vendor is an investment holding company of which the sole director and sole shareholder is Mr. Lo who has more than 6 years of management experience in the PRC telecommunications industry. The Vendor will not be appointed or nominated as a director of the Company or the Target Group. Mr. Lo is and will remain as the director of the Target Company for the next 18 calendar months upon Completion.

Mr. Lo had been a director and major shareholder of a telecommunications company with business operation in Hong Kong and the PRC. He was also the vice president of a domestic manufacturer in the PRC which manufactures and sells mobile handsets based primarily on global system for mobile communications (GSM), time division synchronous code division multiple access (TD-SCDMA), and wideband code division multiple access (WCDMA) technologies.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in manufacturing and sales of bare copper wire and magnet wire in the PRC.

The Target Group is principally engaged in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. Such database products are mainly used to manage internal and external resources, including but not limited to, tangible assets, financial resources, materials, and human resources in order to facilitate the flow of information between all business functions inside the boundaries of the organisation. The Target Group also provides customized development of applications as a value-added service to customers, and sells self-developed firewall and other software products.

The major customers of the Target Group include well known international and PRC enterprises, financial institutions and government bodies. The prices of the products or services are generally determined after taking into account of, inter alia, the cost of upgrade and maintenance services, purchase cost of database products from Oracle and market demand and supply of respective services or products.

The main revenue stream of Beijing OLM and its subsidiaries was provision of software upgrade, maintenance and other services which accounted for over 90% of their total turnover for the year ended 31 December 2009. The Target Group generally enters into annual contracts with their customers pursuant to which the customers are required to pay an initial deposit and settle balance of the payment by instalments by way of telegraphic transfer or bank transfer.

The Target Group has offices in Beijing, Guangzhou, Shanghai, and Chengdu respectively. The Directors consider that the Target Group's operation is competitive in the industry and the Target Group has an efficient business model and its management team have experience in business in the PRC.

Beijing OLM and its subsidiaries in the Target Group have been operating in the information technology industry in the PRC for more than a decade and have gone through the ups and downs of the industry. With various business arms in the industry from the provision of software maintenance and other services to the development and distribution of its own products, Beijing OLM and its subsidiaries continued to record turnover growth.

Having developed into the current stage through years of business restructuring and integration of resources, Beijing OLM and its subsidiaries have developed themselves to be professional service providers of database software. They have a large client base in the PRC who use Oracle's databases and an experienced technical team which can provide prompt and effective services.

Since 2000, Beijing OLM and its subsidiaries have been investing in the research and development for network security technology. After almost a decade of development, Beijing OLM and its subsidiaries were able to develop a full set of network security products from firewall products at their beginning and become well known security service provider in the industry.

As demand in the information technology industry in the PRC continues to grow rapidly, the Target Group will continue to focus on the development of software maintenance and value-added services in the next two to three years, and intends to set up offices in other big cities in the PRC, for example, Nanjing, Xian and Hangzhou. Moreover, the Target Group will continue to explore other markets that have significant need in data management, for example, health, education, energy and manufacturing industries.

The Directors have been looking for diversified investment opportunities in order to increase the profitability of the Group and maximize the returns for the Shareholders in long term. The Directors believe that the Acquisition allows the Group to leverage the expertise and experience of the management team of the Target Group and get a foothold in the business software solutions industry. Taking into account of the above, the Directors consider that the terms of the Acquisition are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FUND RAISING EXERCISE OF THE COMPANY IN THE PAST 12 MONTHS

The Company has not effected any equity fund raising exercise in the 12 months immediately preceding the Latest Practicable Date.

FINANCIAL IMPACT OF THE ACQUISITION

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of which will be consolidated into the Group's consolidated financial statements.

As at 31 December 2009, the audited total assets of the Group was approximately RMB2,625 million. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix 4 to this circular, the unaudited total assets of the Enlarged Group would be increased by approximately RMB163 million to approximately RMB2,788 million upon completion of the Acquisition. The increase in unaudited total assets was mainly attributable to (i) the consolidation of total assets of Beijing OLM and (ii) goodwill resulting from the Acquisition.

The Group recorded audited consolidated total liabilities of approximately RMB1,992 million as at 31 December 2009. Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix 4 to this circular, the unaudited pro forma total liabilities of the Enlarged Group would be increased by approximately RMB157 million to approximately RMB2,149 million. The increase is mainly attributable to (i) the consolidation of total liabilities of Beijing OLM, and (ii) the issue of the Promissory Note to satisfy the Consideration.

The Group's net gearing ratio calculated as a percentage of total interest-bearing borrowings less cash and cash equivalent, time deposits and pledged deposits over total assets was approximately 6.99% as at 31 December 2009. The gearing ratio of the Enlarged Group upon Completion would increase to approximately 8.05%.

Details of the unaudited pro forma financial information of the Enlarged Group are set out in Appendix 4 to this circular.

LISTING RULES IMPLICATIONS

As one of the applicable percentage ratios in respect of the Acquisition is greater than 25% and less than 100%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The EGM will be convened as soon as practicable at which resolution will be proposed to consider and, if thought fit, approve, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder. No Shareholder will abstain from voting at the EGM.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution in relation to the Acquisition as set out in the notice of the EGM.

EGM

A notice convening the EGM to be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 14 July 2010 at 3:00 p.m. is set out on pages 167 to 168 of this circular. Ordinary resolution will be proposed at the EGM to approve, among others the Sale and Purchase Agreement and all transactions contemplated thereunder.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M 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 the holding of 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 should you so wish.

Completion of the Acquisition is subject to various conditions and may or may not proceed to completion. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

Yours faithfully,
By order of the Board
Tai-I International Holdings Limited
Huang Cheng-Roang
Chairman

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the consolidated financial information of the Group for the three years ended 31 December 2009, as extracted and summarised from the relevant annual reports of the Company.

Consolidated Statements of Comprehensive Income
(Expressed in Renminbi Yuan)

	Year ended 31 December		
	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	4,369,621	6,491,053	6,488,376
Cost of sales	(4,238,205)	(6,481,800)	(6,357,954)
Gross profit	131,416	9,253	130,422
Other revenue	17,541	42,786	23,664
Other net loss	(2,810)	(69,924)	156,362
Distribution expenses	(18,628)	(21,023)	(22,455)
General and administrative expenses	(40,666)	(60,402)	(46,321)
Other operating expenses	(5,725)	(15,015)	(3,787)
Profit/(loss) from operations	81,128	(114,325)	237,885
Finance costs	(48,626)	(101,566)	(112,283)
Share of profit/(loss) of associate	1,206	(10,865)	(1,260)
Profit/(loss) before taxation	33,708	(226,756)	124,342
Income tax credit	5,637	18,330	(12,837)
Profit/(loss) for the year attributable to equity holders of the Company	39,345	(208,426)	111,505
Basic and diluted earnings/(loss) per share (RMB)	0.07	(0.35)	0.19

Consolidated Balance Sheets
(Expressed in Renminbi Yuan)

	As at 31 December		
	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	428,014	437,767	464,875
Lease prepayments	31,346	32,183	33,020
Interest in an associate	18,750	17,544	38,779
Deferred tax assets	26,081	24,411	–
	504,191	511,905	536,674
Current assets			
Inventories	211,477	230,525	345,551
Trade and other receivables	1,085,762	977,698	1,338,989
Derivative financial instruments	5,712	16,171	87,803
Pledged deposits	284,494	788,258	875,178
Time deposits	245,780	289,100	209,907
Cash and cash equivalents	287,268	291,016	340,295
	2,120,493	2,592,768	3,197,723
Current liabilities			
Bank loans	1,000,977	1,422,303	1,395,899
Trade and other payables	986,302	1,019,727	1,457,997
Derivative financial instruments	6,387	107,971	38,844
Income tax recoverable	(1,284)	(2,757)	1,714
	1,992,382	2,547,244	2,894,454
Net current assets	128,111	45,524	303,269
Total assets less current liabilities	632,302	557,429	839,943
Non-current Liabilities	–	–	6,598
Deferred tax liabilities	–	–	6,598
NET ASSETS	632,302	557,429	833,345
Capital and reserves			
Share capital	5,962	5,966	6,000
Reserves	626,340	551,463	827,345
Total equity	632,302	557,429	833,345

2. AUDITED FINANCIAL STATEMENTS

The following is the audited financial statements of the Company for the year ended 31 December 2009, together with comparative figures and relevant notes, as extracted from the annual report of the Company for the year ended 31 December 2009.

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

	Notes	2009 RMB'000	2008 RMB'000
Turnover	4	4,369,621	6,491,053
Cost of sales		(4,238,205)	(6,481,800)
Gross profit		131,416	9,253
Other revenue	5	17,541	42,786
Other net loss	6	(2,810)	(69,924)
Distribution expenses		(18,628)	(21,023)
General and administrative expenses		(40,666)	(60,402)
Other operating expenses	7	(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	18	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	12	39,345	(208,426)
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)	14	0.07	(0.35)

Consolidated Balance Sheet
At 31 December 2009
(Expressed in Renminbi Yuan)

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	428,014	437,767
Lease prepayments	16	31,346	32,183
Interest in an associate	18	18,750	17,544
Deferred tax assets	26	26,081	24,411
		504,191	511,905
Current assets			
Inventories	19	211,477	230,525
Trade and other receivables	20	1,085,762	977,698
Derivative financial instruments	21	5,712	16,171
Pledged deposits	22	284,494	788,258
Time deposits	23	245,780	289,100
Cash and cash equivalents	23	287,268	291,016
		2,120,493	2,592,768
Current liabilities			
Bank loans	24	1,000,977	1,422,303
Trade and other payables	25	986,302	1,019,727
Derivative financial instruments	21	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	27(a)	5,962	5,966
Reserves	27(a)	626,340	551,463
Total equity		632,302	557,429

Company Level Balance Sheet
At 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	23	97
Investments in subsidiaries	17	659,630	659,630
		659,653	659,727
Current assets			
Trade and other receivables	20	202	494
Cash and cash equivalents	23	688	438
		890	932
Current liabilities			
Trade and other payables	25	38	256
Amount due to a subsidiary	17	35,287	29,856
		35,325	30,112
Net current liabilities		(34,435)	(29,180)
NET ASSETS		625,218	630,547
Capital and reserves			
Share capital	27(b)	5,962	5,966
Reserves	27(b)	619,256	624,581
Total equity		625,218	630,547

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

		Attributable to equity holders of the Company			
		2009		2008	
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Total equity at 1 January			557,429		833,345
Changes in equity:					
Total comprehensive income for the year			74,951		(241,859)
Dividends declared in respect of previous year			–		(32,338)
Purchase of own shares	*27(a)*				
– par value paid		(4)		(34)	
– premium paid		(74)		(1,685)	
			(78)		(1,719)
Total equity at 31 December	*27(a)*		632,302		557,429

Consolidated Cash Flow Statement
For the year ended 31 December 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit/(loss) before tax		33,708	(226,756)
Adjustments for:			
– Impairment losses for doubtful debts		–	22,769
– Depreciation		29,173	29,426
– Share of (gain)/loss of associate		(1,206)	10,865
– Impairment loss on interest in an associate		–	10,370
– Amortisation of lease prepayments		837	837
– Interest income		(13,291)	(34,667)
– Loss on disposal of property, plant and equipment		164	106
– Finance costs		48,626	101,566
– Unrealised loss on derivative financial instruments		675	91,800
– Foreign exchange loss		10,455	85,227
Operating profit before changes in working capital		109,141	91,543
Decrease in inventories		19,048	115,027
(Increase)/decrease in trade and other receivables		(80,680)	339,904
Decrease in trade and other payables		(149,699)	(434,126)
Decrease in bank advances under discounted bills		(54,736)	(48,481)
Cash (used in)/generated from operating activities		(156,926)	63,867
PRC income tax paid		(4,414)	(13,307)
PRC income tax refund received		5,887	7,109
Net cash (used in)/generated from operating activities		(155,453)	57,669

	Note	2009 RMB'000	2008 RMB'000
Cash flow from investing activities			
Acquisition of property, plant and equipment		(19,584)	(11,316)
Proceeds from disposal of property, plant and equipment		–	6
Proceeds from foreign exchange forward contracts		30,251	9,865
Payments in respect of foreign exchange forward contracts		(8,392)	(77,881)
Decrease/(increase) in time deposits		43,320	(79,193)
Interest received		24,950	33,285
Net cash generated from/(used in) investing activities		70,545	(125,234)
Cash flow from financing activities			
Proceeds from interest-bearing loans and borrowings		2,221,354	5,105,947
Repayment of interest-bearing loans and borrowings		(2,587,944)	(5,031,062)
Finance costs paid		(56,046)	(111,311)
Decrease in pledged deposits		503,764	86,920
Dividends paid		–	(32,338)
Payment for repurchase of shares		(78)	(1,719)
Net cash generated from financing activities		81,050	16,437
Effect of foreign exchange rate changes on cash		110	1,849
Net decrease in cash and cash equivalents		(3,748)	(49,279)
Cash and cash equivalents at the beginning of year		291,016	340,295
Cash and cash equivalents at the end of year	*23*	287,268	291,016

Notes to the Financial Statements

(Expressed in Renminbi Yuan)

1. Significant accounting policies

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

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs include all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the IASB. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as "the Group") is set out below.

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 2 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 (see note 34).

(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 as explained in the accounting policies set out below.

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 in note 33.

(c) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 1(j)(ii)).

(d) Associate

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. An interest in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associate for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of an interest in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment. The carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(j)(ii)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in an associate is recognised immediately in profit or loss.

(f) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as copper futures contracts and foreign exchange forward contracts to hedge its risks associated with copper price and foreign currency fluctuations. The use of derivative financial instruments is governed by the Group's policies, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of copper futures and forward foreign currency contracts is calculated by reference to current commodity prices and forward foreign exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(j)(ii)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(h)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 1(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion. The estimated useful lives are 40 years.

– Machinery, equipment and tools	20 years
– Dies and moulds	1-2 years
– Motor vehicles and other fixed assets	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 1(j)(ii)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the construction period.

Construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use.

No depreciation is provided in respect of construction in progress.

(h) Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(j)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the terms of the respective leases.

(i) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(j) Impairment of assets

(i) Impairment of trade and other receivables

Current receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and recognised as follows:

For current receivables carried at amortised cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the carrying amount of the financial assets exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– pre-paid interests in leasehold land classified as being held under an operating lease;

– investments in subsidiaries;

– interest in an associate; and

– goodwill

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(j)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable/recoverable on the taxable income/loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exception to recognition of deferred tax assets and liabilities is the temporary difference arising from goodwill not deductible for tax purposes.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised in the consolidated statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. Revenue excludes value added tax and is after deduction of any trade discounts.

(ii) Service income

Service income is recognised when the related service is rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Government grants

Unconditional government grants are recognised in profit or loss when the grants become receivable. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(r) Employee benefits

(i) Salaries, annual bonuses and staff welfare are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the statement of comprehensive income as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(s) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated into functional currencies at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use of sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in 1(u)(i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors ("BOD") for the purposes of allocating resources to, and assessing the performance of, the group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. 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 3). 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 in note 31(f) 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.

3. 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/(loss) 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

4. Turnover

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

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

	2009 *RMB'000*	2008 *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.

5. Other revenue

	2009 *RMB'000*	2008 *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.

6. Other net loss

	2009 *RMB'000*	2008 *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)

7. Other operating expenses

	2009 *RMB'000*	2008 *RMB'000*
Impairment loss on interest in an associate *(note 18)*	–	10,370
Bank charges	1,706	3,729
Others	4,019	916
	5,725	15,015

8. Profit/(loss) before taxation

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

(i) Finance costs

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

(ii) Staff costs

	2009 *RMB'000*	2008 *RMB'000*
Salaries, wages and other benefits	43,828	46,916
Contributions to defined contribution retirement schemes *(note 29)*	3,078	3,952
	46,906	50,868

(iii) Other items

	2009 *RMB'000*	2008 *RMB'000*
Cost of inventories # *(note 19)*	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 *(note 26)*	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/(loss) 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. Directors' remuneration

Details of directors' remuneration are as follows:

Year ended 31 December 2009

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Huang Cheng Roang	29	455	28	512
Mr. Lin Chi Ta	14	649	37	700
Mr. Huang Kuo Feng	29	352	26	407
Mr. Du Chi Ting	14	390	21	425
Independent non-executive directors				
Mr. Kang Jung Pao	211	–	–	211
Mr. Cheng Yang Yi	211	–	–	211
Mr. Tsay Yang Tzong	211	–	–	211
Mr. Yan Ming He	211	–	–	211
Mr. Atsushi Kanayama	211	–	–	211
Total	1,141	1,846	112	3,099

Year ended 31 December 2008

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Huang Cheng Roang	17	610	–	627
Mr. Lin Chi Ta	17	931	–	948
Mr. Huang Kuo Feng	17	472	–	489
Mr. Du Chi Ting	7	546	–	553
Independent non-executive directors				
Mr. Kang Jung Pao	212	–	–	212
Mr. Cheng Yang Yi	212	–	–	212
Mr. Tsay Yang Tzong	212	–	–	212
Mr. Yan Ming He	212	–	–	212
Mr. Atsushi Kanayama	212	–	–	212
Total	1,118	2,559	–	3,677

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	2009	**2008**
Nil to RMB1,000,000	9	9

There were no amounts paid during the year (2008: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2008: Nil).

11. Individuals with highest emoluments

The five highest paid individuals of the Group include 2 directors of the Company during the year ended 31 December 2009 (2008: 2), whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Basic salaries, allowances and other benefits	2,259	2,157
Bonus	17	–
	2,276	2,157
Number of senior management	3	3

The above individuals' emoluments are within the band of Nil to RMB1,000,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2008: Nil).

12. Profit/(loss) for the year attributable to equity holders of the Company

The consolidated profit for the year attributable to equity holders of the Company includes a loss of RMB5,294,000 (2008: RMB22,556,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the years:

	2009	**2008**
	RMB'000	*RMB'000*
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	(5,294)	(22,556)
Dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	–	32,338
Company's (loss)/profit for the year *(note 27(b))*	(5,294)	9,782

13. Dividends

	2009 *RMB'000*	**2008** *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.

14. 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 *Number of shares*	**2008** *Number of shares*
Ordinary shares issued at 1 January	596,618,000	600,000,000
Effect of shares repurchased *(note 27(c)(i))*	(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).

15. Property, plant and equipment

The Group

	Buildings RMB'000	Machinery, equipment and tools RMB'000	Dies and moulds RMB'000	Motor vehicles and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2008	186,608	444,346	6,945	15,617	–	653,516
Additions	13	410	1,438	346	223	2,430
Disposals	–	(579)	(4,017)	(190)	–	(4,786)
At 31 December 2008	186,621	444,177	4,366	15,773	223	651,160
At 1 January 2009	186,621	444,177	4,366	15,773	223	651,160
Additions	–	1,450	1,020	403	16,711	19,584
Transfer from construction in progress	–	16,834	–	–	(16,834)	–
Disposals	–	(463)	(3,162)	(113)	–	(3,738)
At 31 December 2009	186,621	461,998	2,224	16,063	100	667,006
Accumulated depreciation:						
At 1 January 2008	(32,136)	(143,508)	(3,749)	(9,248)	–	(188,641)
Charge for the year	(4,212)	(20,499)	(2,962)	(1,753)	–	(29,426)
Written back on disposal	–	489	4,017	168	–	4,674
At 31 December 2008	(36,348)	(163,518)	(2,694)	(10,833)	–	(213,393)
Charge for the year	(4,229)	(21,750)	(1,652)	(1,542)	–	(29,173)
Written back on disposal	–	310	3,162	102	–	3,574
At 31 December 2009	(40,577)	(184,958)	(1,184)	(12,273)	–	(238,992)
Net book value:						
At 31 December 2009	146,044	277,040	1,040	3,790	100	428,014
At 31 December 2008	150,273	280,659	1,672	4,940	223	437,767

The Company

	Motor vehicles and other fixed assets
	RMB'000
Cost:	
At 1 January, 31 December 2008 and 2009	358
Accumulated depreciation:	
At 1 January 2008	(113)
Charge for the year	(148)
At 31 December 2008	(261)
Charge for the year	(74)
At 31 December 2009	(335)
Net book value:	
At 31 December 2009	23
At 31 December 2008	97

(i) All of the Group's buildings are located in the PRC.

(ii) As at 31 December 2009, buildings with a carrying amount of RMB86,485,000 (2008: RMB89,059,000), were pledged to a bank for certain banking facilities and bank loans (see note 24).

(iii) As at 31 December 2009, machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000), were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term bank loans (see note 24).

16. Lease prepayments

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
At 1 January	32,183	33,020
Less: Amortisation	(837)	(837)
At 31 December	31,346	32,183

Lease prepayments represent payments for land use rights of two pieces of land situated in the PRC on which the Group's buildings are erected. The two leases run for an initial period of 50 years commencing on 23 May 1997.

As at 31 December 2009 land use rights with a carrying amount of RMB31,346,000 (2008: RMB32,183,000) were pledged to a bank for certain banking facilities and bank loans (see note 24).

17. Investments in subsidiaries

	The Company	
	2009	**2008**
	RMB'000	*RMB'000*
Unlisted shares, at cost	659,630	659,630

Details of the principal subsidiaries at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid up/ registered capital (in thousands)	Principal activities
Tai-I Copper (BVI) Limited	BVI	100%	–	US$25,150	Investment holding
Tai-I International (HK) Limited	HK	–	100%	HK$ 6,000	Investment holding
Tai-I Jiang Corp	PRC	–	100%	US$44,720	Manufacture and sale of bare copper wires
Tai-I Copper	PRC	–	100%	US$50,760	Manufacture and sale of magnet wires

Note:

(i) All the subsidiaries incorporated in the PRC are wholly foreign-owned enterprises.

The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

18. Interest in an associate

	The Group	
	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)

19. Inventories

Inventories comprise:

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Raw materials	66,968	31,056
Work in progress	33,740	25,145
Finished goods	103,949	168,408
Low value consumables	6,820	5,916
	211,477	230,525

The net realisable value of the majority of the inventories is closely related to the commodity market price for copper. The commodity price risk in this regard is discussed in note 31(e).

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Carrying amount of inventories sold	4,263,138	6,457,618
Realised (gain)/loss on derivative financial instruments	(24,933)	24,182
	4,238,205	6,481,800

As at 31 December 2008, inventories with a carrying amount of RMB100,000,000 were pledged to a bank for bank loans (see note 24).

20. Trade and other receivables

		The Group		The Company	
		2009	**2008**	**2009**	**2008**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*(i)*	525,526	325,732	–	–
Bills receivable *(note 24 (ii))*	*(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	202	494
Deposits for derivative financial instruments	*(iii)*	32,334	62,558	–	–
		1,085,762	977,698	202	494

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:

	The Group	
Invoice date:	**2009**	**2008**
	RMB'000	*RMB'000*
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:

	The Group	
	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.

21. Derivative financial instruments

	The Group			
	2009		**2008**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unrealised copper futures contracts				
– under cash flow hedge accounting	121	–	–	(26,980)
– under fair value hedge accounting	–	(6,387)	–	(109)
– not qualifying for hedge accounting	2,157	–	–	(10,430)
	2,278	(6,387)	–	(37,519)
Unrealised foreign exchange forward contracts				
– not qualifying for hedge accounting	3,434	–	16,171	(70,452)
	3,434	–	16,171	(70,452)
	5,712	(6,387)	16,171	(107,971)

(a) Copper futures contracts

The Group enters into copper futures contracts traded on the Shanghai Futures Exchange and London Metal Exchange. For copper futures contracts that meet the requirements for hedge accounting (see note 1(f)), the Group's policy is to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Sales contracts		
Volume (tonne)	2,515	75
Notional contract value	125,690	1,469
Market value	132,077	1,575
Fair value	(6,387)	(106)
Purchase contracts		
Volume (tonne)	1,065	4,165
Notional contract value	61,155	133,939
Market value	63,433	96,526
Fair value	2,278	(37,413)
	(4,109)	(37,519)
Contract maturity months	January, February, March, April and May 2010	January, February, March, April, May, June, July and November 2009

The market value of futures contracts is based on quoted market prices at the balance sheet date. The commodity price risk related to the price of copper is discussed in note 31(e).

As at 31 December 2009, copper futures contracts designated as fair value hedges to inventories with unrealised losses of RMB6,387,000 (2008: RMB109,000) arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the year.

As at 31 December 2009, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised gains of RMB121,000 (2008: a loss of RMB26,980,000) arising from the changes in fair value of these derivative instruments are included in equity. Such unrealised gains/(losses) are expected to be transferred to profit or loss when the designated forecast transactions occur. The portion assessed as ineffective of unrealised gains of RMB2,157,000 (2008: a loss of RMB10,430,000) is recognised in the profit or loss for the year.

(b) Foreign exchange forward contracts

For foreign exchange forward contracts that meet the requirements for hedge accounting (see note 1(f)), the Group's policy is to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

At 31 December 2009

	The Group			
	Weighted average contracted rate	**Weighted average market rate**	**Notional amount**	**Fair value**
			US$'000	*RMB'000*
Buy RMB/Sell US$				
Less than 3 months	6.8114	6.8061	(28,300)	150
3 to 6 months	6.8197	6.7988	(39,442)	823
6 months to 1 year	6.7215	6.7669	(21,000)	(953)
			(88,742)	20
Sell RMB/Buy US$				
Less than 3 months	–	–	–	–
3 to 6 months	–	–	–	–
6 months to 1 year	6.5966	6.7863	18,000	3,414
			18,000	3,414
			(70,742)	3,434

At 31 December 2008

	The Group			
	Weighted average contracted rate	**Weighted average market rate**	**Notional amount**	**Fair value**
			US$'000	*RMB'000*
Buy RMB/Sell US$				
Less than 3 months	6.6953	6.8343	(188,800)	(26,234)
3 to 6 months	6.6675	6.8394	(159,000)	(27,332)
6 months to 1 year	6.7805	6.8745	(216,000)	(20,307)
			(563,800)	(73,873)
Sell RMB/Buy US$				
Less than 3 months	6.5231	6.8460	9,000	2,906
3 to 6 months	6.6031	6.8626	21,000	5,450
6 months to 1 year	6.6780	6.8823	55,000	11,236
			85,000	19,592
			(478,800)	(54,281)

The above derivatives are measured at fair value based on the valuation provided by banks at the balance sheet date. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting (see note 1(f)), the net gains/(losses) arising from changes in the fair value were all recognised in the profit or loss account for the year. The foreign currency risk related to these contracts is discussed in note 31(d).

22. Pledged deposits

Pledged deposits can be analysed as follows:

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Guarantee deposits for issuance of commercial bills and letters of credit *(notes 24 and 25)*	284,494	788,258

Pledged deposits earn interest at a rate ranging from 0.36% to 1.98% per annum (2008: 0.36% to 4.14%).

23. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	94	155	2	2
Deposits on demand	287,174	290,861	686	436
Time deposits	245,780	289,100	–	–
	533,048	580,116	688	438
Less: Time deposits with original maturity more than 3 months	245,780	289,100		
Cash and cash equivalents in the consolidated cash flow statement	287,268	291,016		

24. Bank loans

		The Group	
		2009	**2008**
		RMB'000	*RMB'000*
Current			
Bank loans and borrowings			
– Secured	*(i)*	914,615	1,281,205
– Bank advances under discounted bills	*(ii)*	86,362	141,098
		1,000,977	1,422,303

All bank loans during the year are interest-bearing, with fixed rates that ranged from 0.24% to 5.31% during the year ended 31 December 2009 (2008: 1.96% to 8.96%).

(i) Current secured bank loans as at 31 December 2009 were secured by the Group's buildings with a carrying amount of RMB86,485,000 (2008: RMB89,059,000) and land use rights with carrying amounts of RMB31,346,000 (2008: RMB32,183,000). As at 31 December 2008, current secured bank loans were also secured by inventories with a carrying amount of RMB100,000,000.

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2009 and 2008 were secured by the Group's pledged deposits (see note 22) and certain machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000).

(ii) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds of the same amount are included in the Group's "Bills receivable" and "Bank advances under discounted bills" as at the balance sheet date.

25. Trade and other payables

		The Group		The Company	
		2009	**2008**	**2009**	**2008**
		RMB'000	*RMB'000*	*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	38	256
Other taxes (recoverable)/ payable		(5,125)	1,406	–	–
		986,302	1,019,727	38	256

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:

	The Group	
	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 (see note 22). 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).

26. Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are shown as follows:

The Group

	Unrealised (gain)/loss on derivative financial instruments	**Impairment losses for doubtful debt**	**Unutilised tax losses under PRC statutory report**	**Cash flow hedges**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	(7,902)	1,304	–	–	–	(6,598)
Credited to profit or loss	15,763	2,421	1,778	–	7,204	27,166
Credited to reserves	–	–	–	3,843	–	3,843
At 31 December 2008	7,861	3,725	1,778	3,843	7,204	24,411
At 1 January 2009	7,861	3,725	1,778	3,843	7,204	24,411
Credited/(charged) to profit or loss	(7,999)	4,471	13,683	–	(4,518)	5,637
Debited to reserves	–	–	–	(3,967)	–	(3,967)
At 31 December 2009	(138)	8,196	15,461	(124)	2,686	26,081

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is considered probable.

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Net deferred tax assets recognised on the balance sheet	26,081	24,411

27. Share capital and reserves

(a) The Group

	Attributable to equity holders of the Company							
	Share capital	Share premium	Merger reserve	PRC Statutory reserve	Exchange reserve	Hedging reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		d(i)	*d(ii)*	*d(iii)*	*d(iv)*	*d(v)*		
At 1 January 2008	6,000	214,762	418,938	26,259	(2,478)	–	169,864	833,345
Dividends declared and approved during the year	–	–	(32,338)	–	–	–	–	(32,338)
Loss for the year	–	–	–	–	–	–	(208,426)	(208,426)
Cash flow hedges: effective portion of changes in fair value								
– realised portion	–	–	–	–	–	(35,992)	–	(35,992)
– unrealised portion *(note 21(a))*	–	–	–	–	–	(26,980)	–	(26,980)
– deferred tax credited *(note 26)*	–	–	–	–	–	3,843	–	3,843
Cash flow hedges: transfer from equity to profit or loss – in cost of sales	–	–	–	–	–	24,073	–	24,073
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	–	1,623	–	–	1,623
Shares repurchased	(34)	(1,685)	–	–	–	–	–	(1,719)
At 31 December 2008	5,966	213,077	386,600	26,259	(855)	(35,056)	(38,562)	557,429
At 1 January 2009	5,966	213,077	386,600	26,259	(855)	(35,056)	(38,562)	557,429
Profit for the year	–	–	–	–	–	–	39,345	39,345
Cash flow hedges: effective portion of changes in fair value								
– realised portion	–	–	–	–	–	7,837	–	7,837
– unrealised portion *(note 21(a))*	–	–	–	–	–	121	–	121
– deferred tax debited *(note 26)*	–	–	–	–	–	(124)	–	(124)
Cash flow hedges: transfer from equity to profit or loss – in cost of sales	–	–	–	–	–	27,662	–	27,662
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	–	110	–	–	110
Shares repurchased	(4)	(74)	–	–	–	–	–	(78)
At 31 December 2009	5,962	213,003	386,600	26,259	(745)	440	783	632,302

(b) The Company

	Attributable to equity holders of the Company					
	Share capital	**Share premium**	**Contributed surplus**	**Exchange reserve**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2008	6,000	214,762	464,996	(43,371)	(28,818)	613,569
Profit for the year *(note 12)*	–	–	–	–	9,782	9,782
Dividends declared and approved during the year	–	–	(32,338)	–	–	(32,338)
Exchange difference on translation of financial statements of the Company	–	–	–	41,253	–	41,253
Shares repurchased	(34)	(1,685)	–	–	–	(1,719)
At 31 December 2008	5,966	213,077	432,658	(2,118)	(19,036)	630,547
At 1 January 2009	–	–	–	–	–	–
Loss for the year *(note 12)*	–	–	–	–	(5,294)	(5,294)
Exchange difference on translation of financial statements of the Company	–	–	–	43	–	43
Shares repurchased	(4)	(74)	–	–	–	(78)
At 31 December 2009	5,962	213,003	432,658	(2,075)	(24,330)	625,218

(c) Share capital

		2009		**2008**	
	Note	*Number of shares*	*Amount HK$*	*Number of shares*	*Amount HK$*
Authorised:					
Ordinary shares of HK$0.01 each		1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued and fully paid:					
At 1 January		596,618,000	5,966,180	600,000,000	6,000,000
Shares repurchased	*(i)*	(460,000)	(4,600)	(3,382,000)	(33,820)
At 31 December		596,158,000	5,961,580	596,618,000	5,966,180
			RMB equivalent		*RMB equivalent*
			5,961,580		5,966,180

(i) Purchase of own shares

During the year, the Company repurchased its own ordinary shares through the Stock Exchange of Hong Kong Limited as follows:

Month/year of the repurchases	Number of shares repurchased	Highest price paid per share *HK$*	Lowest price paid per share *HK$*	Aggregate price paid *HK$'000*
March 2009	460,000	0.196	0.185	88
				RMB equivalent
				78

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares was charged to share premium.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Merger reserve

The merger reserve represents the difference between the nominal value of shares of the subsidiaries acquired over the nominal value of the shares used by the Company in exchange thereafter. This reserve is distributable.

(iii) PRC statutory reserve

Transfers from retained earnings to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-up capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(s).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges of forecast copper purchase transactions matched to confirmed sales orders pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(f).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Group defines net debt as bank loans (net of pledged deposits) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of total equity less unaccrued proposed dividends.

During 2009, the Group's strategy was to maintain the net debt-to-adjusted capital ratio within the range of 20% to 70%.

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 is as follows:

		The Group		**The Company**	
		2009	**2008**	**2009**	**2008**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current liabilities					
Bank loans	*24*	1,000,977	1,422,303	–	–
Total debt		1,000,977	1,422,303	–	–
Less: Cash and cash equivalents	*23*	(287,268)	(291,016)	(687)	(438)
Pledged deposits	*22*	(284,494)	(788,258)	–	–
Net debt		429,215	343,029	(687)	(438)
Total equity	*27*	632,302	557,429	625,218	630,547
Adjusted capital		632,302	557,429	625,218	630,547
Net debt-to-adjusted capital ratio		68%	62%	0%	0%

Neither the Company nor any subsidiaries are subject to externally imposed capital requirements.

28. Commitments

(i) Capital commitments

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

	The Group	
	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:

	The Group	
	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.

29. Retirement benefits

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries, Tai-I Jiang Corp and Tai-I Copper, are as follows:

Administrator	Beneficiary	Contribution rate
Guangzhou Municipal Government, Guangdong Province	Employees of Tai-I Jiang Corp and Tai-I Copper	12%-20%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

The Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

30. Related party transactions

(a) No related party transactions were identified during the years ended 31 December 2009 and 2008.

(b) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Short-term employee benefits	7,384	7,873

(c) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 29. As at 31 December 2009, there was no material outstanding contribution to post-employment benefit plans (2008: Nil).

31. Financial risk management and fair values

Exposure to credit, liquidity, interest rate, currency and commodity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and prepayments made to suppliers, cash and cash equivalents, pledged and time deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of bare copper wire are usually required to settle the payment in full prior to delivery or at each month end. For customers of magnet wire, credit terms granted range from 30 days to 60 days. Customers with balances overdue are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not collect collateral from its customers.

At the balance sheet dates, the Group has no significant concentrations of credit risk with any of its customers.

The Group's bills receivable are guaranteed by banks and the risk for default in payment is minimal.

In respect of deposits and prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring deposit and prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentrations of credit risk as 6% (2008: 14%) and 41% (2008: 32%) of the total deposits and prepayments made to suppliers (included in trade and other receivables) were due from the Group's largest supplier and the five largest suppliers respectively.

Further quantitive disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables is set out in note 20.

It is expected that there is no significant credit risk associated with the cash and cash equivalents, pledged and time deposits as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from authorised financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities including estimated interest payments:

The Group

	2009			
	Carrying amount	**Contractual undiscounted cash flow**	**6 months or less or on demand**	**6-12 months**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Secured loans and borrowings	914,615	(917,960)	(868,468)	(49,492)
Bank advances under discounted bills	86,362	(86,362)	(86,362)	–
Trade and other payables excluding advance from customers	979,583	(979,583)	(979,583)	–
Derivative financial liabilities				
Copper futures contracts *(note 21(a))*	6,387	(6,387)	(6,387)	–
	1,986,947	(1,990,292)	(1,940,800)	(49,492)

	2008			
	Carrying amount	**Contractual undiscounted cash flow**	**6 months or less or on demand**	**6-12 months**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Secured loans and borrowings	1,281,205	(1,285,660)	(1,265,871)	(19,789)
Bank advances under discounted bills	141,098	(141,098)	(141,098)	–
Trade and other payables excluding advance from customers	985,397	(985,397)	(985,397)	–
Derivative financial liabilities				
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow	70,663	(2,871,156)	(1,980,993)	(890,163)
– inflow	(211)	2,797,556	1,924,787	872,769
Copper futures contracts *(note 21(a))*	37,519	(37,519)	(36,445)	(1,074)
	2,515,671	(2,523,274)	(2,485,017)	(38,257)

The Company

	2009			
	Carrying amount	**Contractual undiscounted cash flow**	**6 months or less or on demand**	**6-12 months**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Amount due to a subsidiary	35,287	(35,287)	(35,287)	–
Trade and other payables excluding advance from customers	38	(38)	(38)	–
	35,325	(35,325)	(35,325)	–

	2008			
	Carrying amount	**Contractual undiscounted cash flow**	**6 months or less or on demand**	**6-12 months**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-derivative financial liabilities				
Amount due to a subsidiary	29,856	(29,856)	(29,856)	–
Trade and other payables excluding advance from customers	256	(256)	(256)	–
	30,112	(30,112)	(30,112)	–

Forecast cash flow

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur. The cash flows are expected to impact the profit or loss in the same periods.

The Group

	2009			
	Carrying amount	**Expected cash flow**	**6 months or less**	**6-12 months**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Copper futures contracts assets	121	(1,073)	(1,073)	–

	2008			
	Carrying amount	**Expected cash flow**	**6 months or less**	**6-12 months**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Copper futures contracts liabilities	(26,980)	(68,566)	(63,521)	(5,045)

In addition to copper futures contracts, the Group also utilise foreign exchange forward contracts to hedge forecast sales. These arrangements are entered into to hedge significant fluctuations in foreign currency. However, as these arrangements do not meet the criteria for hedge accounting described in the Group's accounting policies, the unrealised gains or losses arising from the change in fair value of these derivative instruments are recognised immediately in the profit or loss. As at the balance sheet date, the expected delivery period of the forecast sales is from January 2010 to May 2010.

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, time deposits, pledged deposits and bank loans, issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the balance sheet date is as follows:

	2009		**2008**	
	Effective weighted average interest rates		**Effective weighted average interest rates**	
	% (annual)	*RMB'000*	*% (annual)*	*RMB'000*
Fixed rate instruments				
Time deposits	1.98	245,779	2.65	289,100
Pledged deposits	1.85	104,209	3.84	471,498
Bank loans	2.29	(1,000,977)	4.48	(1,422,303)
		(650,989)		(661,705)
Variable rate instruments				
Pledged deposits	0.36	180,285	0.36	316,760
Cash and cash equivalents	0.36	287,268	0.36	291,016
		467,553		607,776

(ii) Sensitivity analysis

At the balance sheet date, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB4,208,000 (2008: RMB5,531,000). Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

(d) Foreign currency risk

Renminbi is not freely convertible into foreign currencies. All foreign exchange transactions involving Renminbi must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of recognised assets and liabilities, including trade and other receivables, cash and cash equivalents, trade and other payables, bank loans and derivative financial instruments denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Forecast transactions

The Group hedges part of its estimated foreign currency exposure in respect of highly probable forecast sales transactions. The Group uses foreign exchange forward contracts to hedge part of its currency risk and classifies these contracts as cash flow hedges in accordance with accounting policy as set out in note 1(f). All of these foreign exchange forward contracts have maturities of less than one year after the balance sheet date.

At 31 December 2009, the Group had foreign exchange forward contracts hedging forecast transactions with a net gain on fair value change of RMB3,434,000 (2008: a loss of RMB54,281,000) recognised as derivative financial instruments.

(iii) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	At 31 December			
	2009		**2008**	
	US$'000	*HK$'000*	*US$'000*	*HK$'000*
Trade and other receivables	65,790	53,371	54,888	50,559
Copper futures contracts held as fair value hedging instruments	(708)	–	(81)	–
Other copper futures contracts	–	–	(333)	–
Time deposits	1,551	–	–	–
Cash and cash equivalents	25,083	9,867	7,987	17,763
Bank loans	(50,346)	–	(76,651)	–
Trade and other payables	(75,845)	(43)	(91,747)	(290)
Gross balance sheet exposure	(34,475)	63,195	(105,937)	68,032
Deliverable foreign exchange forward contracts *(note 21(b))*				
– sell foreign currency	(88,742)	–	(383,800)	–
– buy foreign currency	–	–	36,000	–
Non-deliverable foreign exchange forward contracts *(note 21(b))*				
– sell foreign currency	–	–	(180,000)	–
– buy foreign currency	18,000	–	49,000	–
Net exposure	(105,217)	63,195	(584,737)	68,032

(iv) Sensitivity analysis

The following table indicates the approximate change in the Group's result after tax that would have arisen if foreign exchange rates to which the Group had significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	At 31 December	
	2009	**2008**
	Increase/ (decrease) in profit after tax and retained profits	**Increase/ (decrease) in loss after tax and accumulated losses**
	RMB'000	*RMB'000*
USD		
– 1% strengthening of RMB (2008: 6%)	6,323	(223,403)
– 1% weakening of RMB (2008: 6%)	(6,323)	223,403
HKD		
– 1% strengthening of RMB (2008: 6%)	(501)	3,178
– 1% weakening of RMB (2008: 6%)	501	(3,178)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis for 2009 has been changed to conform with the requirements of the financial reporting standards adopted in the current year.

(e) Commodity price risk

The Group's exposure to commodity price risk relates principally to the market price fluctuation in copper on copper futures contracts and inventories held without fixed sales orders and commitments to buy or sell amounts of copper at contracted future. To partially offset the risk of fluctuation in copper prices on copper inventories held, the Group enters into sales orders with certain customers to deliver goods in future periods at fixed future prices. In addition, the Group enters into purchase orders with suppliers to purchase copper raw materials in future periods at corresponding fixed prices.

(i) Exposure to commodity price risk

The Group's exposure to copper commodity price risk (including copper inventories and open copper futures contracts) at balance sheet dates was as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Copper inventory excluding inventory with sales orders at fixed contracted prices	84,575	34,746
Notional amounts of copper futures contracts to:		
– buy copper *(note 21(a))*	61,155	133,939
– sell copper *(note 21(a))*	(125,690)	(1,469)
Net exposure	20,040	167,216

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax that would have arisen if commodity price to which the Group had significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	At 31 December					
	2009			2008		
	Increase/ (decrease) in commodity price	Effect on profit after tax and retained profits *RMB'000*	Effect on other components of equity *RMB'000*	Increase/ (decrease) in commodity price	Effect on loss after tax and accumulated losses *RMB'000*	Effect on other components of equity *RMB'000*
Copper inventory excluding inventory with sales orders at fixed contracted prices	10%	–	–	10%	–	–
	(10)%	(5,328)	–	(10)%	(3,162)	–
Copper futures contracts	10%	6,481	263	10%	2,305	6,265
	(10)%	(6,481)	(263)	(10)%	(2,305)	(6,265)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise assuming that the change in copper price had occurred at the balance sheet date and had been applied to re-measure those inventories held at net realisable value and copper futures contracts held by the Group which expose the Group to commodity price risk at the balance sheet date. The analysis is performed on the same basis for 2008.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

2009

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments:				
– Copper futures contracts	2,278	–	–	2,278
– Forward exchange contracts	–	3,434	–	3,434
	2,278	3,434	–	5,712
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(6,387)	–	–	(6,387)

2008

	The Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	16,171	–	16,171
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(37,519)	–	–	(37,519)
– Forward exchange contracts	–	(70,452)	–	(70,452)
	(37,519)	(70,452)	–	(107,971)

During the year there were no significant transfers between instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

32. Immediate and ultimate holding company

As at 31 December 2009, the directors consider the immediate parent and ultimate controlling party of the Group to be Tai-I Electric Wire & Cable Co., Ltd., which is incorporated in Taiwan.

33. Accounting estimates and judgements

The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation on net realisable value at each balance sheet date.

(b) Impairment of property, plant and equipment

In considering the impairment losses that may be required for certain of the Group's property, plant and equipment, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available.

In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge in future periods.

(c) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact in profit or loss.

(d) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

34. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2009

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
Improvements to IFRS 2008 *(Amendments to IFRS 5, Non-current assets held for sales and discontinued operations)*	1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amended IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRS 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments Basis for conclusions on IFRS 9 Amendments to other IFRSs and guidance on IFRS 9*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the consolidated financial statements, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

35. Comparative figures

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, and IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to the current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

3. FINANCIAL AND TRADING PROSPECTS

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 decrease of time deposits and pledged deposits of 2009 as well as the weighted average interest rate 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 RMB3,036,000.

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.

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.

Business review

Industry Overview

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 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.

Outlook for 2010 and Improvement Strategies

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.

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.

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.

Foreign exchange

The Group's revenue is mainly denominated in US dollar, Hong Kong dollar and Renminbi 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

As at 31 December 2009, the banking facilities of the Group are secured by buildings, land use rights, pledged deposits and machinery, equipment and tools. The aggregate net book value of the assets pledged amounted to approximately RMB560,302,000.

The capital expenditure as at 31 December 2009 was approximately RMB19.6 million, comprising machinery, equipment and tools, dies and moulds, motor vehicles and other fixed assets and construction in progress.

As at 31 December 2009, the Group did not have any capital commitment.

Significant investments held

The Group had no significant investments held during the year ended 31 December 2009.

Material acquisition and disposals

The Group had no material acquisitions and disposals of subsidiaries and associates during the year ended 31 December 2009.

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.

Contingent liabilities

As at 31 December 2009, the Group did not have any significant contingent liabilities (2008: Nil).

4. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 30 April 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding current bank loans and borrowings of approximately RMB 1,273,905,000. As at 30 April 2010, current bank loans and borrowings amounting to approximately RMB 431,989,000 were secured by the Enlarged Group's buildings, land use right, machinery, equipment and tools and pledged deposits with an aggregate carrying value of approximately RMB 660,665,000. The current bank loan amounting to approximately RMB 25,000,000 was guaranteed by Sichuan Jiguang Trading Co., Ltd.

Banking facilities

At the close of business on 30 April 2010, being the latest practical date for this statement of indebtedness prior to the date of this circular, the Enlarged Group had banking facilities amounting to approximately RMB 3,988,557,000. Of the total banking facilities, except for that utilised as bank loans and borrowings as stated above, approximately RMB 1,506,165,000 was utilised as issuance of letters of credit and commercial bills.

Contingent liabilities

Beijing OLM, Fujian Start Group Co., Ltd. and Beijing Sheng Bang Investment Co., Ltd. had issued joint guarantees to banks in respect of the bank loans granted to Beijing Start Technology Development Co., Ltd. on 14 October 2004. As at 30 April 2010, the amounts of unreleased guarantees were approximately RMB 7,300,000. The Directors consider that in accordance with debt settlement agreements entered between the banks, Fujian Start Group Co., Ltd. and Beijing Start Technology Development Co., Ltd. on 25 March 2008, the joint guarantees will be fully released when the outstanding bank loans are due be fully repaid in June 2010 and therefore no material liability existed on 30 April 2010.

Disclaimer

Save as disclosed above, at the close of business on 30 April 2010, the Enlarged Group did not have any other outstanding liabilities or any mortgages, charges, debentures, loan capital, bank overdrafts or loans, liabilities under acceptance or other similar indebtedness, hire purchase or finance lease obligations or any guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2010 up to the Latest Practicable Date.

5. WORKING CAPITAL

The Directors are of the opinion that taking into account the internal resources and financing facilities available to the Enlarged Group and barring any unforeseen circumstances, the Enlarged Group, which takes into account the effect of the Acquisition, will have sufficient working capital for at least twelve months from the date of this circular.

1. ACCOUNTANT'S REPORT OF BEIJING OLM

The following is the text of a report on the financial information of Beijing Orient LegendMaker Software Development Co., Ltd., prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 June 2010

The Directors
Tai-I International Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Beijing Orient LegendMaker Software Development Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2007, 2008 and 2009 (the "Relevant Period"), and the consolidated balance sheets of the Group as at 31 December 2007, 2008 and 2009, together with the notes thereto (the "Financial Information"), for inclusion in the circular of Tai-I International Holdings Limited dated 28 June 2010 (the "Circular").

The Company was established in the People's Republic of China (the "PRC") on 20 August 1998 as a limited liability company under the Company Law of the PRC. The Company is principally engaged in provision of integrated business software solutions in the PRC. Pursuant to a domestic acquisition completed on 8 June 2010 (the "Domestic Acquisition") as detailed in the section headed "Letter from the Board" in the Circular, the Company became a wholly-owned subsidiary of Liang Hui Holdings Limited.

The audited financial statements of the Company for the years ended 31 December 2007 and 2008 prepared in accordance with the relevant accounting rules and regulations applicable to enterprises established in the People's Republic of China (the "PRC"), were audited by Zhong Ding Certified Public Accountants Co., Ltd., certified public accountants registered in the PRC. No audited financial statements of the Company have been prepared for the year ended 31 December 2009.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Period are set out in note 9 of Section B.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and 2009 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 December 2009.

OPINION

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2007, 2008 and 2009.

A FINANCIAL INFORMATION

A1 Consolidated Statements of Comprehensive Income
For the years ended 31 December 2007, 2008 and 2009
(Expressed in Renminbi Yuan)

	Note	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*
Turnover	*2*	133,073	90,789	63,630
Cost of sales		(116,062)	(80,870)	(55,605)
Gross profit		17,011	9,919	8,025
Distribution expenses		(6,374)	(5,758)	(5,808)
General and administrative expenses		(7,954)	(5,417)	(6,445)
Other net (loss)/income		(84)	74	(22)
Profit/(loss) before taxation	*3*	2,599	(1,182)	(4,250)
Income tax (expenses)/credit	*4(i)*	(517)	(44)	675
Profit/(loss) for the year		2,082	(1,226)	(3,575)
Other comprehensive income for the year		–	–	–
Total comprehensive income for the year		2,082	(1,226)	(3,575)
Attributable to:				
Equity holders of the Company		2,030	(1,226)	(3,575)
Minority interests	*18(c)*	52	–	–
Total comprehensive income for the year		2,082	(1,226)	(3,575)

The notes on pages 89 to 114 form part of these Financial Information.

A2 Consolidated Balance Sheets
At 31 December 2007, 2008 and 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000	2007 RMB'000
Non-current assets				
Property, plant and equipment	10	2,394	2,234	2,330
Intangible assets	11	10,468	3,887	5,185
Deferred tax assets	17	1,347	1,481	1,516
		14,209	7,602	9,031
Current assets				
Inventories	12	4,879	3,928	6,629
Trade and other receivables	13	34,628	28,312	25,660
Amounts due from related parties	21(b)	52,841	42,624	42,795
Cash and cash equivalents	14	8,864	1,000	1,980
		101,212	75,864	77,064
Current liabilities				
Bank loans	15	50,000	–	–
Trade and other payables	16	18,337	10,829	9,097
Amounts due to related parties	21(b)	4,082	47,946	51,081
Income tax payables	4(iii)	1,256	–	–
		73,675	58,775	60,178
Net current assets		27,537	17,089	16,886
Total assets less current liabilities		41,746	24,691	25,917
NET ASSETS		41,746	24,691	25,917
Capital and reserves	18			
Paid-in capital		60,000	60,000	60,000
Reserves		(18,425)	(35,309)	(34,083)
Total equity attributable to the equity holders of the Company		41,575	24,691	25,917
Minority interests	18(c)	171	–	–
Total equity		41,746	24,691	25,917

The notes on pages 89 to 114 form part of these Financial Information.

A3 Consolidated Statements of Changes in Equity
For the years ended 31 December 2007, 2008 and 2009

(Expressed in Renminbi Yuan)

		Attributable to the equity holders of the Company						
		Paid-in capital	Capital reserve	PRC statutory reserve	Accumulated losses	Total	Minority interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*18(a)*		*18(b)*			*18(c)*	
At 1 January 2007		60,000	–	–	(30,508)	29,492	–	29,492
Loss for the year		–	–	–	(3,575)	(3,575)	–	(3,575)
At 31 December 2007		60,000	–	–	(34,083)	25,917	–	25,917
Loss for the year		–	–	–	(1,226)	(1,226)	–	(1,226)
At 31 December 2008		60,000	–	–	(35,309)	24,691	–	24,691
Acquisition of subsidiaries	9	–	14,854	–	–	14,854	119	14,973
Profit for the year		–	–	–	2,030	2,030	52	2,082
Appropriation to surplus reserves		–	–	398	(398)	–	–	–
At 31 December 2009		60,000	14,854	398	(33,677)	41,575	171	41,746

The notes on pages 89 to 114 form part of these Financial Information.

A4 Consolidated Cash Flow Statements
For the years ended 31 December 2007, 2008 and 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000	2007 RMB'000
Operating activities				
Profit/(loss) before taxation		2,599	(1,182)	(4,250)
Adjustments for:				
– Impairment losses for inventories		1,123	1,123	1,123
– Depreciation		358	234	279
– Amortisation		2,370	1,298	1,297
– Loss/(gain) on disposal of property, plant and equipment		4	(17)	167
Operating profit before changes in working capital		6,454	1,456	(1,384)
Decrease in inventories		1,224	1,578	1,324
Decrease/(increase) in trade and other receivables		1,556	(2,652)	(5,348)
Increase/(decrease) in amounts due from/to related parties		–	(2,964)	8,309
(Decrease)/increase in trade and other payables		(2,998)	1,732	(875)
Cash generated from/(used in) operating activities		6,236	(850)	2,026
PRC income taxes paid		(53)	(9)	–
Net cash generated from/(used in) operating activities		6,183	(859)	2,026
Cash flow from investing activities				
Cash and cash equivalents acquired upon the acquisition of subsidiaries	9	1,845	–	–
Acquisition of property, plant and equipment		(164)	(225)	(792)
Proceeds from disposal of property, plant and equipment		–	104	83

A4 Consolidated Cash Flow Statements (continued)
For the years ended 31 December 2007, 2008 and 2009
(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000	2007 RMB'000
Net cash generated from/(used in) investing activities		1,681	(121)	(709)
Cash flow from financing activities				
Net cash generated from financing activities		–	–	–
Net increase/(decrease) in cash and cash equivalents		7,864	(980)	1,317
Cash and cash equivalents at the beginning of year		1,000	1,980	663
Cash and cash equivalents at the end of year	14	8,864	1,000	1,980

The notes on pages 89 to 114 form part of these Financial Information.

B NOTES TO FINANCIAL INFORMATION

1. Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board. Further details of the significant accounting policies adopted are set out in the remainder of this section.

The following standards have been early adopted as at the beginning of the Relevant Period:

IFRS 7,	Financial instruments: disclosures
Amendments to IAS 1,	Presentation of financial statements: capital disclosures
Amendments to IAS 39,	Financial instruments: Recognition and measurement
IFRS 8,	Operating segments
Revised IAS 1,	Presentation of financial statements
Revised IAS 23,	Borrowing costs
Amendments to IAS 32,	Financial instruments: Presentation
Amendments to IFRS 1,	First-time adoption of International Financial Reporting Standards,
Amendments to IAS 27,	Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly-controlled entity or associate
Amendments to IFRS 7,	Financial instruments: Disclosures – Improving disclosures about financial instruments

These are the Group's first financial statements and IFRS 1 has been applied. The accounting policies set out below have been applied consistently to all periods presented in the Financial Information and in the preparation of an opening IFRSs balance sheet at 1 January 2007 (the date of transition).

In preparing its opening IFRSs balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in its old basis of accounting, being accounting principles generally accepted in the PRC ("PRC GAAP").

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 31 December 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2009 are set out in note 25.

(b) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the Financial Information is historical cost basis.

(c) Use of estimates and judgements

The preparation of Financial Information 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.

(c) Use of estimates and judgements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 24.

(d) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheets within equity, separately from equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated Financial Information. Unrealised losses arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)):

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Motor vehicles	3-8 years
– Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1(h)(ii)).

Other development expenditure is recognised as an expense in the period in which it is incurred. Other intangible assets that are acquired by the group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite and impairment losses (see note 1(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except the customer contracts, which is amortised when the economic benefits of the assets are expected to be consumed. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

–	Firewall patents	10 years
–	Customer relationship	4 years

(g) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Current receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and recognised as follows:

For current receivables carried at amortised cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

(h) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the carrying amount of the financial assets exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– goodwill; and

– intangible assets;

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated cost necessary to make the sale.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable/recoverable on the taxable income/loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue comprises the fair value of the consideration received for the services in the ordinary course of the Group's activities and the sales of goods. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

Provided it is probable that the future economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

(ii) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(iii) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(p) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(q) Employee benefits

(i) Salaries, annual bonuses and staff welfare are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the statement of comprehensive income as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(r) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in 1(r)(i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Segment reporting

The Group operates in a single business segment, provision of integrated business software solutions in the PRC. Accordingly, no segment analysis is presented.

2. Turnover

The principal activities of the Group are the provision of integrated business software solutions in the PRC.

The amount of each significant category of turnover recognised during the Relevant Period is as follows:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Software maintenance and other services	131,211	85,726	59,833
Sale of software products and others	1,862	5,063	3,797
	133,073	90,789	63,630

3. Profit/(loss) before taxation

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

(i) Staff costs

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	4,597	3,781	3,834
Contributions to defined contribution retirement schemes (note 20)	957	819	749
	5,554	4,600	4,583

(ii) Other items

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Depreciation	358	234	279
Amortisation	2,370	1,298	1,297
Write-down of inventories to net book value	1,123	1,123	1,123
Operating leases charges in respect of properties	1,260	869	883

4. Income tax (expenses)/credit

(i) Income tax (expenses)/credit in the consolidated statements of comprehensive income represents:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC			
Provision for the year	(383)	(9)	–
Deferred tax			
Origination and reversal of temporary differences	(134)	(35)	675
	(517)	(44)	675

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the companies located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable income tax rate to domestic enterprises in the PRC was 33% in 2007.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which takes effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the PRC companies was reduced from 33% to 25% from 1 January 2008.

Pursuant to the approvals obtained from the relevant PRC tax authorities, being high-tech enterprises in the PRC, the Company is entitled to a preferential income tax rate of 15% for 2008 and 2009, Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") is entitled to a preferential income tax rate of 15% for 2009.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2007, 2008 and 2009.

4. Income tax (expenses)/credit (continued)

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

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	2,599	(1,182)	(4,250)
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (2009:25%, 2008:25%, 2007:33%)	(650)	296	1,403
Effect of non-deductible expenses	(269)	–	–
Effect of tax concessions	402	(340)	(728)
	(517)	(44)	675

(iii) Taxation in the consolidated balance sheets represents:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	–	–	–
Provision for income tax for the year	383	9	–
Acquisition of subsidiary	926	–	–
Amounts paid	(53)	(9)	–
At 31 December	1,256	–	–

5. Directors' remuneration

Details of directors' remuneration are as follows:

Year ended 31 December 2009

Name of directors	**Fee**	**Basic salaries, allowances and other benefits**	**Bonus**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Miss Lin Yan Hua	–	–	–	–
Mr. Wu Wen Jie	–	–	–	–
Mr. Liu Jin Song	–	300	120	420
Total	–	300	120	420

5. Directors' remuneration (continued)

Year ended 31 December 2008

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Ju Zheng Yi	–	–	–	–
Mr. Huang Kai	–	–	–	–
Mr. Liu Jin Song	–	240	120	360
Total	–	240	120	360

Year ended 31 December 2007

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Ju Zheng Yi	–	–	–	–
Mr. Huang Kai	–	–	–	–
Mr. Liu Jin Song	–	240	120	360
Total	–	240	120	360

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	2009	2008	2007
Nil to RMB1,000,000	1	1	1

There were no amounts paid during the Relevant Period to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

6. Individuals with highest emoluments

The five highest paid individuals of the Group include 1 director of the Company during the Relevant Period, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining 4 highest paid individuals of the Group are as follows:

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances and other benefits	984	780	768
Bonus	390	410	380
	1,374	1,190	1,148
Number of senior management	4	4	4

The above individuals' emoluments are within the band of Nil to RMB 1,000,000.

There were no amounts paid during the Relevant Period to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

7. Dividends

No dividends were declared by the Group during the Relevant Period.

8. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. Acquisition of subsidiaries

Pursuant to the Completion of the Domestic Acquisition, the Company became a wholly-owned subsidiary of Liang Hui Holdings Limited. As part of the Domestic Acquisition, Miss Lin Yan Hua and Mr. Wu Wen Jie transferred their entire equity interests in Chengdu OLM to the Company on 19 October 2009 for a consideration of RMB 30,000,000. Upon the completion of the share transfer, Chengdu OLM became a wholly-owned subsidiary of the Company.

As of 31 December 2009, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of establishment	Registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Chengdu OLM	The PRC 28 December 2001	RMB30,000,000	100%	–	Provision of integrated business software solution
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM")	The PRC 10 August 1998	RMB 1,000,000	–	90%	Provision of integrated business software solution

Note:

(i) The type of legal entity of Chengdu OLM and Shanghai OLM is domestic Chinese enterprise.

(ii) The Company did not have any interests in other companies as of 31 December 2007 or 2008.

9. Acquisition of subsidiaries (continued)

This acquisition has been accounted for using the purchase method. Chengdu OLM has contributed profit before taxation of approximately RMB 2,449,000 to the Group for the period from the acquisition date to 31 December 2009. As the Company and Chengdu OLM were owned by the same group of equity holders before the business combination, the amount of negative goodwill arising as a result of the acquisition amounting to RMB 14,854,000 was recognised in capital reserve as contribution from the equity holders. The net assets acquired and the goodwill arising accordingly are as follows:

	Identifiable assets acquired and liabilities assumed
	RMB'000
Property, plant and equipment	315
Intangible assets *(note 11)*	8,951
Inventories	3,298
Trade and other receivables	7,872
Amounts due from related parties	106,712
Cash and cash equivalents	1,845
Bank loans	(50,000)
Trade and other payables	(31,137)
Amounts due to related parties	(1,957)
Income tax payables	(926)
Minority interest	(119)
	44,854
Negative goodwill	(14,854)
Satisfied by:	
Amounts due from related parties (note)	30,000
Net inflow of cash and cash equivalents in respect of the acquisition of Chengdu OLM	1,845

Note: The consideration of RMB 30,000,000 for the acquisition of Chengdu OLM was satisfied by the transfer of the balance of amounts due from related parties with a carrying amount of RMB 30,000,000 to Miss Lin Yan Hua and Mr. Wu Wen Jie.

10. Property, plant and equipment

	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2007	1,846	3,692	5,538
Additions	825	129	954
Disposals	(1,195)	(162)	(1,357)
At 31 December 2007	1,476	3,659	5,135
Additions	117	108	225
Disposals	(418)	(160)	(578)
At 31 December 2008	1,175	3,607	4,782
Additions	–	164	164
Acquisition of subsidiary	318	1,420	1,738
Disposals	–	(37)	(37)
At 31 December 2009	1,493	5,154	6,647
Accumulated depreciation:			
At 1 January 2007	(1,393)	(2,240)	(3,633)
Charge for the year	(71)	(208)	(279)
Written back on disposal	956	151	1,107
At 31 December 2007	(508)	(2,297)	(2,805)
Charge for the year	(111)	(123)	(234)
Written back on disposal	400	91	491
At 31 December 2008	(219)	(2,329)	(2,548)
Charge for the year	(159)	(199)	(358)
Acquisition of subsidiaries	(196)	(1,184)	(1,380)
Written back on disposal	–	33	33
At 31 December 2009	(574)	(3,679)	(4,253)
Net book value:			
At 31 December 2009	919	1,475	2,394
At 31 December 2008	956	1,278	2,234
At 31 December 2007	968	1,362	2,330

11. Intangible assets

	Customer relationship *RMB'000*	Customer contracts *RMB'000*	Firewall patents *RMB'000*	Total *RMB'000*
Cost				
At 1 January 2007, 31 December 2007 and 2008	–	–	12,972	12,972
Acquisition of subsidiaries *(note 9)*	6,668	2,283	–	8,951
At 31 December 2009	6,668	2,283	12,972	21,923
Accumulated amortisation				
At 1 January 2007	–	–	(6,490)	(6,490)
Charge for the year	–	–	(1,297)	(1,297)
At 31 December 2007	–	–	(7,787)	(7,787)
Charge for the year	–	–	(1,298)	(1,298)
At 31 December 2008	–	–	(9,085)	(9,085)
Charge for the year	(174)	(899)	(1,297)	(2,370)
At 31 December 2009	(174)	(899)	(10,382)	(11,455)
Net book value				
At 31 December 2009	6,494	1,384	2,590	10,468
At 31 December 2008	–	–	3,887	3,887
At 31 December 2007	–	–	5,185	5,185

12. Inventories

Inventories comprise:

	2009 *RMB'000*	2008 *RMB'000*	2007 *RMB'000*
Standard software and low value consumables	13,861	11,787	13,365
Less: Stock provision	(8,982)	(7,859)	(6,736)
	4,879	3,928	6,629

13. Trade and other receivables

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	11,445	7,805	9,588
Other receivables	5,156	5,211	2,873
Prepayments made to suppliers	18,027	15,296	13,199
	34,628	28,312	25,660

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

	2009	2008	2007
Invoice date:	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	8,987	2,017	5,616
Over 1 month but less than 3 months	921	3,449	901
Over 3 months but less than 1 year	772	2,339	2,811
Over 1 year but less than 2 years	729	–	507
Over 2 years	3,422	3,386	3,139
	14,831	11,191	12,974
Less: Impairment losses for doubtful debts	(3,386)	(3,386)	(3,386)
	11,445	7,805	9,588

Credit terms granted to customers ranged from 30 days to 60 days. The credit terms granted to each customer vary depending on the customers' creditworthiness and settlement record.

14. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand	48	55	56
Deposits on demand	8,816	945	1,924
Cash and cash equivalents in the consolidated cash flow statements	8,864	1,000	1,980

15. Bank loans

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Current			
Bank loans	50,000	–	–

The bank loans are interest-bearing, with a fixed rate of 5.31% and guaranteed by Sichuan Jiguang Trading Co., Ltd., ("Sichuan Jiguang"), a related party, of which RMB 25,000,000 is repayable in January 2010 and the remaining balance of RMB 25,000,000 is repayable in June 2010.

16. Trade and other payables

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	12,681	8,034	6,233
Non-trade payables and accrued expenses	4,433	2,499	2,619
Other taxes payables	1,223	296	245
	18,337	10,829	9,097

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

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

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Due within 3 months or on demand	12,681	8,034	6,233

17. Deferred tax assets

The components of deferred tax assets recognised in the consolidated balance sheets and the movements during the Relevant Period are shown as follows:

	Deductible tax losses	Stock provision	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	–	841	841
Credited to profit or loss	507	168	675
At 31 December 2007	507	1,009	1,516
Credited to profit or loss	(204)	169	(35)
At 31 December 2008	303	1,178	1,481
Credited/(charged) to profit or loss	(303)	169	(134)
At 31 December 2009	–	1,347	1,347

17. Deferred tax assets (continued)

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is considered probable. As at 31 December 2007 and 2008, the Group has unused tax losses of approximately RMB 3,379,000 and RMB 2,021,000 available for offset against future profits. The Group has no unused tax losses as at 31 December 2009.

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised on the balance sheet	1,347	1,481	1,516

18. Capital and reserves

(a) Paid-in capital

Registered and paid-in capital is set out below:

	31 December 2009	
	Percentage of ownership	*RMB'000*
Miss Lin Yan Hua	80%	48,000
Mr. Wu Wen Jie	20%	12,000
	100%	60,000

	31 December 2008 and 2007	
	Percentage of ownership	*RMB'000*
Mr. Ju Zheng Yi	80%	48,000
Mr. Gao Nan	20%	12,000
	100%	60,000

(b) PRC statutory reserve

Transfers from retained earnings to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-in capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

Each PRC subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(c) Minority interest

The minority interest represents the 10% equity interest in SH OLM, which was held by Mr. Liu Jinsong.

18. Capital and reserves (continued)

(d) Distributability of reserves

At 31 December 2007, 2008 and 2009, no reserve was distributable to the equity holders of the Company as the Company had accumulated losses.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

19. Commitments

(i) Capital commitments

Outstanding capital commitments at 31 December 2007, 2008 and 2009 not provided for in the Financial Information were as follows:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Authorised but not contracted for	518	–	–

(ii) Lease commitments

At 31 December 2007, 2008 and 2009 the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Less than one year	374	518	376
Between one and two years	16	–	–
	390	518	376

The Group leased office buildings under operating leases during the Relevant Period. None of the leases includes contingent rentals.

20. Retirement benefits

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries are as follows:

Administrator	Beneficiary	Contribution rate
Beijing Municipal Government,	Employees of the Company	20%
Shanghai Municipal Government,	Employees of Shanghai OLM	22%
Chengdu Municipal Government, Sichuan Province	Employees of Chengdu OLM	20%
Hangzhou Municipal Government, Zhejiang Province	Employees of the Company, Hangzhou Branch	14%
Guangzhou Municipal Government, Guangdong Province	Employees of the Company, Guangzhou Branch	12%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the contributions described above.

21. Related party transactions

During the Relevant Period, transactions with the following parties are considered as related party transactions. The following is a summary of principal related party transactions carried out by the Group with its related parties for the Relevant Period.

Name of party	Relationship
Miss Lin Yan Hua	Equity holder of the Company
Mr. Wu Wen Jie	Equity holder of the Company
Chengdu OLM	Company controlled by a director of the Company
Shanghai OLM	Company controlled by a director of the Company
Sichuan Jiguang	Company under the significant influence of the key management of the Company
Fujian Start Group Co., Ltd. and its group companies	Previous equity holder of Chengdu OLM

(a) Transactions

Particulars of significant transactions between the Group and the above related parties during the Relevant Period are as follows:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Sales to related parties	9,744	1,761	349
Purchase from related parties	40,665	60,029	43,071

21. Related party transactions (continued)

(a) Transactions (continued)

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Acquisition of subsidiaries from related parties (note 9)	30,000	–	–

(b) Amounts due from/to related parties

		2009	2008	2007
		RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties	*(i)*	52,841	42,624	42,795
Amounts due to related parties	*(ii)*	(4,082)	(47,946)	(51,081)

(i) Included in the amounts due from related parties as at 31 December 2009 were advances to Fujian Start Group Co., Ltd. and its group companies and Sichuan Jiguang amounting to RMB 25,000,000 and RMB 25,000,000 respectively. The amounts were interest-bearing, with a fixed rate of 5.31%, of which RMB 25,000,000 due from Fujian Start Group Co., Ltd. and its group companies was repaid in January 2010, and the balance of RMB 25,000,000 due from Sichuan Jiguang is repayable in June 2010. The remaining balance of amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

(ii) The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

(iii) Guarantees from or to related parties are disclosed in notes 14 and 23 to this Financial Information.

(c) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	2,204	1,790	1,508

(d) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 20. As at 31 December 2007, 2008 and 2009, there was no material outstanding contribution to post-employment benefit plans.

22. Financial risk management and fair values

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables, prepayments made to suppliers and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In relation to trade receivables, the Group has policies in place to ensure that a certain percentage of the contracted sales amounts have been received as deposits upon agreeing the related sales contracts with customers. The credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates. As at the balance sheet dates, the Group has a certain concentrations of credit risk as 93%, 98% and 98% of the prepayments made to suppliers (included in trade and other receivables) were due from the Group's largest supplier for the years ended 31 December 2007, 2008 and 2009.

Individual credit limits are set based on the assessment of credit quality. The Group also undertakes certain monitoring procedures on an individual customer basis to ensure that proper follow-up action is taken to recover overdue debts. Nevertheless, certain amounts of trade receivables cannot be recovered due to default and unexpected financial difficulties suffered by customers from time to time. At the balance sheet dates, the Group has no significant concentrations of credit risk with any of its customers.

Further quantitive disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with well-known Chinese banks, which the management believes are of high credit quality.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

22. Financial risk management and fair values (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from authorised financial institutions to meet its liquidity requirements in the short and longer term.

Contractual maturities of financial liabilities

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities including estimated interest payments:

	Carrying amount	Contractual undiscounted cash flow	6 months or less or on demand
	RMB'000	*RMB'000*	*RMB'000*
Non-derivative financial liabilities			
2009			
Bank loans	50,000	50,686	–
Trade and other payables excluding advances from customers	16,497	16,497	–
Amounts due to related parties	4,082	4,082	–
	70,579	71,265	–
2008			
Trade and other payables excluding advances from customers	9,981	9,981	–
Amounts due to related parties	47,946	47,946	–
	57,927	57,927	–
2007			
Trade and other payables excluding advances from customers	7,823	7,823	–
Amounts due to related parties	51,081	51,081	–
	58,904	58,904	–

22. Financial risk management and fair values (continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, issued at variable rates which expose the Group to fair value interest rate risk.

(i) Interest rate profile

The interest rate profiles of the Group's interest-bearing financial instruments at the balance sheet dates are as follows:

	2009		**2008**		**2007**	
	Effective weighted average interest rates		**Effective weighted average interest rates**		**Effective weighted average interest rates**	
	% (annual)	*RMB'000*	*% (annual)*	*RMB'000*	*% (annual)*	*RMB'000*
Fixed rate instruments						
Amounts due from related parties	5.31	50,000	–	–	–	–
Bank loans	5.31	(50,000)	–	–	–	–
		–		–		–
Variable rate instruments						
Cash and cash equivalents	0.36	8,864	0.36	1,000	0.72	1,980

(ii) Sensitivity analysis

At the balance sheet date, it is estimated that a general increase/decrease of 36 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit/(loss) after tax and accumulated losses by approximately RMB 6,000, RMB 3,000 and RMB 27,000 for the year ended 31 December 2007, 2008 and 2009. Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) after tax and accumulated losses that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed consistently in 2007, 2008 and 2009.

(d) Foreign currency risk

The Group is not exposed to foreign currency risk as the Group does not have transactions denominated in currencies other than RMB.

22. Financial risk management and fair values (continued)

(f) Fair values

The three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

The Group does not have any financial instruments that are measured at fair value as at 31 December 2007, 2008 and 2009.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2007, 2008 and 2009.

23. Contingent liabilities

The Company, Fujian Start Group Co., Ltd. and Beijing Sheng Bang Investment Co., Ltd., a shareholder of Fujian Start Group Co., Ltd., issued joint guarantees to banks in respect of the bank loans granted to Beijing Start Technology Development Co., Ltd., a subsidiary of Fujian Start Group Co., Ltd., on 6 January 2004 and 14 October 2004 respectively. As at 31 December 2007, 2008 and 2009, the amounts of unreleased guarantees were approximately RMB 17,000,000, RMB 23,000,000 and RMB 7,300,000 respectively. The directors of the Company consider that in accordance with debt settlement agreements entered between the banks, Fujian Start Group Co., Ltd. and Beijing Start Technology Development Co., Ltd. on 25 March 2008, the joint guarantees will be fully released when the outstanding bank loans are due to be fully repaid in June 2010 and therefore no material liability existed at the respective balance sheet dates.

24. Accounting estimates and judgements

The most significant sources of estimation uncertainty used in the preparation of the Financial Information are as follows.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of a similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation of net realisable value at each balance sheet date.

(b) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact on profit or loss.

24. Accounting estimates and judgements (continued)

(c) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

25. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2009

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in the Financial Information.

	Effective for accounting period beginning on or after
Improvements to IFRS 2008 *(Amendments to IFRS 5, Non-current assets held for sales and discontinued operations)*	1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Amended IAS 27, *Consolidated and separate financial statements*	1 July 2009
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRS 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash- settled share-based payment transactions*	1 January 2010
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments* *Basis for conclusions on IFRS 9 Amendments to other IFRSs and guidance on IFRS 9*	1 January 2013
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the Financial Information, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

C SUBSEQUENT FINANCIAL INFORMATION

The following significant events took place subsequent to 31 December 2009:

(a) Domestic Acquisition

On 26 April 2010, Oriental Legend Maker Technology Limited ("OLM"), a company incorporated in Hong Kong, which is a wholly-owned subsidiary of Liang Hui Holdings Limited, entered into an equity transfer agreement relating to the Domestic Acquisition pursuant to which OLM will acquire the entire equity interest in the Company at a consideration of RMB60,000,000 from Miss Lin Yan Hua and Mr. Wu Wen Jie. The Domestic Acquisition was completed on 8 June 2010 and the Company became a direct wholly-owned subsidiary of OLM.

In addition, Chengdu OLM acquired the 10% minority interest in Shanghai OLM at a cash consideration of RMB100,000 from Mr. Liu Jin Song on 11 June 2010 and Shanghai OLM became a wholly-owned subsidiary of the Group.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2009.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS

Beijing OLM and its subsidiaries has developed into the current stage through years of business restructuring and integration of resources. Currently, Beijing OLM and its subsidiaries have become professional service providers of database software. By having a large client base who use Oracle databases and with continuing growth in the demand for software maintenance services in the PRC market in recent years, Beijing OLM and its subsidiaries recorded turnover growth from 2007 to 2009.

Financial Summary

Set out below is the management discussion and analysis on Beijing OLM and its subsidiaries for the three years ended 31 December 2009.

The turnover and (loss)/profit of Beijing OLM for the three years ended 31 December 2009 are set out below:

	For the year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	63,630	90,789	133,073
(Loss)/ profit for the year	(3,575)	(1,226)	2,082

Results of operations

	For the year ended 31 December		
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Software maintenance and other services	59,833	85,726	131,211
Sale of software products and others	3,797	5,063	1,862
	63,630	90,789	133,073

Beijing OLM recorded a continuous turnover growth from 2007 to 2009 which was mainly contributed by the turnover growth in the software maintenance and other services from approximately RMB59.8 million in 2007 to approximately RMB85.7 million in 2008 and to approximately RMB131.2 million in 2009. Such continuous annual growth was mainly due to increase in number of new customers and increase in orders from existing customers. The total number of orders increased by approximately 49.2% from 2007 to 2008 and approximately 6.9% from 2008 to 2009.

The turnover attributable to the sale of software products and others increased from approximately RMB3.8 million in 2007 to approximately RMB5.1 million in 2008, which was mainly due to increase in sales orders from new customers. Such turnover decreased to approximately RMB1.9 million in 2009 because fewer sales orders were received.

Liquidity and Financial Resources

As at 31 December 2007, 31 December 2008 and 31 December 2009, the net assets of Beijing OLM were approximately RMB25.9 million, RMB24.7 million and RMB41.8 million respectively.

There was no bank loan as at 31 December 2007 and 31 December 2008. The total bank loans was RMB50 million as at 31 December 2009 which was raised by Chengdu OLM and guaranteed by a related party. The amounts due to related parties mainly represented amounts payable to Chengdu OLM for maintenance services which were unsecured, interest free and have no fixed terms of repayment. Such amounts decreased to approximately RMB47.9 million as at 31 December 2008 from approximately RMB51.1 million as at 31 December 2007 because of the repayment by Beijing OLM. Such amounts further decreased to approximately RMB4.1 million as at 31 December 2009 because of the elimination of intercompany balances on consolidation upon acquisition of entire equity interest of Chengdu OLM by Beijing OLM in October 2009.

The gearing ratio, which was calculated as a percentage of total interest-bearing borrowings less cash and cash equivalent over total assets, was nil and nil as at 31 December 2007 and 31 December 2008. The gearing ratio was approximately 35.64% as at 31 December 2009 because of the bank loans of RMB50 million raised by Chengdu OLM.

The current ratio of Beijing OLM was 128.1%, 129.1% and 137.4% as at 31 December 2007, 31 December 2008 and 31 December 2009 respectively. The improvement in 2009 as compared to that of 2008 was mainly due to the consolidation of assets and liabilities of Chengdu OLM upon acquisition of the entire equity interest of Chengdu OLM on 19 October 2009, as the current ratio of Chengdu OLM was higher than that of Beijing OLM.

The total cash and cash equivalents of Beijing OLM were approximately RMB2.0 million, RMB1.0 million and RMB8.9 million as at 31 December 2007, 31 December 2008 and 31 December 2009 respectively. The increase by approximately RMB7.9 million from 2008 to 2009 was mainly due to increase in cash generated from operating activities.

Capital Expenditure

For the three years ended 31 December 2009, total capital expenditure incurred by Beijing OLM was approximately RMB1.0 million, RMB0.2 million and RMB1.8 million which was mainly for the purchase of motor vehicles and office equipment.

Pledge of Assets

As at 31 December 2007, 31 December 2008 and 31 December 2009, Beijing OLM had no pledge over its assets.

Contingent Liabilities

Beijing OLM, Fujian Start Group Co., Ltd. and Beijing Sheng Bang Investment Co., Ltd., a shareholder of Fujian Start Group Co., Ltd., issued joint guarantees to banks in respect of the bank loans granted to Beijing Start Technology Development Co., Ltd., a subsidiary of Fujian Start Group Co., Ltd., on 6 January 2004 and 14 October 2004 respectively. As at 31 December 2007, 2008 and 2009, the amounts of unreleased guarantees were approximately RMB17,000,000, RMB23,000,000 and RMB7,300,000 respectively. The directors of Beijing OLM consider that in accordance with debt settlement agreements entered between the banks, Fujian Start Group Co., Ltd. and Beijing Start Technology Development Co., Ltd. on 25 March 2008, the joint guarantees will be fully released when the outstanding bank loans are due to be fully repaid in June 2010 and therefore no material liability existed at the respective balance sheet dates.

Commitments

As at 31 December 2009, Beijing OLM had capital commitments approved but not yet contracted of approximately RMB0.5 million for the purchases of office equipments. The lease commitments of Beijing OLM were approximately RMB0.4 million, RMB0.5 million and RMB0.4 million as at 31 December 2007, 31 December 2008 and 31 December 2009 respectively, for the lease of office buildings under operating leases.

Major Acquisition

On 19 October 2009, Beijing OLM acquired 100% equity interest in Chengdu OLM for a consideration of RMB30 million.

Foreign Exchange Risk

Beijing OLM was not exposed to foreign currency risk as Beijing OLM did not have transactions denominated in currencies other than RMB.

Employee and Remuneration Policy

As at the Latest Practicable Date, Beijing OLM employed a total of about 47 employees in the PRC. All employees are remunerated based on industry practice and in accordance with the prevailing employment laws and regulations. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

Business Overview and Development of Beijing OLM and its Subsidiaries

Business Overview

Beijing OLM and its subsidiaries are principally engaged in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. Such database products are mainly used to manage internal and external resources, including but not limited to, tangible assets, financial resources, materials, and human resources in order to facilitate the flow of information between all business functions inside the boundaries of the organisation. Beijing OLM and its subsidiaries also provide customized development of applications as a value-added service to customers, and sell self-developed firewall and other software products.

Beijing OLM and its subsidiaries have been operating in the information technology industry in the PRC for more than a decade and have gone through the ups and downs of the industry. With various business arms in the industry from the provision of software maintenance and other services to the development and distribution of its own products, Beijing OLM continued to record turnover growth.

Since 2000, Beijing OLM and its subsidiaries have been investing in the research and development for network security technology. After almost a decade of development, Beijing OLM and its subsidiaries were able to develop a full set of network security products from firewall product at their beginning and become well known security service provider in the industry.

Future prospects

As demand in the information technology industry in the PRC continues to grow rapidly, Beijing OLM and its subsidiaries will continue to focus on the development of software maintenance and value-added services in the next two to three years, and intend to set up offices in other big cities in the PRC, for example, Nanjing, Xian and Hangzhou.

Moreover, Beijing OLM and its subsidiaries will continue to explore other markets that have significant need in data management, for example, health, education, energy and manufacturing industries.

1. ACCOUNTANT'S REPORT OF CHENGDU OLM

The following is the text of a report on the financial information of Chengdu Orient LegendMaker Information Co., Ltd., prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 June 2010

The Directors
Tai-I International Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Chengdu Orient LegendMaker Information Industry Co., Ltd. (the "Company") and its subsidiary (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 19 October 2009 (the "Relevant Period"), and the consolidated balance sheets of the Group as at 31 December 2007 and 2008 and 19 October 2009, together with the notes thereto (the "Financial Information"), for inclusion in the circular of Tai-I International Holdings Limited dated 28 June 2010 (the "Circular").

The Company was established in the People's Republic of China (the "PRC") on 28 December 2001 as a limited liability company under the Company Law of the PRC. The Company is principally engaged in provision of integrated business software solutions in the PRC. Pursuant to a domestic acquisition completed on 8 June 2010 (the "Domestic Acquisition") as detailed in the section headed "Letter from the Board" in the Circular, the Company became a wholly-owned subsidiary of Liang Hui Holdings Limited.

As at the date of this report, no audited financial statements have been prepared for the companies comprising the Group, as they are domestic companies established in the PRC and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies comprising the Group have adopted 31 December as their financial year end date. Details of the company comprising the Group that are subject to audit during the Relevant Period are set out in Section A.

The directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"), which are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). We have audited the Underlying Financial Statements for each of the years ended 31 December 2007, 2008 and the period from 1 January 2009 to 19 October 2009 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's consolidated results and cash flows for the Relevant Period, and the state of affairs of the Group as at 31 December 2007 and 2008 and 19 October 2009.

A BASIS OF PREPARATION

Before the Domestic Acquisition, Miss Lin Yan Hua and Mr. Wu Wen Jie transferred their entire equity interests in the Company to Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") on 19 October 2009. Upon the completion of the share transfer, the Company became a wholly-owned subsidiary of Beijing OLM. For the purpose of this report, the directors of the Company have prepared the Financial Information of the Group for the period from 1 January 2007 to 19 October 2009, the acquisition date of the Group by Beijing OLM. The financial results of the Group were included in the Beijing OLM's consolidated financial statements since then.

The results of the Group for the Relevant Period include results of the Company and its subsidiary. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the Financial Information prepared on this basis present fairly the results of operations and state of affairs of the Group as a whole.

As of the balance sheet dates, the Company has a direct interest in the following subsidiary, which is a private company, particulars of which are set out below:

Name of company	Place and date of establishment	Registered capital	Attributable equity interest		Principal activities
				Direct	
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM")	The PRC 10 August 1998	RMB1,000,000	–	90%	Provision of integrated business software solutions

Note: The type of legal entity of Shanghai OLM is domestic Chinese enterprise.

B FINANCIAL INFORMATION

B1 Consolidated Statements of Comprehensive Income

For the years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 19 October 2009
(Expressed in Renminbi Yuan)

	Note	The period from 1 January 2009 to 19 October 2009 RMB'000	2008 RMB'000	2007 RMB'000
Turnover	2	88,421	125,032	95,939
Cost of sales		(73,819)	(113,526)	(89,081)
Gross profit		14,602	11,506	6,858
Distribution expenses		(3,019)	(4,745)	(3,268)
General and administrative expenses		(2,149)	(2,533)	(3,784)
Other net (loss)/income		(21)	14	22
Profit/(loss) before taxation	3	9,413	4,242	(172)
Income tax expenses	4(i)	(1,443)	(680)	(289)
Profit/(loss) for the period/year		7,970	3,562	(461)
Other comprehensive income for the year		–	–	–
Total comprehensive income for the period/year		7,970	3,562	(461)
Attributable to:				
Equity holders of the Company		7,851	3,562	(461)
Minority interest	16	119	–	–
Total comprehensive income for the period/year		7,970	3,562	(461)

The notes on pages 128 to 151 form part of these Financial Information.

B2 Consolidated Balance Sheets

At 31 December 2007 and 2008 and 19 October 2009

(Expressed in Renminbi Yuan)

	Note	19 October 2009 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000
Non-current assets				
Property, plant and equipment	9	310	353	355
Intangible assets	10	–	–	469
		310	353	824
Current assets				
Inventories	11	2,882	2,212	4,032
Trade and other receivables	12	7,872	6,838	5,386
Amounts due from related parties	19(b)	106,712	59,686	37,822
Cash and cash equivalents	13	1,845	9,177	5,625
		119,311	77,913	52,865
Current liabilities				
Bank loans	14	50,000	–	–
Trade and other payables	15	31,137	22,846	27,115
Amounts due to related parties	19(b)	1,957	27,105	2,275
Income tax payables	4(iii)	926	684	230
		84,020	50,635	29,620
Net current assets		35,291	27,278	23,245
Total assets less current liabilities		35,601	27,631	24,069
NET ASSETS		35,601	27,631	24,069
Capital and reserves	16			
Paid-in capital		30,000	30,000	30,000
Reserves		5,482	(2,369)	(5,931)
Total equity attributable to the equity holders of the Company		35,482	27,631	24,069

B2 Consolidated Balance Sheets (continued)

At 31 December 2007 and 2008 and 19 October 2009

(Expressed in Renminbi Yuan)

	Note	19 October 2009 RMB'000	31 December 2008 RMB'000	31 December 2007 RMB'000
Minority interest	*16*	119	–	–
Total equity		35,601	27,631	24,069

The notes on pages 128 to 151 form part of these Financial Information.

B3 Consolidated Statements of Changes in Equity

For the years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 19 October 2009 (Expressed in Renminbi Yuan)

		Attributable to equity holders of the Company					
		Paid-in capital	PRC statutory reserve	(Accumulated losses)/ retained earnings	Total	Minority interest	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note	*16(a)*	*16(b)*			*16(c)*	
At 1 January 2007		30,000	–	(5.470)	24,530	–	24,530
Loss for the year		–	–	(461)	(461)	–	(461)
At 31 December 2007		30,000	–	(5,931)	24,069	–	24,069
Profit for the year		–	–	3,562	3,562	–	3,562
Appropriation to surplus reserves		–	257	(257)	–	–	–
At 31 December 2008		30,000	257	(2,626)	27,631	–	27,631
Profit for the period		–	–	7,851	7,851	119	7,970
Appropriation to surplus reserves		–	656	(656)	–	–	–
At 19 October 2009		30,000	913	4,569	35,482	119	35,601

The notes on pages 128 to 151 form part of these Financial Information.

B4 Consolidated Cash Flow Statements

For the years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 19 October 2009
(Expressed in Renminbi Yuan)

	Note	**The period from 1 January 2009 to 19 October 2009** *RMB'000*	**2008** *RMB'000*	**2007** *RMB'000*
Operating activities				
Profit/(loss) before taxation		9,413	4,242	(172)
Adjustments for:				
– Depreciation		90	111	101
– Amortisation		–	469	2,462
– Loss on disposal of property, Plant and equipment		–	1	–
Operating profit before changes in working capital		9,503	4,823	2,391
(Increase)/decrease in inventories		(670)	1,820	1,897
Increase in trade and other receivables		(1,034)	(1,452)	(1,826)
(Increase)/decrease in amounts due from/to related parties		(22,174)	2,966	(13,172)
Increase/(decrease) in trade and other payables		8,291	(4,269)	13,679
Cash (used in)/generated from operating activities		(6,084)	3,888	2,969
PRC income tax paid		(1,201)	(226)	(174)
Net cash (used in)/generated from operating activities		(7,285)	3,662	2,795

B4 Consolidated Cash Flow Statements (continued)

For the years ended 31 December 2007 and 2008 and the period from 1 January 2009 to 19 October 2009
(Expressed in Renminbi Yuan)

	Note	The period from 1 January 2009 to 19 October 2009	2008	2007
Cash flow from investing activities				
Acquisition of property, plant and equipment		(47)	(110)	(88)
Net cash used in investing activities		(47)	(110)	(88)
Cash flow from financing activities				
Proceeds from bank loans		50,000	–	–
Advances to related parties		(50,000)	–	–
Net cash generated from financing activities		–	–	–
Net (decrease)/increase in cash and cash equivalents		(7,332)	3,552	2,707
Cash and cash equivalents at the beginning of period/year		9,177	5,625	2,918
Cash and cash equivalents at the end of period/year	*13*	1,845	9,177	5,625

The notes on pages 128 to 151 form part of these Financial Information.

C NOTES TO FINANCIAL INFORMATION

1. Significant accounting policies

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with International Financial Reporting Standards ("IFRSs") which collective term includes International Accounting Standards and related interpretations, promulgated by the International Accounting Standards Board. Further details of the significant accounting policies adopted are set out in the remainder of this section.

The following standards have been early adopted as at the beginning of the Relevant Period:

IFRS 7,	Financial instruments: disclosures
Amendments to IAS 1,	Presentation of financial statements: capital disclosures
Amendments to IAS 39,	Financial instruments: Recognition and measurement
IFRS 8,	Operating segments
Revised IAS 1,	Presentation of financial statements
Revised IAS 23,	Borrowing costs
Amendments to IAS 32,	Financial instruments: Presentation
Amendments to IFRS 1,	First-time adoption of International Financial Reporting Standards,
Amendments to IAS 27,	Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly-controlled entity or associate
Amendments to IFRS 7,	Financial instruments: Disclosures – Improving disclosures about financial instruments

The Group did not prepare financial statements previously. This is the Group's first IFRS Financial Information and IFRS 1 has been applied.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period ended 19 October 2009. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on 1 January 2009 are set out in note 22.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure practices of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand. The measurement basis used in the preparation of the Financial Information is historical cost basis.

(c) Use of estimates and judgements

The preparation of Financial Information 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.

(c) Use of estimates and judgements (continued)

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.

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 21.

(d) Subsidiary

Subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of the subsidiary are included in the Financial Information from the date that control commences until the date that control ceases.

Minority interest represents the portion of the net assets of subsidiary attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiary, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interest is presented in the consolidated balance sheets within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated statements of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated Financial Information. Unrealised losses arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(h)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Motor vehicles	3-8 years
–	Office equipment	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible assets

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite and impairment losses (see note 1(h)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

– Software licences 2 years

(g) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Current receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and recognised as follows.

For current receivables carried at amortised cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the carrying amount of the financial assets exceeding that which would have been determined had no impairment loss been recognised in prior years.

(h) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– intangible assets;

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated cost necessary to make the sale.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(h)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case they are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable/recoverable on the taxable income/loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Group has the legally enforceable right to set off current tax assets against current tax liabilities.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

(n) Provisions and contingent liabilities (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Revenue recognition

Revenue comprises the fair value of the consideration received for the services in the ordinary course of the Group's activities and the sales of goods. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

Provided it is probable that the future economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

(ii) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customer; the customer has accepted the products and collectibility of the related receivables is reasonably assured.

(iii) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

(iv) Interest income

Interest income is recognised as it accrues using the effective interest method.

(p) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(q) Employee benefits

(i) Salaries, annual bonuses and staff welfare are accrued in the period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the statement of comprehensive income as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(r) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a jointly controlled entity in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in 1(r)(i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(s) Segment reporting

The Group operates in a single business segment, provision of integrated business software solutions in the PRC. Accordingly, no segment analysis is presented.

2. Turnover

The principal activities of the Group are the provision of integrated business software solutions in the PRC.

The amount of turnover recognised during the Relevant Period is as follows:

	The period from 1 January 2009 to 19 October 2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Software maintenance and other services	88,199	122,730	94,676
Sale of software products and others	222	2,302	1,263
	88,421	125,032	95,939

3. Profit/(loss) before taxation

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

(i) Staff costs

	The period from 1 January 2009 to 19 October 2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits	2,326	3,074	2,114
Contributions to defined contribution retirement schemes *(note 18)*	320	332	260
	2,646	3,406	2,374

(ii) Other items

	The period from 1 January 2009 to 19 October 2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Depreciation	90	111	101
Amortisation	–	469	2,462
Operating leases charges in respect of properties	426	540	473

4. Income tax expenses

(i) Income tax expenses in the consolidated statements of comprehensive income represents:

	The period from 1 January 2009 to 19 October 2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Current tax – PRC			
Provision for the period/year	1,443	680	289

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the companies located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC. The applicable income tax rate to domestic enterprises in the PRC was 33% in 2007.

4. Income tax expenses (continued)

(i) (continued)

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which takes effect on 1 January 2008. As a result of the new tax law, the income tax rate applicable to the PRC companies was reduced from 33% in 2007 to 25% from 1 January 2008.

Pursuant to the approvals obtained from the relevant PRC tax authorities, being high-tech enterprises in the PRC, the Company is entitled to a preferential income tax rate of 15% for 2007 and 2008 and the period from 1 January 2009 to 19 October 2009.

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

	The period from 1 January 2009 to 19 October 2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Profit/(loss) before taxation	9,413	4,242	(172)
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (2009:25%, 2008:25%, 2007:33%)	(2,353)	(1,060)	57
Effect of tax concessions	910	380	(346)
	(1,443)	(680)	(289)

(iii) Taxation in the consolidated balance sheets represents:

	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January	684	230	115
Provision for income tax for the period/year	1,443	680	289
Amounts paid	(1,201)	(226)	(174)
At 19 October / 31 December	926	684	230

5. Directors' remuneration

Details of directors' remuneration are as follows:

For the period from 1 January 2009 to 19 October 2009 and the year ended 31 December 2008

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Miss Lin Yan Hua	–	–	–	–
Mr. Wu Wen Jie	–	–	–	–
Mr. Liu Jin Song	–	–	–	–
Total	–	–	–	–

For the year ended 31 December 2007

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors				
Mr. Liu Jin Song	–	–	–	–

An analysis of directors' remuneration by the number of directors and remuneration range is as follows:

	The period from 1 January 2009 to 19 October 2009	2008	2007
Nil to RMB1,000,000	–	–	–

There were no amounts paid during the Relevant Period to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period.

6. Individuals with highest emoluments

The five highest paid individuals of the Group include nil directors of the Company during the Relevant Period, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the 5 highest paid individuals of the Group are as follows:

	The period from 1 January 2009 to 19 October 2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Basic salaries, allowances and other benefits	1,497	1,382	1,083
Bonus	280	274	240
	1,777	1,656	1,323
Number of individuals	5	5	5

The above individuals' emoluments are within the band of Nil to RMB 1,000,000.

There were no amounts paid during the Relevant Period to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join.

7. Dividends

No dividends were declared by the Group during the Relevant Period.

8. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful.

9. Property, plant and equipment

	Motor vehicles *RMB'000*	Office equipment *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2007	318	1,244	1,562
Additions	–	88	88
At 31 December 2007	318	1,332	1,650
Additions	–	110	110
Disposals	–	(27)	(27)
At 31 December 2008	318	1,415	1,733
Additions	–	47	47
Disposals	–	(1)	(1)
At 19 October 2009	318	1,461	1,779
Accumulated depreciation:			
At 1 January 2007	(102)	(1,092)	(1,194)
Charge for the year	(47)	(54)	(101)
At 31 December 2007	(149)	(1,146)	(1,295)
Charge for the year	(47)	(64)	(111)
Written back on disposal	–	26	26
At 31 December 2008	(196)	(1,184)	(1,380)
Charge for the period	(47)	(43)	(90)
Written back on disposal	–	1	1
At 19 October 2009	(243)	(1,226)	(1,469)
Net book value:			
At 19 October 2009	75	235	310
At 31 December 2008	122	231	353
At 31 December 2007	169	186	355

10. Intangible assets

	Software licences *RMB'000*
Cost:	
At 1 January 2007	3,300
Disposals	(800)
At 31 December 2007	2,500
Disposals	(2,500)
At 31 December 2008 and 19 October 2009	–
Accumulated amortisation:	
At 1 January 2007	(369)
Charge for the year	(2,462)
Written back on disposal	800
At 31 December 2007	(2,031)
Charge for the year	(469)
Written back on disposal	2,500
At 31 December 2008 and 19 October 2009	–
Net book value:	
At 31 December 2008 and 19 October 2009	–
At 31 December 2007	469

11. Inventories

Inventories comprise:

	19 October 2009 *RMB'000*	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*
Standard softwares and low value consumables	2,882	2,212	4,032

12. Trade and other receivables

	19 October 2009 *RMB'000*	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*
Trade receivables	6,366	6,129	4,901
Other receivables and prepayments made to suppliers	1,506	709	485
	7,872	6,838	5,386

12. Trade and other receivables (continued)

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

Invoice date:	**19 October 2009** *RMB'000*	**31 December 2008** *RMB'000*	**31 December 2007** *RMB'000*
Within 1 month	2,881	3,520	1,779
Over 1 month but less than 3 months	3,126	1,100	832
Over 3 months but less than 1 year	297	620	2,262
Over 1 year but less than 2 years	62	889	28
	6,366	6,129	4,901

Credit terms granted to customers ranged from 30 days to 60 days. The credit terms granted to each customer vary depending on the customers' creditworthiness and settlement record.

13. Cash and cash equivalents

An analysis of the balance of cash and cash equivalents is set out below:

	19 October 2009 *RMB'000*	**31 December 2008** *RMB'000*	**31 December 2007** *RMB'000*
Cash on hand	11	24	8
Deposits on demand	1,834	9,153	5,617
Cash and cash equivalents in the consolidated cash flow statements	1,845	9,177	5,625

14. Bank loans

	19 October 2009 *RMB'000*	**31 December 2008** *RMB'000*	**31 December 2007** *RMB'000*
Current			
Bank loans	50,000	–	–

The bank loans are interest-bearing, with a fixed rate of 5.31% and guaranteed by Sichuan Jiguang Trading Co., Ltd., ("Sichuan Jiguang"), a related party, of which RMB 25,000,000 is repayable in January 2010 and the remaining balance of RMB 25,000,000 is repayable in June 2010.

15. Trade and other payables

	19 October 2009 *RMB'000*	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*
Trade payables	12,858	19,162	26,539
Advances from customers, other receivables and accruals	18,046	3,081	521
Other taxes payables	233	603	55
	31,137	22,846	27,115

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

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

	19 October 2009 *RMB'000*	31 December 2008 *RMB'000*	31 December 2007 *RMB'000*
Due within 3 months or on demand	12,858	19,162	26,539

16. Capital and reserves

(a) Paid-in capital

Registered and paid-in capital is set out below:

	19 October 2009 and 31 December 2008	
	Percentage of ownership	*RMB'000*
Miss Lin Yan Hua	80%	24,000
Mr.Wu Wen Jie	20%	6,000
	100%	30,000

	31 December 2007	
	Percentage of ownership	*RMB'000*
Fujian Start Group Co., Ltd.	100%	30,000

(b) PRC statutory reserve

Transfers from retained earnings to general reserve fund were made in accordance with the relevant PRC rules and regulations and the articles of association of the Company's subsidiaries established in the PRC and were approved by the respective boards of directors.

The general reserve fund can be used to make good previous year's losses, if any, and may be converted into paid-in capital provided that the balance of the general reserve fund after such conversion is not less than 25% of the PRC subsidiary's registered capital.

16. Capital and reserves (continued)

(b) PRC statutory reserve (continued)

Each PRC subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(c) Minority interest

The minority interest represents the 10% equity interest in Shanghai OLM, which was held by Mr. Liu Jinsong.

(d) Distributable reserves

At 31 December 2007 and 2008, no reserve was distributable to the equity holders of the Company as the Company had accumulated losses. At 19 October 2009, the amount of reserves available for distribution to equity holders of the Company was RMB4,120,000.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

17. Commitments

(i) Capital commitments

Outstanding capital commitments at the balance sheet dates not provided for in the Financial Information were as follows:

	19 October *2009* RMB'000	**31 December** *2008* RMB'000	**31 December** *2007* RMB'000
Authorised but not contracted for	518	453	344

(ii) Lease commitments

At the balance sheet dates, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	19 October 2009 *RMB'000*	**31 December 2008** *RMB'000*	**31 December 2007** *RMB'000*
Less than one year	325	547	511
Between one and two years	16	326	467
Between two and three years	–	16	229
	341	889	1,207

The Group leased office buildings under operating leases during the Relevant Period. None of the leases includes contingent rentals.

18. Retirement benefits

As stipulated by the regulations of the PRC, the Group's subsidiary in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the subsidiaries are as follows:

Administrator	Beneficiary	Contribution rate
Chengdu Municipal Government, Sichuan Province	Employees of the Company	20%
Shanghai Municipal Government,	Employees of Shanghai OLM	22%

All employees are entitled to retirement benefits equal to a fixed proportion of their salaries and benefits in kind prevailing at their normal retirement ages.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the contributions described above.

19. Related party transactions

During the Relevant Period, transactions with the following parties are considered as related party transactions. The following is a summary of principal related party transactions carried out by the Group with its related parties for the Relevant Period.

Name of party	Relationship
Beijing OLM	Company controlled by a director of the Company
Sichuan Jiguang	Company under the significant influence of the key management of the Company
Fujian Start Group Co., Ltd. and its group companies	Previous equity holder of the Company

(a) Transactions

Particulars of significant transactions between the Group and the above related parties during the Relevant Period are as follows:

	The period from 1 January 2009 to 19 October 2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*
Sales to related parties	40,665	60,029	43,071
Purchase from related parties	9,744	1,761	349

The directors of the Company are of the opinion that the above transactions with related parties were conducted on normal commercial terms and in the ordinary course of business.

19. Related party transactions (continued)

(b) Amounts due from/to related parties

		19 October 2009	31 December 2008	31 December 2007
		RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties	*(i)*	106,712	59,686	37,822
Amounts due to related parties	*(ii)*	(1,957)	(27,105)	(2,275)

(i) Included in the amounts due from related parties as at 19 October 2009 were advances to Fujian Start Group Co., Ltd. and its group companies and Sichuan Jiguang amounting to RMB25,000,000 and RMB25,000,000 respectively. The amount was interest-bearing, with a fixed rate of 5.31%, of which RMB 25,000,000 due from Fujian Start Group Co., Ltd and its group companies was repaid in January 2010, and the remaining balance of RMB 25,000,000 due from Sichuan Jiguang is repayable in June 2010. The remaining balance of amounts due from related parties are unsecured, interest free and have no fixed terms of repayment.

(ii) The amounts due to related parties are unsecured, interest free and have no fixed terms of repayment.

(iii) Guarantees from related parties are disclosed in notes 14 to this Financial Information.

(c) Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and supervisors of the Group. The compensation of key management personnel is as follows:

	19 October 2009	31 December 2008	31 December 2007
	RMB'000	*RMB'000*	*RMB'000*
Short-term employee benefits	600	540	480

(d) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 18. As at 31 December 2007 and 2008 and 19 October 2009, there was no material outstanding contribution to post-employment benefit plans.

20. Financial risk management and fair values

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

20. Financial risk management and fair values (continued)

(a) Credit risk

The Group's credit risk is primarily attributable to trade receivables, prepayments made to suppliers and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In relation to trade receivables, the Group has policies in place to ensure that a certain percentage of the contracted sales amounts have been received as deposits upon agreeing the related sales contracts with customers. The credit quality of the counterparties is assessed by taking into account their financial position, credit history and other factors.

In respect of prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

Individual credit limits are set based on the assessment of credit quality. The Group also undertakes certain monitoring procedures on an individual customer basis to ensure that proper follow-up action is taken to recover overdue debts. Nevertheless, certain amounts of trade receivables cannot be recovered due to default and unexpected financial difficulties suffered by customers from time to time. At the balance sheet date, the Group has no significant concentrations of credit risk with any of its customers.

Further quantitive disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables is set out in note 12.

It is expected that there is no significant credit risk associated with the cash and cash equivalents as they are placed with well-known Chinese banks, which the management believes are of high credit quality.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Company does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from authorised financial institutions to meet its liquidity requirements in the short and longer term.

20. Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

Contractual maturities of financial liabilities

The following table details the remaining contractual maturities at the balance sheet dates of the Group's financial liabilities including estimated interest payments:

	Carrying amount	Contractual undiscounted cash flow	6 months or less or on demand
	RMB'000	*RMB'000*	*RMB'000*
Non-derivative financial liabilities			
19 October 2009			
Bank loans	50,000	50,686	–
Trade and other payables excluding advances from customers	16,560	16,560	–
Amounts due to related parties	1,957	1,957	–
	68,517	69,203	–
31 December 2008			
Trade and other payables excluding advances from customers	22,464	22,464	–
Amounts due to related parties	27,105	27,105	–
	49,569	49,569	–
31 December 2007			
Trade and other payables excluding advances from customers	27,115	27,115	–
Amounts due to related parties	2,275	2,275	–
	29,390	29,390	–

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, issued at variable rates which expose the Group to fair value interest rate risk.

20. Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The interest rate profile of the Group's interest-bearing financial instruments at the balance sheet dates is as follows:

	19 October 2009		31 December 2008		31 December 2007	
	Effective weighted average interest rates % (annual)	*RMB'000*	*Effective weighted average interest rates % (annual)*	*RMB'000*	*Effective weighted average interest rates % (annual)*	*RMB'000*
Fixed rate instruments						
Amounts due from related parties	5.31	50,000	–	–	–	–
Bank loans	5.31	(50,000)	–	–	–	–
		–		–		–
Variable rate instruments						
Cash and cash equivalents	0.36	1,845	0.36	9,177	0.72	5,625

(ii) Sensitivity analysis

At the balance sheet date, it is estimated that a general increase/decrease of 36 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit/(loss) after tax and accumulated losses by approximately RMB 17,000, RMB 28,000 and RMB 6,000 for the years ended 31 December 2007 and 2008 and for the period from 1 January 2009 to 19 October 2009. Other components of consolidated equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Group's profit/(loss) after tax and accumulated losses/retained earnings that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit/(loss) after tax and accumulated losses/retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Foreign currency risk

The Group is not exposed to foreign currency risk as the Group does not have transactions denominated in currency other than RMB.

(f) Fair values

The three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

20. Financial risk management and fair values (continued)

(f) Fair values (continued)

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

The Group does not have any financial instruments that are measured at fair value as at 31 December 2007 and 2008 and 19 October 2009.

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2007 and 2008 and 19 October 2009.

21. Accounting estimates and judgements

The most significant sources of estimation uncertainty used in the preparation of the Financial Information are as follows.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of a similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation of net realisable value at each balance sheet date.

(b) Impairment losses on trade and other receivables

Impairment losses on trade and other receivables are assessed and provided based on the directors' regular review and evaluation of collectibility. A considerable level of judgment is exercised by the directors when assessing the credit worthiness and past collection history of each individual customer. Any increase or decrease in the impairment losses for bad and doubtful debts would have a significant impact on profit or loss.

(c) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

22. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 19 October 2009

Up to the date of issue of the Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 19 October 2009 and which have not been adopted in the Financial Information.

	Effective for accounting period beginning on or after
Improvements to IFRS 2008 *(Amendments to IFRS 5, Non-current assets held for sales and discontinued operations)*	1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Amended IAS 27, *Consolidated and separate financial statements*	1 July 2009
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRS 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, IAS 19 – minimum funding requirements and their interaction – Prepayments of a minimum funding requirement *The limit on a defined benefit asset,*	1 January 2011
IFRS 9, *Financial instruments* *Basis for conclusions on IFRS 9 Amendments to other IFRSs and guidance on IFRS 9*	1 January 2013
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the Financial Information, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT FINANCIAL INFORMATION

The following significant events took place subsequent to 19 October 2009:

(a) Domestic Acquisition

On 26 April 2010, Oriental Legend Maker Technology Limited ("OLM"), a company incorporated in Hong Kong, which is a wholly-owned subsidiary of Liang Hui Holdings Limited, entered into an equity transfer agreement relating to the Domestic Acquisition pursuant to which OLM will acquire the entire equity interest in the Company's holding company, Beijing OLM, at a consideration of RMB60,000,000 from Miss Lin Yan Hua and Mr. Wu Wen Jie. The Domestic Acquisition was completed on 8 June 2010 and Beijing OLM and the Company became wholly-owned subsidiaries of OLM.

In addition, the Company acquired the 10% minority interest in Shanghai OLM at a cash consideration of RMB100,000 from Mr. Liu Jin Song on 11 June 2010 and Shanghai OLM became a direct wholly-owned subsidiary of the Company.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 19 October 2009.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

2. MANAGEMENT DISCUSSION AND ANALYSIS

Financial Summary

Set out below is the management discussion and analysis on Chengdu OLM and its subsidiaries for the two years ended 31 December 2008 and the period from 1 January 2009 to 19 October 2009, the acquisition date of the entire equity interest of Chengdu OLM by Beijing OLM.

The turnover and profit of Chengdu OLM for the two years ended 31 December 2008 and the period from 1 January 2009 to 19 October 2009 are set out below:

	For the year ended 31 December		**For the period from 1 January 2009 to 19 October**
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	95,939	125,032	88,421
(Loss)/profit for the year/period	(461)	3,562	7,970

Results of operations

	For the year ended 31 December		**For the period from 1 January 2009 to 19 October**
	2007	**2008**	**2009**
	RMB'000	*RMB'000*	*RMB'000*
Software maintenance and other services	94,676	122,730	88,199
Sale of software products and others	1,263	2,302	222
	95,939	125,032	88,421

Turnover generated from provision of software maintenance and other services grew by approximately 29.6% from approximately RMB94.7 million in 2007 to approximately RMB122.7 million in 2008. Such increase was mainly due to increase in number of new customers and orders from existing customers by approximately 45.8% from 2007 to 2008. Such turnover for the period from 1 January 2009 to 19 October 2009 was approximately RMB88.2 million.

The turnover contributed by sale of software products and others increased from approximately RMB1.3 million in 2007 to approximately RMB2.3 million in 2008 which was mainly due to the practice of a major client that it upgraded its software from Chengdu

OLM every 2 years, resulting in an increase in sales to major customer by approximately RMB1.4 million. Such turnover was approximately RMB0.2 million for the period from 1 January 2009 to 19 October 2009 which was mainly because no upgrade product was sold to the customers during the period.

A loss was recorded in 2007, but Chengdu OLM became profit making in 2008, amounting to approximately RMB3.6 million in 2008 and approximately RMB8.0 million in 2009. Such increase was mainly due to the nature and location of the business of Chengdu OLM. As the New Technology Sector and development in western part of the PRC is supported by the PRC Government and Chengdu OLM is based in Chengdu, Chengdu OLM enjoys a number of benefits offered by the central and local government, including income tax rates. Therefore, Chengdu OLM has been developing rapidly.

Liquidity And Financial Resources

As at 31 December 2007, 31 December 2008 and 19 October 2009, the net assets of Chengdu OLM were approximately RMB24.1 million, RMB27.6 million and RMB35.6 million respectively.

There was no bank loan as at 31 December 2007 and 31 December 2008, while the total bank loans were RMB50 million as at 19 October 2009. The bank loans raised in 2009 were used to make equivalent advances to related parties.

Amounts due to related parties amounted to approximately RMB2.3 million as at 31 December 2007 which were unsecured, interest free and have no fixed terms of repayment. Such amounts increased to approximately RMB27.1 million as at 31 December 2008 because of a bank note issued to related parties amounting to RMB25 million. Amounts due to related parties decreased to approximately RMB2.0 million as at 19 October 2009 because of the expiry of the issued bank note in 2009.

The gearing ratio, which was calculated as a percentage of total interest-bearing borrowings less cash and cash equivalent over total assets, was nil and nil as at 31 December 2007 and 31 December 2008. The gearing ratio as at 19 October 2009 was 40.3% due to the loan drawdown of RMB50 million.

The current ratio of Chengdu OLM was 178.5%, 153.9% and 142.0% at 31 December 2007, 31 December 2008 and 19 October 2009 respectively. Such decrease was mainly due to the increasing advances to related parties.

Total cash and cash equivalents of Chengdu OLM increased to approximately RMB9.2 million as at 31 December 2008 from approximately RMB5.6 million as at 31 December 2007 which was mainly due to the increase in cash generated from operating activities. The balance decreased to approximately RMB1.8 million as at 19 October 2009 which was mainly due to advance made to the related parties.

Capital Expenditure

For the two years ended 31 December 2008 and the period from 1 January 2009 to 19 October 2009, Chengdu OLM incurred total capital expenditure of approximately RMB88,000, RMB110,000 and RMB47,000 respectively which was mainly for the purchase of office equipment.

Pledge of Assets

As at 31 December 2007, 31 December 2008 and 19 October 2009, Chengdu OLM had no pledge over its assets.

Contingent Liabilities

As at 31 December 2007, 31 December 2008 and 19 October 2009, there was no significant contingent liabilities.

Commitments

As at 31 December 2007, 31 December 2008 and 19 October 2009, Chengdu OLM had capital commitments approved but not yet contracted incurred of approximately RMB0.3 million, RMB0.5 million and RMB0.5 million for the purchase of office equipment. The lease commitments of Chengdu OLM were approximately RMB1.2 million, RMB0.9 million and RMB0.3 million as at 31 December 2007, 31 December 2008 and 19 October 2009 respectively, for the leases of office buildings under operating leases.

Major Acquisition

There was no major acquisition during the two years ended 31 December 2008 or the period from 1 January 2009 to 19 October 2009.

Foreign Exchange Risk

Chengdu OLM was not exposed to foreign currency risk as it did not have transactions denominated in currencies other than RMB.

Employee and Remuneration Policy

As at the Latest Practicable Date, Chengdu OLM employed a total of about 42 employees in Hong Kong and the PRC. All employees are remunerated based on industry practice and in accordance with the prevailing employment laws and regulations. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses.

Business Overview and Development of Chengdu OLM

Please refer to the section headed "Business Overview and Development of Beijing OLM and its Subsidiaries" in Appendix 2 to this circular.

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Enlarged Group assuming completion of the Acquisition. The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29(1) and Paragraph 14.69(4)(a)(ii) of the Listing Rules to illustrate the effect of the Acquisition on the Group's financial information.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction to the unaudited pro forma financial information

The accompanying unaudited pro forma financial information of Tai-I International Holdings Limited ("the Company") and its subsidiaries and an associate (collectively, the "Group") together with Liang Hui Holdings Limited (the "Target Company") and its subsidiaries (collectively, the "Target Group") (collectively referred to as the "Enlarged Group") includes the unaudited pro forma combined balance sheet prepared based on the consolidated balance sheet of the Group as at 31 December 2009 and the consolidated balance sheet of Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") as at 31 December 2009, and gives effect to the proposed acquisition of the Target Company by the Company (the "Acquisition") as if the Acquisition had been completed on 31 December 2009 (the "Unaudited Pro Forma Financial Information")

The unaudited pro forma combined balance sheet of the Enlarged Group is prepared based upon the audited consolidated balance sheet of the Group as at 31 December 2009 as set out in Appendix 1 to this circular and the audited consolidated balance sheet of Beijing OLM as at 31 December 2009 as set out in Appendix 2 after incorporating the unaudited pro forma adjustments described in the accompanying notes. A narrative description of the unaudited pro forma adjustments of the Acquisition that are (i) directly attributable to the transaction concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Enlarged Group; and (iii) factually supportable, are summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2009. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the financial information of the Group as set out in Appendix 1 to this circular, the financial information of Beijing OLM as set out in Appendix 2 to this circular and other financial information included elsewhere in this circular.

1 Unaudited pro forma combined balance sheet as at 31 December 2009

	The Group	Beijing OLM	Pro forma combined	Pro forma adjustments	Notes	Pro forma balance sheet of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
Non-current assets						
Property, plant and equipment	428,014	2,394	430,408	–		430,408
Lease prepayments	31,346	–	31,346	–		31,346
Intangible assets	–	10,468	10,468	–		10,468
Interest in an associate	18,750	–	18,750	–		18,750
Deferred tax assets	26,081	1,347	27,428	–		27,428
Goodwill	–	–	–	47,919	*(f)*	47,919
	504,191	14,209	518,400	47,919		566,319
Current assets						
Inventories	211,477	4,879	216,356	–		216,356
Trade and other receivables	1,085,762	34,628	1,120,390	–		1,120,390
Amounts due from related parties	–	52,841	52,841	–		52,841
Derivative financial instruments	5,712	–	5,712	–		5,712
Pledged deposits	284,494	–	284,494	–		284,494
Time deposits	245,780	–	245,780	–		245,780
Cash and cash equivalents	287,268	8,864	296,132	–		296,132
	2,120,493	101,212	2,221,705	–		2,221,705
Current liabilities						
Bank loans	1,000,977	50,000	1,050,977	–		1,050,977
Trade and other payables	986,302	18,337	1,004,639	1,825	*(g)*	1,006,464
Amounts due to related parties	–	4,082	4,082	–		4,082
Derivative financial instruments	6,387	–	6,387	–		6,387
Income tax (recoverable)/ payable	(1,284)	1,256	(28)	–		(28)
	1,992,382	73,675	2,066,057	1,825		2,067,882
Net current assets	128,111	27,537	155,648	(1,825)		153,823
Total assets less current liabilities	632,302	41,746	674,048	46,094		720,142

1 Unaudited pro forma combined balance sheet as at 31 December 2009 (continued)

	The Group	Beijing OLM	Pro forma combined	Pro forma adjustments		Pro forma balance sheet of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*Notes*	*RMB'000*
Non-current liabilities						
Long-term payables	–	–	–	81,367	*(e)*	81,367
NET ASSETS	632,302	41,746	674,048	(35,273)		638,775
Capital and reserves						
Share capital	5,962	60,000	65,962	(60,000)	*(h)*	5,962
Reserves	626,340	(18,425)	607,915	24,898	*(g),(h)*	632,813
Total equity attributable to equity shareholders of the Company	632,302	41,575	673,877	(35,102)		638,775
Minority interest	–	171	171	(171)	*(i)*	–
TOTAL EQUITY	632,302	41,746	674,048	(35,273)		638,775

See accompanying notes to the Unaudited Pro Forma Financial Information of the Enlarged Group.

2 Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(a) The balances of assets and liabilities of the Group are extracted from the audited consolidated balance sheet of the Group as at 31 December 2009 as included in the published annual report of the Group for the year ended 31 December 2009.

(b) The balances of assets and liabilities of Beijing OLM are extracted from the audited consolidated balance sheet of Beijing OLM as at 31 December 2009 as set out in Appendix 2 to this circular.

(c) The Target Company and its wholly-owned subsidiary, Oriental Legend Maker Technology Limited ("OLM") were incorporated on 6 January 2010 and 31 March 2010 respectively. The Target Company and OLM have not carried on any business with each other since the dates of their respective incorporation save for the domestic acquisition as disclosed in section headed "Letter from the Board" contained in this circular. Accordingly, the balances of assets and liabilities of Beijing OLM are assumed to be the balances of assets and liabilities of the Target Group.

(d) Pursuant to the sales and purchase agreement dated 7 June 2010 entered into between Winsino Investment Limited ("Winsino"), a wholly-owned subsidiary of the Company, and Advance Mode Limited, the beneficial owner of the Target Company (the "Agreement"), the consideration payable by Winsino for the Acquisition will be HK$ 96,000,000 and subject to downward adjustment based on the Beijing OLM's performance for the year ending 31 December 2010, which will be satisfied by issue of a promissory note to Advance Mode Limited with an expiry period of 18 months from the date of issuance. Also, a put option was granted to Winsino whereby the Group could sell the entire share capital of the Target Company back to Advance Mode Limited, in exchange for the return of the promissory note previously issued. Winsino has also entered into a management agreement with Advance Mode Limited pursuant to which Advance Mode Limited will provide management consulting services to Beijing OLM and its subsidiaries.

For the purposes of calculating the amount of goodwill arising on the Acquisition, the carrying amount of total equity attributable to equity holders of the Company of the Target Group as at 31 December 2009 is assumed to be the fair value of the identifiable assets and liabilities of the Target Group and the put option granted to the Company and the consideration for the management consulting services to be provided by Advance Mode Limited are assumed to have no significant fair value at the date of completion.

2 Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group (continued)

(d) (continued)

Since the fair value of the identifiable assets and liabilities of the Target Group, fair value of the put option granted to the Company and of the management consulting services at the date of completion may be substantially different from their estimated fair values as at 31 December 2009, the actual goodwill arising from the Acquisition may differ from the estimated goodwill as shown above. The final amount of goodwill will be determined based on the consideration paid by the Group and the fair value of the identifiable assets and liabilities of the Target Group on the date of completion in accordance with Revised International Financial Reporting Standards 3 "Business Combinations" ("Revised IFRS 3").

(e) The adjustment to long term payables represents the issue of a promissory note of HK$ 96,000,000 by Winsino for the acquisition of the entire share capital of the Target Company. The promissory note is recognised initially at its fair value of HK$ 92,410,000 (equivalent to approximately RMB 81,367,000), based on the fair value calculated by the directors of the Company by applying discounted cash flow method with an effective interest rate of 2.57% per annum.

(f) The adjustment to goodwill represents the goodwill arising from the excess of approximately RMB 47,919,000, of the fair value of consideration payable by Winsino for the issue of a promissory note of HK$ 96,000,000 (with a fair value of HK$ 92,410,000 (note 2(e)) and equivalent to approximately RMB 81,367,000) upon the acquisition of entire share capital of the Target Company, over the total equity attributable to equity holders of the Company of the Target Group of RMB 33,277,000 and minority interest of RMB 171,000 as at 31 December 2009 as if the Acquisition had been completed on 31 December 2009.

(g) The adjustment to trade and other payables represents the related cost incurred, such as stamp duties, lawyer's fees, audit fee, financial advisory fees and other costs of approximately HK$ 2,070,000 (equivalent to approximately RMB 1,825,000) that are directly attributable to the Acquisition, which are required to be recognised in profit or loss in accordance with Revised IFRS 3.

(h) The adjustments to capital and reserves represent the elimination of capital and reserves of the Enlarged Group upon the completion of the Acquisition.

(i) The adjustment to minority interest represents the acquisition of 10% minority interest in Shanghai Orient LegendMaker Technology Co., Ltd. by OLM as part of the domestic acquisition before the Acquisition.

The following is the text of the report, which is prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

28 June 2010

The Directors
Tai-I International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma financial information ("the Unaudited Pro Forma Financial Information") of Tai-I International Holdings Limited (the "Company") and its subsidiaries ("the Group"), together with Liang Hui Holdings Limited (the "Target Company") and its subsidiaries, (the "Target Group") (collectively referred to as the "Enlarged Group") set out in Section A of Appendix 4 of the circular dated 28 June 2010 ("the Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisition of the entire share capital in the Target Company might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in notes to the Unaudited Pro Forma Financial Information of the Enlarged Group of Section A of this Appendix.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Enlarged Group as at 31 December 2009 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Company, and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

(1) RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

(2) SHARE CAPITAL

(a) The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised Share Capital as at the Latest Practicable Date:		
1,000,000,000	Shares	10,000,000
Issued, to be issued and fully paid or credited as fully paid up:		
596,158,000	Shares in issue as at the Latest Practicable Date	5,961,580

The Company has no options, warrants and conversion rights convertible into Shares. No Shares or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commission, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

All existing Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

The Shares are listed and traded on the main board of the Stock Exchange. None of the Shares is listed, or dealt in, on any other stock exchange, nor is any listing of or permission to deal in Shares being, or proposed to be, sought on any other stock exchange.

(3) SHARE OPTIONS

The Board confirms that the Company has no outstanding share option as at the Latest Practicable Date.

(4) DISCLOSURE OF INTEREST

(a) Directors' and chief executives' interests or short positions in the shares, underlying shares and debentures of the Company and associated corporation

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 by Directors of Listed Issuers.

(b) Substantial Shareholders

Save as disclosed below, so far as is known to the Directors, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had or were deemed to have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly 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 member of the Group, or held any option in respect of such capital:

Long position in the Shares

Name	**Number of Shares**	**Nature of Interest**	**Approximate percentage of issued ordinary shares of the Company**	*Notes*
Tai-I International (BVI) Limited ("Tai-I (BVI)")	195,487,000	Beneficial owner	32.79%	*1*
Tai-I Electric Wire & Cable Co., Ltd. ("Taiwan Tai-I")	195,487,000	Interest through controlled corporation	32.79%	*1*
First Sense International Limited ("First Sense")	102,015,000	Beneficial owner	17.11%	*2*
AIF Capital Asia III, L.P. ("AIF")	102,015,000	Interest through controlled corporation	17.11%	*2*

Name	Number of Shares	Nature of Interest	Approximate percentage of issued ordinary shares of the Company	*Notes*
Green Island Industries Limited ("Green Island")	67,500,000	Beneficial owner	11.32%	*3*
Liu Tianni	67,500,000	Interest through controlled corporation	11.32%	*3*
Sumitomo Corporation	34,418,000	Interest through controlled corporation	5.77%	

Notes:

1. Taiwan Tai-I owns approximately 87.03% of the issued share capital of Tai-I (BVI).

2. The entire issued share capital of First Sense is owned by AIF.

3. The entire issued share capital of Green Island is owned by Liu Tianni.

(5) DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have since 31 December 2009 (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 any members of the Group, or was proposed to be acquired or disposed of by or leased to any members of the Group.

(6) DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

None of the Directors is materially interested, directly or indirectly, in any contracts or arrangements entered into by any members of the Group subsisting at the date of this circular and which is significant in relation to the business of the Group.

(7) LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

(8) MATERIAL CONTRACTS

Save for the Sale and Purchase Agreement, there was no contract (not being contracts in the ordinary course of business carried on by the Group) entered into by members of the Group within the two years immediately preceding the Latest Practicable Date.

(9) QUALIFICATION AND CONSENT OF EXPERTS

(a) The following is the qualification of the expert who have given opinion or advice contained in this circular:

Name	Qualification
KPMG	Certified public accountants

(b) As at the Latest Practicable Date, KPMG had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

(c) KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

(d) As at the Latest Practicable Date, KPMG did not have any interest, direct or indirect, in any assets which have been, since 31 December 2009, 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 proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(10) SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with the Company or any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

(11) COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or substantial shareholders or any of their respective associates had an interest in a business which competes or may compete with the business of the Group or had any other conflict of interest which any such person has or may have with the Group.

(12) MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2009, the date to which the latest published audited consolidated financial statements of the Group were made up.

(13) MISCELLANEOUS

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Room 1502, 15th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong.

(c) The principal place of business of the Company in the PRC is at No. 77 Dongpeng Avenue, Eastern District of Guangzhou Economic and Technological Development Zone, Guangzhou, Guangdong Province, the PRC.

(d) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The company secretary of the Company is Ms. Chan Yuen Ying, Stella, an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors.

(f) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts in case of inconsistency.

(14) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at 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 on any weekday other than public holidays, from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and articles of association of the Company;

(b) the annual reports of the Company for each of the two years ended 31 December 2009;

(c) the accountants' reports prepared by KPMG on Beijing OLM and Chengdu OLM, the text of which are set out in Appendix 2 and 3 to this circular;

(d) the letter from KPMG in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix 4 to this circular;

(e) the Sale and Purchase Agreement;

(f) the letter of consent referred to under the paragraph headed "Qualification and consent of expert" in this appendix; and

(g) 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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Meeting") of Tai-I International Holdings Limited (the "Company") will be held at 35th Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 14 July 2010 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

"**THAT** the sale and purchase agreement dated 7 June 2010 (the "Sale and Purchase Agreement") between Winsino Investments Limited (the "Purchaser"), a wholly owned subsidiary of the Company, as purchaser, Advance Mode Limited (the "Vendor") as vendor and Mr. Lo Kai Bong as vendor's guarantor, a copy of which having been produced at the Meeting marked "A" and signed by the chairman of the Meeting for identification purposes, under which the Purchaser conditionally agreed to purchase the entire issued share capital of Liang Hui Holdings Limited (the "Target Company") and the entire shareholder's loan owed to the Vendor by the Target Company for a total consideration of HK$96,000,000 (subject to downward adjustment), which will be settled by the issue of the promissory note in the principal amount of HK$96,000,000 (subject to downward adjustment) by the Purchaser with guarantee to be given by the Company, and all transactions contemplated thereunder be and are hereby approved, confirmed and ratified, and the directors and secretary of the Company be and are hereby authorized to sign, execute and deliver any agreements, deeds, instruments and any other documents (and, where necessary, to affix the seal of the Company on them in accordance with the articles of association of the Company) in connection with the Sale and Purchase Agreement and to do such acts and things as necessary, desirable or expedient to give effect to the transactions contemplated under the Sale and Purchase Agreement."

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

Hong Kong, 28 June 2010

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal place of business in Hong Kong:
Room 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

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

Notes:

1. Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend in his stead. A proxy need not be a member of the Company.

2. A proxy form of the Meeting is enclosed. If the appointer is a corporation, the proxy form must be made under its common seal or under the hand of an officer or attorney duly authorized on its behalf.

3. Where there are joint registered holders of any Shares, any one of such persons may vote at the Meeting (or any adjournment thereof), either personally or by proxy, in respect of such Share as if he were solely entitled thereto; but if more than one of such holders be present at the Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Share shall alone be entitled to vote in respect thereof.

4. In order to be valid, the proxy form, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's branch registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Ltd. at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or at any adjournment thereof.

5. Delivery of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

6. 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.