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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.

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**TAI-I INTERNATIONAL HOLDINGS LIMITED****台一國際控股有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 1808)**

**SUBSCRIPTION OF NEW SHARES;
GROUP RESTRUCTURING;
SHARE PREMIUM AND RESERVE APPLICATION;
AND
DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES**

Financial adviser to Tai-I International Holdings Limited**SOMERLEY LIMITED**

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

Beijing
Securities

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

A letter from the Board is set out on pages 9 to 36 of this circular.

A letter of recommendation from the Independent Board Committee to the Independent Shareholders is set out on pages 37 to 38 of this circular. A letter of advice from Beijing Securities to the Independent Board Committee and the Independent Shareholders are set out on pages 39 to 64 of this circular.

A notice convening an extraordinary general meeting of Tai-I International Holdings Limited to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 8 February 2011 at 3:00 p.m. is set out on pages EN-1 to EN-4 of this circular. 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.

18 January 2011

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EXPECTED TIMETABLE

Latest time for return of form of proxy for the EGM	3:00 p.m. on 6 February 2011
EGM	8 February 2011
Publication of an announcement regarding the voting results of the EGM	8 February 2011

Notes:

- (i) A detailed timetable for the Listco Offer and the Privateco Offer will be included in the Listco Offer Document and the Privateco Offer Document respectively. Waivers were obtained for and on behalf of Affluent Start and Tai-I BVI from the SFC in accordance with Rule 8.2 of the Takeovers Code so that the Listco Offer Document and the Privateco Offer Document may be despatched to the Shareholders within seven days of the fulfilment of the pre-conditions (i.e. Completion and the Distribution In Specie becoming effective) to the making of the Listco Offer and the Privateco Offer, respectively.
- (ii) Dates and deadlines stated in this circular for events in the timetable are indicative only and may be extended or varied. Any changes to the expected timetable will be announced as appropriate. All times and dates refer to Hong Kong local time.

DEFINITIONS

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

“acting in concert”	having the meaning defined in the Takeovers Code
“Affluent Start”	Affluent Start Holdings Investment Limited, a company incorporated in the BVI with limited liability and is 100% beneficially owned by Mr. King
“Agreement”	the agreement dated 8 November 2010 entered into amongst the Company, Tai-I BVI, Mr. Hsu, Affluent Start and Mr. King in respect of the Share Transfer and the Subscription
“associate(s)”	having the meaning defined in the Listing Rules
“Beijing Securities”	Beijing Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and/or Independent Shareholders in relation to, among other things, the Proposal, the Listco Offer and the Privateco Offer
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at an time between 9 a.m. to 5 p.m.) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Company”	Tai-I International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Agreement
“Completion Date”	the date of Completion
“Consents”	means licenses, consents, approvals, authorisations, permissions, registrations, notification, waivers, orders or exemptions

DEFINITIONS

“Director(s)”	the director(s) of the Company from time to time
“Distributed Businesses”	all businesses of the Group, other than the Remaining Business, carried on by the Privateco Group, including manufacturing and sales of bare copper wires and magnet wires and provision of processing services and investment holding
“Distribution In Specie”	the distribution in specie of the Privateco Shares by the Company to the Shareholders as described in section D headed “Distribution In Specie” of this circular
“Domain Name”	the domain name of www.tai-i-int.com
“EGM”	the extraordinary general meeting of the Company to be held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 3:00 p.m. on Tuesday, 8 February 2011 to consider and, if thought fit, approve the resolution in respect of the Proposal
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Excluded Shareholders”	those overseas Shareholders to whom the Board, based on enquiries made with its legal counsels and on account either of legal restrictions under the laws of relevant place or the requirements of the relevant regulatory body or stock exchange in that place, considers it necessary or expedient not to offer the Privateco Shares under the Distribution In Specie
“First Announcement”	the announcement of the Company dated 22 September 2010 in relation to a non-binding MOU entered into between Tai-I BVI and Affluent Start, which may result in a possible change in control of the Company
“Group”	the Company and its subsidiaries
“Group Restructuring”	the proposed reorganisation of the Group, details of which are set out in section B headed “Group Restructuring” in this circular
“Haitong Capital”	Haitong International Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to Affluent Start

DEFINITIONS

“Haitong Securities”	Haitong International Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama, established for the purpose of advising the Independent Shareholders in respect of the Proposal and the Listco Offer
“Independent Shareholder(s)”	Shareholder(s) other than Tai-I BVI, Affluent Start, their respective associates and parties acting in concert with any of them
“Joint Announcement”	the joint announcement issued by Affluent Start, the Company and Tai-I BVI dated 17 November 2010 in relation to, among other things, the Proposal
“Latest Practicable Date”	14 January 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Last Trading Day”	8 November 2010, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Listco Offer”	the possible unconditional mandatory cash offer to be made by Haitong Securities on behalf of Affluent Start to acquire all the issued Shares (other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it)
“Listco Offer Document”	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Shareholders pursuant to the Listco Offer

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. King”	Mr. King Pak Fu, a third party independent of and not connected with the Company and its connected persons (as defined under the Listing Rules)
“Mr. Hsu”	Mr. Hsu Shou-Hsin, the sole director of Tai-I BVI and one of the shareholders of Taiwan Tai-I
“MOU”	a non-binding memorandum of understanding dated 20 September 2010 entered into between Tai-I BVI and Affluent Start in relation to, among other things, possible change in control of the Company, the group reorganisation and the distribution in specie
“Novation”	a novation of the payment obligations from the Company to Privateco for a consideration of HK\$1.00 with the consent of Tai-I Copper (BVI) Limited by way of a deed of novation dated 23 December 2010 pursuant to which payment obligations owed by the Company to Tai-I Copper (BVI) Limited were transferred to Privateco, resulting in that payment obligation be owed by Privateco to Tai-I Copper (BVI) Limited
“Polaris”	Polaris Securities (Hong Kong) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to Tai-I BVI
“PRC”	People’s Republic of China
“Privateco”	Tai-I International (Bermuda) Limited, a company incorporated in Bermuda with limited liability on 9 November 2010 pursuant to the Group Restructuring for the purpose of holding the Distributed Businesses and a wholly-owned subsidiary of the Company prior to the Distribution In Specie
“Privateco Group”	Privateco and its subsidiaries

DEFINITIONS

“Privateco Offer”	the possible conditional voluntary cash offer to be made by Polaris on behalf of Tai-I BVI to acquire all the Privateco Shares (other than those owned or agreed to be owned by Tai-I BVI or parties acting in concert with it)
“Privateco Offer Document”	the offer and response document (in either composite or separate form) and the form of acceptance and transfer to be despatched to the Privateco Shareholders pursuant to the Privateco Offer
“Privateco Share(s)”	ordinary share(s) in the capital of the Privateco
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares
“Proposal”	the proposal to be put forward by the Board to the Shareholders including the Subscription, the Share Premium and Reserve Application, the Group Restructuring and the Distribution In Specie, and the respective transactions contemplated thereunder
“Record Date”	a date to be fixed for determining entitlements of the Shareholders to the Distribution In Specie, which shall be a date falling before the date of Completion
“Remaining Business”	the Group’s business of development of computer software and related matters in the PRC by the Remaining Group after the Group Restructuring and Distribution In Specie
“Remaining Group”	the Company and the Winsino Group, being the Group excluding the Privateco Group upon completion of the Group Restructuring and Distribution In Specie
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share(s)”	the aggregate interest of 195,487,000 Shares held by Tai-I BVI
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Premium Account”	the share premium account of the Company from time to time

DEFINITIONS

“Share Premium and Reserve Application”	the application of the entire amount standing to the credit of the Share Premium Account and the reserve accounts of the Company for the implementation of part of the Distribution In Specie
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Share Transfer”	the acquisition by Affluent Start of the Sale Shares pursuant to the Agreement
“Shareholder(s)”	holder(s) of the Shares
“Somerley”	Somerley Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Affluent Start of the Subscription Shares pursuant to the Agreement
“Subscription Shares”	an aggregate of 210,000,000 new Shares, representing 35.23% of the existing issued capital of the Company, to be subscribed by Affluent Start under the Agreement
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“Taiwan Tai-I”	Tai-I Electric Wire & Cable Co., Ltd, a company established under Taiwan laws on 11 September 1979 and has become a listed company on the Taiwan Stock Exchange Corporation since 20 October 1995
“Tai-I BVI”	Tai-I International (BVI) Limited, a company incorporated in the BVI with limited liability and beneficially wholly owned by Taiwan Tai-I
“US\$”	United States dollars, the lawful currency of United States of America

DEFINITIONS

“Winsino Group” Winsino Investments Limited, a direct wholly owned subsidiary of the Company, and its subsidiaries including Liang Hui Holdings Limited, Oriental Legend Maker Technology Limited, 北京東方龍馬軟件發展有限公司 (Beijing Oriental LegendMaker Software Development Company Limited*), 成都東方龍馬信息產業有限公司 (Chengdu Oriental LegendMaker Information Industry Company Limited*) and 上海東方龍馬軟件技術有限公司 (Shanghai Oriental LegendMaker Software Technique Company Limited*)

“%” per cent.

* For identification purpose

For the purposes of this circular, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.000 to HK\$1.160, for the purposes of illustration only. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

LETTER FROM THE BOARD



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

18 January 2011

To the Shareholders

Dear Sir or Madam,

**SUBSCRIPTION OF NEW SHARES;
GROUP RESTRUCTURING;
SHARE PREMIUM AND RESERVE APPLICATION;
AND
DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES**

LETTER FROM THE BOARD

INTRODUCTION

On 17 November 2010, Affluent Start, the Company and Tai-I BVI jointly announced the Proposal, including the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie, which would be put forward for the Independent Shareholders' consideration at the EGM.

The Proposal together with the Listco Offer will enable the introduction of Affluent Start to the Company as the single largest Shareholder and allow the Company to continue the principal business of the Remaining Group (i.e. the development of computer software and related matters in the PRC).

As an integral part of the Proposal, the Company will distribute to its Shareholders all of its shares in the Privateco which holds the Distributed Businesses. Following completion of the Distribution In Specie, there will be no liquid market for the Privateco Shares as the Privateco Shares are not intended to be listed on any stock exchange. The Privateco Offer will, therefore, provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Privateco following Completion. In the view that the Listco Offer and the Privateco Offer together will provide cash exits to any Shareholder who wishes to realise all or part of his/her/its interest in the Company and in the Privateco following Completion at a premium over the trading price of the Shares before the First Announcement, the Board considers the Proposal is in the interest of the Shareholders as a whole.

The purpose of this circular is to provide you with, inter alia, relevant information about the Proposal, the Privateco Offer and the Listco Offer, a letter of recommendation from the Independent Board Committee and a letter of advice from Beijing Securities in respect of the Proposal and a notice of the EGM.

A. THE AGREEMENT

Date

8 November 2010 (after trading hours)

Parties

- (i) The Company (as issuer);
- (ii) Tai-I BVI, a company incorporated in the BVI (as vendor);
- (iii) Mr. Hsu (as vendor guarantor);
- (iv) Affluent Start, a company incorporated in the BVI and is wholly owned by Mr. King who is also the sole director of Affluent Start (as subscriber and purchaser); and
- (v) Mr. King (as purchaser guarantor)

LETTER FROM THE BOARD

Pursuant to the Agreement,

- (i) Affluent Start has conditionally agreed to acquire and Tai-I BVI has conditionally agreed to sell an aggregate of 195,487,000 Sale Shares, representing approximately 32.79% of the issued Shares as at the Latest Practicable Date, at the consideration of HK\$0.3925 per Sale Share; and
- (ii) Affluent Start has conditionally agreed to subscribe for 210,000,000 Subscription Shares at a consideration of HK\$0.06 per Subscription Share in cash, representing approximately 35.23% of the issued Shares as at the Latest Practicable Date and approximately 26.05% of the issued Shares as enlarged by the Subscription.

Immediately before entering into the Agreement, each of Affluent Start and Mr. King is third party independent of the Group and its connected persons (as defined in the Listing Rules).

Consideration for the Share Transfer

The consideration for the Sale Shares is HK\$76,728,647.50, or HK\$0.3925 per Sale Share, which was determined after arm's length negotiations between Affluent Start and Tai-I BVI with reference to, among other things, the prospects and the value of the Remaining Group after taking into account the Distribution in Specie and the fact that Affluent Start can obtain a controlling interest in the Company following the Share Transfer and the Subscription, and has been partially paid and the balance shall be payable by Affluent Start in the following manner:

- (i) as to HK\$8,000,000 in cash immediately upon signing of the Agreement which together with the amount of HK\$15,000,000 received by way of earnest moneys paid by Affluent Start to Tai-I BVI upon signing of the MOU (both sums together, the "Deposits") shall be held by Tai-I BVI by way of deposit and shall be applied in and towards the satisfaction of the same amount of the consideration for the Sale Shares; and
- (ii) as to the consideration for the Sale Shares less the amounts received by Tai-I BVI as described in (i) above, in cash at Completion.

Tai-I BVI shall refund the Deposits, without interest, to Affluent Start on demand within five Business Days if Completion fails to take place in accordance with relevant clause in the Agreement, except where failure to proceed to Completion is by reason of the default of Affluent Start in which case Tai-I BVI shall be entitled to forfeit the Deposits absolutely.

Consideration for the Subscription Shares

The consideration for the Subscription Shares is HK\$12.6 million, representing HK\$0.06 per Subscription Share. The consideration will be payable in cash in full on the Completion Date. The estimated net proceeds from the Subscription is

LETTER FROM THE BOARD

approximately HK\$12.37 million, representing a net price of approximately HK\$0.059 per Subscription Share. The Company intends to apply the net proceeds for general working capital purpose of the Remaining Group.

The Subscription Price of HK\$0.06 per Subscription Share, which has been arrived at after arm's length negotiations between the Company and Affluent Start, with reference to, among other things, the value of the Remaining Group per Share after taking into account of the Distribution In Specie, represents a discount of approximately 92.11% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day. Based on (i) the net assets value of the Group together with Liang Hui Holdings Limited and its subsidiaries (collectively, the "Enlarged Group") extracted without adjustments from the published pro forma financial information of the Enlarged Group as at 31 December 2009 as set out in the circular of the Company dated 28 June 2010; (ii) the net assets value of the Privateco Group extracted without adjustments from the pro forma financial information of the Privateco Group as at 31 December 2009 as set out in Appendix V to this circular; and (iii) the net proceeds from the Subscription is HK\$12,370,000 (equivalent to approximately RMB10,664,000) pursuant to the issuance of 210,000,000 new ordinary shares of the Company to Affluent Start at a consideration HK\$0.06 each in cash as described under "Subscription" as set out in the section A headed "The Agreement" above as if the new shares were issued on 1 January 2009, the net assets value of the Remaining Group taking into account the combined effect of the Subscription, the Group Restructuring and the acquisition of Liang Hui Holdings Limited by the Company (the "Acquisition"), as if the Acquisition, the Subscription, the Group Restructuring and the Acquisition had been completed on 31 December 2009, is estimated by the Directors to be approximately RMB19,662,000 (equivalent to approximately HK\$22,807,920). Based on the total number of issued Shares of the Company as enlarged by the Subscription of 806,158,000, the estimated net assets value per Share of the Remaining Group is approximately HK\$0.028 (the "Estimated NAV Per Share"). As such, the Subscription Price represents a premium of approximately 114% over the Estimated NAV Per Share.

Specific approval of the Shareholders will be sought for the allotment and issue of the Subscription Shares. The Company did not have any fund raising exercises in the past 12 months immediately preceding the Latest Practicable Date.

Conditions precedent

Completion of the Agreement shall be subject to, among other things, the following conditions precedent being fulfilled (or, where applicable, waived):

- (a) the passing by the requisite majority of Independent Shareholders in general meeting of all resolutions required under the Listing Rules (if any) to approve the transactions of the Company contemplated under the Agreement, including without limitation to the generality of the foregoing, the issue by the Company to Affluent Start of the Subscription Shares;
- (b) the passing of an ordinary resolution of the Company in general meeting to approve the Share Premium and Reserve Application;

LETTER FROM THE BOARD

- (c) all requisite Consents being obtained from the Taiwanese Investment Commission (台灣投審會) for (a) the Group Restructuring; and (b) the Privateco Offer;
- (d) the receipt of the Cayman Islands legal opinion in the agreed form in relation to the Agreement and the transactions contemplated thereunder, including due incorporation and valid existence of the Company, enforceability of the Agreement by and against the Company and validity of the issue of the Subscription Shares by the Company;
- (e) the receipt of the BVI legal opinion in the agreed form in relation to the Agreement and the transactions contemplated thereunder, including due incorporation and valid existence of Winsino Investments Limited and Liang Hui Holdings Limited;
- (f) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which the Company acting reasonably does not object) and not having withdrawn or revoked the listing of and permission to deal in the Subscription Shares;
- (g) the shares of the Company remaining listed and traded on the Stock Exchange at all times up to the date of Completion, save for any temporary suspension pending publication of an announcement of the transaction contemplated under the Agreement or necessary wholly or partly as a result of the default of Affluent Start of its obligations thereunder or under the Takeovers Code; and
- (h) completion of the Group Restructuring.

Conditions precedent (a) to (c), (f) and (h) are not waivable. Affluent Start shall have the right to waive conditions precedent (d), (e) and (g). As at the Latest Practicable Date, conditions precedent (c) and (h) have been fulfilled, and conditions precedent (a), (b) and (d) to (g) have not been fulfilled or, if applicable, waived and remain outstanding.

Completion

The Company, Tai-I BVI, Mr. Hsu, Affluent Start and Mr. King agreed under the Agreement that completion of the transfer of the Sale Shares from Tai-I BVI to Affluent Start and the allotment and issue of the Subscription Shares by the Company to Affluent Start will take place simultaneously.

Completion of the Agreement is to take place on the third Business Day after the date of fulfilment or, if applicable, waiver of the conditions precedent of the Agreement last in time to be fulfilled or such other date as the parties to the Agreement may agree in writing. If any of the conditions precedent of the Agreement have not been fulfilled or, if applicable, waived by the Purchaser on or before 28 February 2011, the Agreement shall terminate immediately thereafter and be of no further effect and none of the parties to the Agreement shall have any claim against or liability or obligation to

LETTER FROM THE BOARD

other parties under the Agreement (save in respect of any prior breach of the Agreement and the obligation to refund the Deposits). Further announcement will be made as soon as practicable in relation to completion of the Agreement.

Reasons for the Subscription and use of proceeds

The Subscription forms part and parcel of the transactions contemplated under the Agreement and therefore is a crucial part for achieving completion of the Proposal, and only following the Completion and the Distribution In Specie becoming effective, the Listco Offer and the Privateco Offer will then be made. Reasons for and effects of other elements of the Proposal including the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie, are set out in section D headed “Distribution In Specie” of this circular below. Upon completion of the Agreement and the Distribution In Specie, Affluent Start will be interested in approximately 50.3% of the issued share capital of the Company as enlarged by the Subscription.



The Subscription will bring in new capital to the Remaining Group but more importantly, the Subscription and the Share Transfer together allows Affluent Start to take absolute control over the Remaining Group i.e. not less than 50.1% of the issued Shares. During the negotiations among the parties to the Agreement, it was the intention that Affluent Start will be interested in not less than 50.1% of the issued Shares after Completion. An outright sale of controlling interest in the Company to Affluent Start by Tai-I BVI could not achieve this as Tai-I BVI, being the controlling shareholder, holds only approximately 32.79% of the existing issued Shares.


The Directors consider that the Subscription to be an appropriate means of raising additional capital for the Company without incurring interest costs whilst broadening the capital base of the Company. The net proceeds of the Subscription of approximately HK\$12.37 million is intended to be applied as general working capital of the Remaining Group.

Listing application in respect of the Subscription Shares


An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares on the Main Board of the Stock Exchange.

Change of Company name

Pursuant to the Agreement, among other things, Affluent Start and Mr. King shall use their best endeavours to procure that the Company (and any other company in which any of the Company or its beneficial owner has any shareholding interest) whose corporate, business or trading name or materials (whether in English and/or Chinese) contains the word “Tai-I” or “合一” or “” or makes reference to the fact that it is a member of “Tai-I” or “合一” group (whether in English and/or Chinese) or “” or otherwise affiliated with Taiwan Tai-I and shall within 2 months (or such other period as Affluent Start and Tai-I BVI shall agree in writing) after Completion:–

- (a) cease to, and shall at no time thereafter, display, use (including as internet keywords) or make reference to the “Tai-I” or “合一” or “” or any confusingly similar name or mark (including the Trademarks and devices) in

LETTER FROM THE BOARD

any of its stationary, business cards, sales literature, business and other corporate materials or signage and to the extent that they retain any such stationary, business cards, sales literature, business and/or other corporate materials or signage, to destroy the same or delete from them the name “Tai-I” or “台一” or “” and all associated logos, marks (including the Trademarks) and devices; and

- (b) change its corporate, business or trading names to a name which does not include or incorporate the words “Tai-I” or “台一” or any confusingly similar name, and shall procure the prompt registration of the new name with the appropriate authority; and
- (c) cease to, and shall at no time thereafter, display, use (including as internet keywords) or make reference to the Domain Name.

B. GROUP RESTRUCTURING

Pursuant to the Group Restructuring:

- (i) the Company has transferred on 23 December 2010 its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in bare copper wires and magnetic wire business) and in the Domain Name, free from all encumbrances and third party rights, to the Privateco, a wholly-owned subsidiary of the Company; and
- (ii) the Company has effected on 23 December 2010 the Novation whereby certain outstanding payment obligations owed by the Company to Tai-I Copper (BVI) Limited have been transferred to the Privateco, resulting in that payment obligation be owed by the Privateco to Tai-I Copper (BVI) Limited.

Through the Novation, all material intragroup balances in relation to the bare copper wires and magnetic wire business has been transferred to the Privateco, and such Novation did not have material effect on the financial position of the Group and did not create any material adverse profit and loss impact. The distributable reserves of the Company including those arising from the Novation will be applied to the Distribution In Specie.

C. SHARE PREMIUM AND RESERVE APPLICATION

Subject to the Shareholders’ approval on the Share Premium and Reserve Application having been obtained, the Directors will be authorised to apply the amount standing to the credit of the Share Premium Account and the reserve accounts of the Company (including those arising from the Novation will be applied to the Distribution In Specie) for the implementation of the Distribution In Specie.

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D. DISTRIBUTION IN SPECIE

The Company will distribute all of its Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the Record Date (a date falling before the date of Completion, which is to be fixed for determining entitlements to the Distribution In Specie) on the following basis:

for every Share held one Privateco Share

The Distribution In Specie will be effected by distribution from the Share Premium Account and the reserve accounts of the Company and the amount to be distributed will be equivalent to the carrying value of the Privateco Group which will be ascertained immediately prior to Completion.

The Privateco Shares when issued will rank *pari passu* in all respects with each other. No application will be made for the listing of, and permission to deal in, the Privateco Shares on the Stock Exchange or any other stock exchange.

As a result of the Distribution In Specie, the Privateco Group will cease to be subsidiaries of the Company, and the Remaining Group will be carrying on the Remaining Business, representing the Group's business of development of computer software and related matters in the PRC.

The Distribution In Specie is conditional upon Completion. Completion and the Distribution In Specie form an integral part of the Proposal. Completion will not take place unless all other conditions precedent of the Distribution In Specie (as set out below) have all been fulfilled, and subject to completion of the Agreement and completion of the Distribution In Specie, Tai-I BVI is obliged to make the Privateco Offer. The Distribution In Specie and the Completion are regarded as an "all or nothing" situation where both events will either complete or not complete pursuant to the existing structure of the Proposal.

Neither this circular nor any documents relating to the Distribution In Specie will be registered or filed under applicable securities legislation of any jurisdiction. In the event that as at the Record Date, there are any Shareholders with registered addresses outside Hong Kong, the Board will then proceed to make further enquiries as to the applicable securities legislation of the relevant overseas jurisdiction or the requirements of any relevant regulatory body or stock exchange for the Distribution In Specie of the Privateco Shares to such Shareholders. In the event that based on advice provided by the legal advisers in those jurisdictions, the Board should take the view that it is necessary or expedient not to offer the Privateco Shares to such overseas Shareholders, such overseas Shareholders will be regarded as Excluded Shareholders in relation to the Distribution In Specie.

For the Privateco Shares to which the Excluded Shareholders are entitled, the Company may vest any such Privateco Shares in trustees in Hong Kong as may seem expedient to the Board who will be authorised by the Board to hold such Privateco Shares on trust for the Excluded Shareholders and to sell such Privateco Shares at its absolute discretion for the benefits and accounts of the Excluded Shareholders.

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It is the responsibility of any person (including but not limited to, a nominee, an agent and a trustee) receiving this circular and/or any other documents relating to the Distribution In Specie outside Hong Kong and wishing to receive the Privateco Shares under the Distribution In Specie to satisfy himself/herself/itself as to the full observance of the laws of the relevant territory or jurisdiction including the obtaining of any consent for observing any formalities which may be required in such territory or jurisdiction, and to pay any taxes, duties and other amounts required to be paid in such territory or jurisdiction. Any acceptance of the Privateco Shares under the Distribution In Specie by any Shareholder will be deemed to constitute a representation and warranty from such person to the Company that those local laws and requirements of the relevant territory or jurisdiction have been fully complied with. If you are in any doubt as to your position, you should consult your professional advisers.

Conditions to the Distribution In Specie

Distribution In Specie will be conditional upon:

- (i) completion of the formation of the Privateco and the Group Restructuring to form the Privateco Group;
- (ii) the passing of an ordinary resolution in general meeting to approve the Share Premium and Reserve Application;
- (iii) the passing of an ordinary resolution in general meeting to approve the Distribution In Specie; and
- (iv) completion of the Agreement.

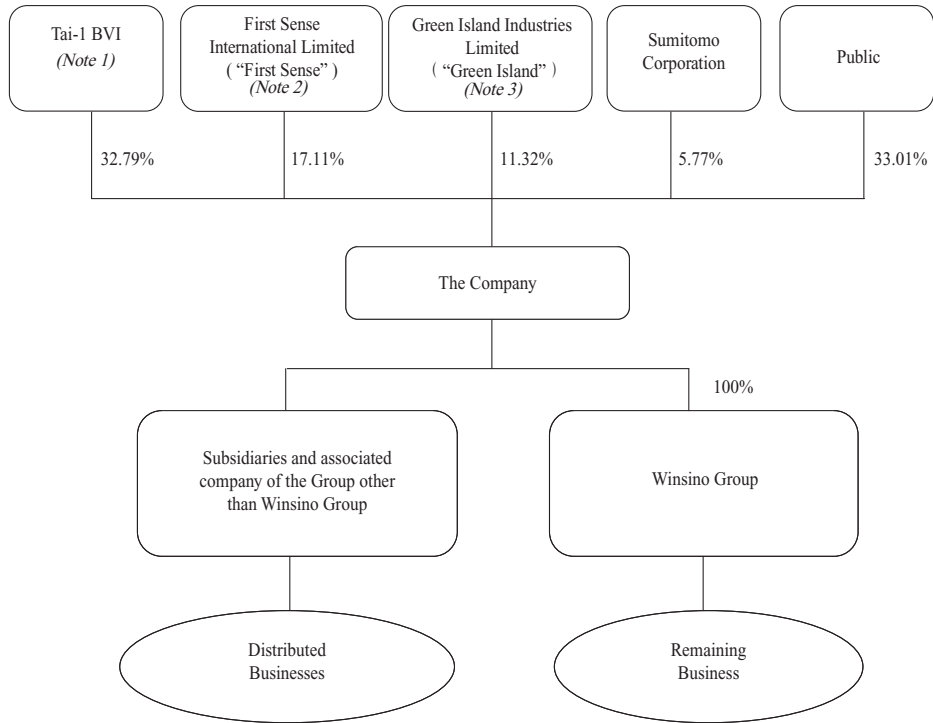
None of the above conditions can be waived.

Approval from the Independent Shareholders for Distribution In Specie will be sought at the EGM as part and parcel of the Proposal. Tai-I BVI, Affluent Start, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution regarding Distribution In Specie, which will be taken on a poll at the EGM.

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Group structures

Set out below, in a simplified form, is the Group structure as at the Latest Practicable Date:

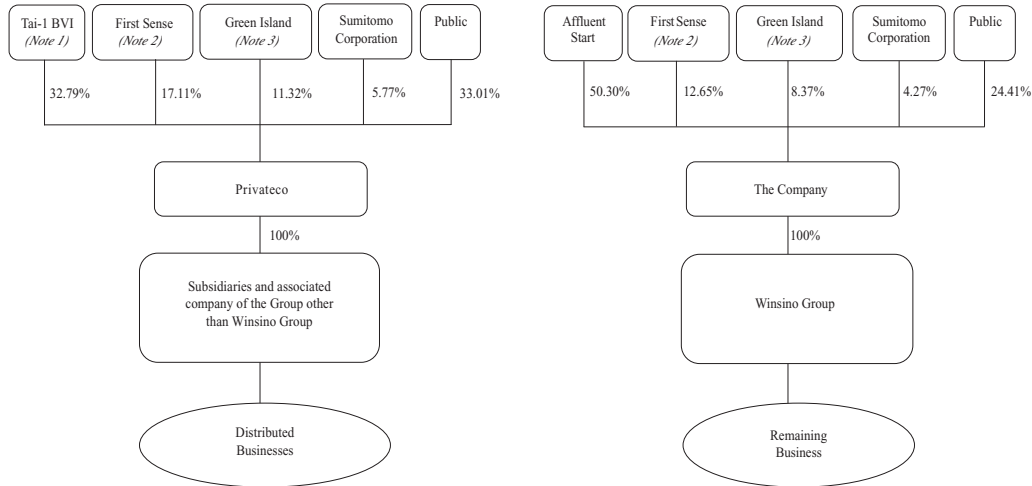


Notes:

1. Taiwan Tai-I directly owns approximately 87.04% and indirectly owns approximately 12.96% of the issued share capital of Tai-I BVI.
2. The entire issued share capital of First Sense is owned by AIF Capital Asia III, L.P..
3. The entire issued share capital of Green Island is owned by Mr. Liu Tianni.

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Set out below, in a simplified form, are the respective structures of the Privateco Group and the Remaining Group immediately after Completion and Distribution In Specie becoming effective, but before commencement of the Privateco Offer and the Listco Offer (assuming no other changes in the issued share capital and shareholding in the Company during this period):



Notes:

1. Taiwan Tai-I directly owns approximately 87.04% and indirectly owns approximately 12.96% of the issued share capital of Tai-I BVI.
2. The entire issued share capital of First Sense is owned by AIF Capital Asia III, L.P..
3. The entire issued share capital of Green Island is owned by Mr. Liu Tianni.

Reasons for and effects of the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie

During the negotiations between the parties to the Agreement, Affluent Start has expressed that it is not interested in the Distributed Businesses. As opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provide an option for the Independent Shareholders to keep or dispose of their investments in the Distributed Businesses through the Privateco Offer. The Privateco Offer also provides a cash exit option to the Independent Shareholders (at HK\$0.45 per Privateco Share) to realise all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid, upon Completion. In addition, following the Completion and Distribution In Specie, Affluent Start will become a controlling Shareholder and is obliged to make the Listco Offer, which is an unconditional mandatory cash offer, at HK\$0.3925 per Share for all of the Shares other than those owned by Affluent Start and the parties acting in concert with it.

The Group Restructuring and the Share Premium and Reserve Application are the crucial steps for achieving the Distribution In Specie, which in turn will ultimately lead to the Privateco Offer and the Listco Offer. In order to reorganise the relevant assets and liabilities related to the copper and magnetic wire business under the Privateco Group and to

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allow the Company to have sufficient distributable reserves to facilitate the Distribution In Specie in addition to the deployment of the Company's existing distributable profits, the Board thus proposes that the Group Restructuring and the Share Premium and Reserve Application be effected. The Board considers that the Group Restructuring and the Share Premium and Reserve Application are in the interests of the Shareholders as a whole.

The Listco Offer and the Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and in the Privateco following Completion at a premium compared to the trading price of the Shares prior to the issue of the First Announcement. As such, the Board considers that it is in the interests of the Independent Shareholders for them to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Share Premium and Reserve Application and the Distribution In Specie as part and parcel of the Proposal at the EGM.

For those Shareholders who wish to retain their investments in the Distributed Businesses after Completion, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. They should, however, be aware that there will be no liquid market for the Privateco Shares as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provision pursuant to the Companies Act 1981 of Bermuda (as may be amended from time to time) if sufficient Privateco Shares are acquired by Tai-I BVI under the Privateco Offer. Details of the possible compulsory acquisition is set out in Appendix I to this circular.

The market price of the Shares has been traded consistently below the net asset value per Share since the third quarter of 2007. For the period from 1 January 2010 to 14 September 2010 (being the last trading date prior to the date of the First Announcement) (the "Review Period"), closing prices of the Shares were ranged from HK\$0.38 to HK\$0.80, representing discounts to net asset value per Share as at 31 December 2009 of approximately HK\$1.23 from approximately 34.96% to 69.11%. The combined consideration under the Listco Offer and the Privateco Offer of HK\$0.8425 per Share also stands at a discount to net assets value per Share, but not as great as the discounts represented by the closing prices of the Shares during the Review Period.

Each the Listco Offer and the Privateco Offer provides a right but not an obligation for the Shareholders to realise their investments in the Company. Shareholders are free to choose at their own discretion to keep, or to realize their holdings in the Shares through the Offers or to realize their holdings on the market.

The Company intends to continue the principal business of the Remaining Group (i.e. the development of computer software and related matters in the PRC following the Completion) and save for the Proposal, the Company has no intention to make significant changes in the business of the Group. Save for the entering into of the Agreement and the Proposal, as at the Latest Practicable Date, the Company has not entered into any other agreements, arrangements, understandings or negotiations about any acquisition and/or disposal of assets or businesses, or termination and/or scaling-down of any business of the Group, other than in its ordinary course of business.

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As confirmed by Affluent Start, it has no intention to make significant changes in the business of the Remaining Group. Save for the entering into of the Agreement, as at the Latest Practicable Date, Affluent Start has not entered into any other agreements, arrangements, understandings or negotiations about any acquisition and/or disposal of assets or businesses, or termination and/or scaling-down of any business of the Remaining Group, other than in its ordinary course of business.

Information on the Distributed Businesses and the Remaining Business

The Group is principally engaged in the Distributed Businesses and the Remaining Business as at the Latest Practicable Date.

The Distributed Businesses consist principally of manufacturing and marketing of bare copper wires and magnet wires and provision of processing services and investment holding.

The Remaining Group will mainly comprise the Company's 100% interest in the Winsino Group, which is principally engaged in development of computer software and related matters in the PRC. The Remaining Business comprises the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC as well as customised development of applications as a value-added service to customers, and the sales of self-developed firewall and other software products. As at the Latest Practicable Date, the Remaining Business operates branches in Beijing, Guangzhou, Shanghai, and Chengdu.

Financial information on the Privateco Group

Set out below is the financial information of the Privateco Group extracted from the accountants' report as set out in Appendix III to this circular:

	For the year ended	
	31 December	
	2008	2009
	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>
Turnover	6,491.1	4,369.6
Profit/(loss) before taxation	(204.2)	39.0
Profit/(loss) attributable to Shareholders	(185.9)	44.6

The combined net asset value of the Privateco Group as at 30 September 2010 was approximately RMB747.5 million (equivalent to approximately HK\$867.1 million) as directly extracted from the accountants' report in Appendix III to this circular, which is received from the reporting accountants of the Company.

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E. POSSIBLE CONDITIONAL VOLUNTARY CASH OFFER FOR THE PRIVATECO SHARES

Based on the current shareholding structure of the Company, Tai-I BVI and its parties acting in concert will be interested in a total of 195,487,000 Privateco Shares, representing approximately 32.79% of the issued share capital of the Privateco immediately upon Completion and following the Distribution In Specie. Given that the Privateco Shares will not be listed on any stock exchange and any holders of the Privateco Shares will therefore be difficult, if not impossible, to liquidate his holdings in the Privateco Shares. Tai-I BVI considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realize their holdings in the Privateco Shares by making the Privateco Offer on a conditional voluntary basis pursuant to the Takeovers Code.

After Completion and the Distribution In Specie, Polaris will, on behalf of Tai-I BVI and pursuant to the Takeovers Code, make a conditional voluntary cash offer to the Privateco Shareholders to acquire all the Privateco Shares other than those already held by Tai-I BVI and parties acting in concert with it on the following basis:

for every Privateco Share held* HK\$0.45 in cash

** The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

As the Privateco Offer will only be made following Completion and the Distribution In Specie becoming effective, which is subject to a number of conditions precedent to the Agreement, the making of the Privateco Offer may or may not proceed and, as such is a possibility only. In the event that the Privateco Offer is made, it will be a conditional cash offer.

The Privateco Offer, if they are made, will be conditional only upon Tai-I BVI having received acceptances in respect of voting rights acquired or agreed to be acquired before or during the Privateco Offer which will result in Tai-I BVI together with any person acting in concert with it holding more than 50% of the voting rights of Privateco.

Further information on the Privateco Offer (including the background of Tai-I BVI and its intention regarding the Privateco) is set out in Appendix I to this circular.

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F. POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER FOR THE SHARES

Subject to Completion, Haitong Securities will, on behalf of Affluent Start and pursuant to the Takeovers Code, make the Listco Offer, which is an unconditional mandatory cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it on the following basis:

for each Share held HK\$0.3925 in cash

The making of the Listco Offer is a possibility only and it may or may not proceed.

Further information on the Listco Offer (including the background of Affluent Start and its intention regarding the Company) is set out in Appendix I to this circular

G. FINANCIAL EFFECTS OF THE PROPOSAL

Set out in Appendix IV to this circular is the unaudited pro forma financial information of the Remaining Group which illustrates the financial impact of the Group Restructuring and the Subscription on the results and cash flows of the Remaining Group as if the Group Restructuring and the Subscription had taken place at the commencement of the year ended 31 December 2009 and the financial impact of the Group Restructuring and the Subscription on the assets and liabilities of the Remaining Group as if the Group Restructuring and the Subscription had taken place on 31 December 2009.

Based on the unaudited pro forma financial information of the Remaining Group as set out in Appendix IV to this circular and assuming the Group Restructuring and the Subscription had taken place on 31 December 2009 but without taking into account the completion of the acquisition of Liang Hui Holdings Limited by the Group in September 2010, the total assets of the Remaining Group would become approximately RMB11.6 million (equivalent to approximately HK\$13.5 million), representing a decrease of approximately 99.6% from approximately RMB2,624.7 million (equivalent to approximately HK\$3,044.7 million) as at 31 December 2009. The total liabilities of the Remaining Group would become approximately RMB38,000 (equivalent to approximately HK\$44,080), representing a decrease of approximately 99.998% from approximately RMB1,992.4 million (equivalent to approximately HK\$2,311.2 million) as at 31 December 2009. The net assets of the Remaining Group would become approximately RMB11.5 million (equivalent to approximately HK\$13.3 million), representing a decrease of approximately 98.2% from approximately RMB632.3 million (equivalent to approximately HK\$733.5 million) as at 31 December 2009. According to the unaudited pro forma financial information of the Remaining Group as set out in the Appendix IV to this circular, assuming the Group Restructuring and the Subscription had taken place at the commencement of the year ended 31 December 2009 but without taking into account the completion of the acquisition of Liang Hui Holdings Limited by the Group in September 2010, the loss attributable to equity holders of the Company would be approximately RMB5.3 million (equivalent to approximately HK\$6.1 million), representing a drop from a gain of RMB39.3 million (equivalent to approximately HK\$45.6 million) for the year ended 31 December 2009. The

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Directors consider that the future businesses development of the Remaining Group will depend on a number of factors including the future management and performance of the Remaining Group.

On 1 November 2010, the Company has made an announcement reproduced certain unaudited financial information of the Company and its subsidiaries for the nine months period ended 30 September 2010 (the “Relevant Information”) that had been disclosed by Taiwan Tai-I on the website designated by the Taiwan Stock Exchange Corporation pursuant to applicable laws and regulations of Taiwan (including the listing rules of the Taiwan Stock Exchange Corporation), in order to ensure timely disclosure of information in Hong Kong for prospective investors and shareholders of the Company. The Relevant Information released by Taiwan Tai-I has not been audited or reviewed and was prepared by Taiwan Tai-I in accordance with the generally accepted accounting principles in Taiwan, which is different from the financial reporting standards adopted by the Company and has not been verified by the Company. The Relevant Information therefore constitutes a profit forecast under Rule 10 of the Takeovers Code. In this regard, the Board would like to present the Relevant Information based on the management accounts of the Group which is prepared in accordance with International Financial Reporting Standards (the same as the accounting policies adopted by the Company). On this basis the Group recorded an unaudited profit attributable to equity holders of the Company of approximately RMB43.0 million (equivalent to approximately HK\$49.9 million) for the nine months ended 30 September 2010 (the “Profit Estimate”). Shareholders should note that the Profit Estimate should supersede the Relevant Information in its entirety and has been reported on by the Company’s auditor, KPMG, and its financial adviser, Somerley, in accordance with the requirements under Rule 10 of the Takeovers Code. The respective letters from KPMG and Somerley in this regard are set out in Appendix VI to this circular.

H. INFORMATION ON THE REMAINING GROUP

The Remaining Group will mainly comprise the Company’s 100% interest in the Winsino Group, which is principally engaged in development of computer software and related matters in the PRC. Set out below are further information in relation to the Remaining Group and the Remaining Business.

1. Industry overview

i. Overview of information technology industry in the PRC

a) Growing market demand

The clients of the information technology industry are mainly corporate customers with large amount of information processing capacity such as medium and large enterprise users. With the continued and rapid development of the Chinese economy in recent years, the corporate customer based in the PRC has made considerable progress in terms of number, size and overall strength and increased the acceptance of the meticulous management concept. The demand for information technology system solutions and services has also increased rapidly.

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The development of the high-end corporate customer market has provided opportunities for the rapid development of the market for information technology system services.

b) Continued advancement of technology

In recent years, there have been significant technological breakthroughs and innovation in the industry, which allowed room for further optimization in the original information technology systems of the customers and promoted the rapid development of the application market. The enhanced performance of the network and the processing equipment and the development of the management system of data life cycle have continued to deepen the application of the customers, increase the demand for integration and optimization and professional management of the information technology systems and promote the market development. The continued advancement of information technology in the future will continue to make room for the growth in services of the information technology systems.

c) Growing popularity in the concept of information technology services

In the increasingly competitive environment, the division of labour and refinement of management have become the important means for companies to enhance their core competitiveness. Companies tend to outsource their information technology services to more professional service providers so as to focus their own resources on their core business areas. The field of information technology services continues to expand and will have further development and long-term vitality in the future.

d) Support of industrial policies

In recent years, the PRC has issued a number of industrial policies in favour of the development of the information technology system services including the Reply on Issues Concerning Promoting the Development of the Services Outsourcing Industry (關於促進服務外包產業發展問題的復函) from the State Council in January 2009 and the Adjustment and Stimulus Plans for Electronics and Information Industry (電子信息產業調整振興規劃) from the State Council in February 2009, which actively promoted the industrial development of the information technology services and the business and service model innovation.

In June 2009, the Service Sector Division of the Ministry of Industry and Information Technology in the PRC has issued the Development Report of China Software and Information Service Outsourcing Industry for 2009 (2009中國軟件與信息服務外包產業發展報告); the Ministry of Finance has recently drafted with the relevant ministries the Guiding Policies on Encouraging Outsourcing of Government and Enterprises for the Development of the Service Outsourcing Industry of the PRC (關於鼓勵政府和企業發包促進我國服務外包產業發展的指導政策), pursuant to which the government at all levels will increase the procurement on service outsourcing.

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In September 2009, the People's Bank of China, the Ministry of Commerce, China Banking Regulatory Commission, China Securities Regulatory Commission, China Insurance Regulatory Commission and State Administration of Foreign Exchange jointly issued *Some Opinions on Promotion of Developing Services for Outsourcing* (關於金融支持服務外包產業發展的若干意見), requiring further financial support for the information technology services industry and encouraging financial institutions to outsource their information technology services; increasing the credit support for information technology service companies through innovative credit products and services so as to assist in building a number of strong information technology service companies with market and client base.

Relevant authorities of the central and local government have issued a series of policies and measures, which will play a major role in promoting the development of the information technology services industry in the PRC.

ii. Market Competition

Database management service is still at the early stage of development in the PRC with various forms of services being launched. As the business users are getting better understanding and recognition of the database management service, the users' awareness and acceptance have continued to increase. Meanwhile, the database management service providers continue to mature and the market environment will gradually improve. As a result, the market competitiveness will be enhanced. Assigning the information technology system services backed by the enterprises to professional service providers, especially for the increasing high-end services, has strengthened the market penetration of the service providers and increased competition in the market. In this process, a group of stronger domestic service providers will grow rapidly and compete with large foreign service providers to jointly occupy the main market supply.

The major players of database management service in the PRC are mainly foreign service providers and large domestic service providers. Foreign service providers generally provide whole service throughout the information life for the companies and have more extensive management experiences. Their international resources cannot be matched by the domestic service providers. Larger domestic service providers are characterized by good customer resources, services and products suitable for local customers, nationwide coverage and good brand names.

iii. The major entry barriers to the industry

a) Market barrier

Service providers in the industry usually enter into long-term service contracts with the customers to secure long-term business. After the end of the contracts, if the customers are satisfied with the service provided by the original service provider during the period of the contract, the customers will usually renew the contract to avoid the costs and risks in changing the service provider. As the service providers provide long-term and customized service to the customers, they can study the information technology management process of the

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customers and continue to optimize it. They have thorough and accurate understanding of the customers' position, difficulties, needs and development trends and therefore have usually established long-term trusting relationship with the customers. As a result, it is more difficult for new industry entrants to compete with the original service providers for old customers.

b) Industry experience barrier

Extensive industry experiences and proven industry solutions are the decisive factors for service providers of information technology systems to gain trust from the customers. Due to long cycle of services, the service providers require long-term market development and service practice to gradually accumulate the experiences and derive mature industry solutions. It is difficult for new industry entrants to achieve such goal in the short term.

c) Technical barrier

With the increasing diversity and complexity of customer needs, service providers of information technology system need to combine their own industry experiences and understanding of customer needs, fully integrate the hardware, software and services and provide services including integration and optimization of design, professional deployment and implementation and long-term operation based on different customer needs. The service providers need to meet the service management capability required by the information technology services of company users. Therefore, the technical requirement is higher and the technical level determines grading of the information technology service providers and is the key for maintaining long-term competitive advantage and plays a decisive role in business development.

d) Personnel barrier

Information technology system service is an emerging industry in the PRC and is in lack of quality professional personnel with professional skills in management service and extensive industry experiences. The professionalism of information technology system service is very high and it requires professional teams for advisory, program design, professional implementation and project operation for analysis and professional advisory on the status of the customers, integration and optimization of program design, professional deployment and implementation and long-term management and operation services respectively. It is difficult for new entrants to obtain professionals in various fields in a short time, which becomes an important barrier to entry.

e) Professional service and marketing network barrier

Currently, the demand side of information technology system service mainly comprises large company users from different areas in the PRC with large amount of information or more branches. In order to obtain these customers, the service provider is required to own a nationwide service and marketing network which

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can provide quality services before, during and after sales and technical support with unified standards to various departments and branches of the customers in time. Meanwhile, the service and marketing network is also an important means for the service provider to stay close to the end users, to seize the high-end market, to expand market share and to enhance its status in the industry and its brand awareness. Service providers with nationwide service and marketing network are easier to gain advantage in market competition but it takes longer time and larger capital investment to establish sound nationwide service and marketing network and accumulate relevant management experiences, which has also become one of the barriers to enter into the industry.

iv. Opportunities and challenges of the industry

a) Huge potentials for development of the industry

The application of the database management services is very common with huge market in developed countries in Europe and America. It has penetrated into various sectors such as government, commerce, finance, transportation, service and education in the United States and become an essential means to improve the competitiveness of companies. Meanwhile, advisory service which can enable corporate customers to obtain better results in database application is increasingly recognized. Certain key service providers can provide services such as long-term database system operation and management and database building advisory to corporate customers at the same time. For customer base, medium-and-large enterprises with a certain scale, operators, financial institutions and government, etc. can all become customers of database service. Although the service of database management system in the PRC is still in its early stages, it has huge potential customer market and rapidly growing market demand, which have created favourable conditions for long-term development in the industry.

b) Lack of self-innovation in the industry

The information technology system service in the PRC is in lack of self-innovation as most of the service providers remain in providing basic services and cannot provide program design and service development according to the needs of customers and business process in different industries and provide overall solutions which include hardware devices, application software and services. Meanwhile, the high-end applications in the information technology service solutions are mainly foreign products as most of the service providers are in lack of independent research and development capabilities and cannot fulfill the specific needs of domestic customers.

2. Business Model

The Remaining Group is principally engaged in (i) the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC; and (ii) the research and development for and sales of network security technology products.

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The 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 Remaining 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 database products 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 Oriental LegendMaker Software Development Company Limited (“Beijing OLM”) and its subsidiaries (together with Beijing OLM, collectively the “OLM Group”) was provision of software upgrade, maintenance and other services. The Remaining Group generally enters into annual contracts with their customers and the service charges mainly include software purchase cost and labour cost for implementation of the services plus certain amount of profit. The revenue will be recognized in accordance with the contract amount on a monthly basis. The customers are required to pay an initial deposit and settle balance of the payment by installment by way of telegraphic transfer or bank transfer.

For the business in relation to the network security technology, after almost a decade of development, the OLM Group was 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. The OLM Group mainly sells its self-developed firewall products and recognizes revenue after the sales of the products.

3. Related rules and regulatory environment

i. Administration of the Maintenance of Secrets in the International Networking of Computer Information Systems Provisions (計算機信息系統國際聯網保密管理規定)

Pursuant to the “Administration of the Maintenance of Secrets in the International Networking of Computer Information Systems Provisions” (Guo Bao Fa [1999] No. 10) issued on December 1999 and implemented on 1 January 2000 by the National Administration for the Protection of State Secrets, all individuals, legal persons and other organizations and all interconnection work units and all connection work units engaged in international networking shall strengthen the administration of the maintenance of secrets in the international networking of computer information systems to ensure the security of State secrets.

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ii. Basic Specification of Internal Control of Companies (企業內部控制基本規範)

The Basic Specification of Internal Control of Companies jointly issued on 22 May 2008 and implemented on 1 July 2009 by the Ministry of Finance, China Securities and Futures Commission, the Audit Commission, the China Banking Regulatory Commission and China Insurance Regulatory Commission required companies to strengthen internal control, internal audit and prevent internal control risks, which established an internal control system with the companies as the main bodies and with government regulation and audit of intermediaries for the first time to strengthen the safety management of company information.

The information technology industry is a key supported industry of the PRC government. Although the database management service is not subject to relevant laws and regulations, the supply of services and sales of products by the Remaining Group are still subject to relevant laws and regulations of the industry of sales as above (which are general provisions that are applicable to all industries and not specific to the database service industry).

4. Management Expertise

The Remaining Group has offices in Beijing, Guangzhou, Shanghai, and Chengdu respectively. The Remaining Group's operation is competitive in the industry and the Remaining Group has an efficient business model and its management team is experienced in the information technology industry in the PRC.

The OLM Group in the Remaining 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, the OLM Group continues to record business growth.

Having developed into the current stage through years of business restructuring and integration of resources, the OLM Group has 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.

Set out below are the biographies of Mr. Chen Xiangdong, Mr. Yao Ting, Mr. Zhang Jun, Mr. Lin Donghui and Ms. Li Zhuoyang, all being the existing members of the management team of the OLM Group:

Mr. Chen Xiangdong is the chief executive officer of Beijing OLM. He graduated from Department of Electronic Communication Engineering of University of Electronic Science and Technology of China with a major in radio technology in 1987. He worked as an engineer for 成都亞光電工廠 (Chengdu Yaguang Electronic Co., Ltd*) from July 1987 to February 1990, a sales manager for 成都電子公司 (Chengdu Electronics Company*) from February 1990 to May 1993 and a general manager for 成都智凱電子技術公司 (Chengdu Rich

* for identification purpose only

LETTER FROM THE BOARD

Electronics Company*) from May 1993 to January 2000. Appointed as the deputy general manager of the Chengdu Branch and the general manager of Chengdu Oriental LegendMaker Information Industry Company Limited from January 2000 to July 2004. He was appointed as the general manager of Beijing OLM and the OLM Group since July 2004. He has more than 20 years of working experiences and extensive management experiences in the information technology industry.

Mr. Yao Ting is the general manager of marketing and sales of Beijing OLM. He graduated from Tongji University with a major in international business management in 1999. He joined Shanghai Oriental LegendMaker Software Technique Company Limited after graduation in 2000 where he worked in various posts including the general manager of eastern China in 2004 and vice president of the OLM Group, responsible for marketing and sales throughout the country. He has extensive sales and market management experience in the information technology industry.

Mr. Zhang Jun is general manager of sales of Beijing OLM. He graduated from Department of Computer of Beijing University of Technology in 1992. He worked as R&D engineer for SPC exchange STD256 and STD512 for 北京市電子技術發展公司 (Beijing Electronic Technology Development Company*) after graduation. He was appointed as the software development manager of 電子工業部力心達電子發展公司 (LiXinDa Electronic Technology Development Company of Ministry of Electronics Industry*) from 1995 to 1998. He joined Beijing OLM since 1998 and worked as the system integration manager, manager of Beijing branch and deputy general manager of sales for the group head office. He has extensive technology, sales and management experience in the information technology industry.

Mr. Lin Donghui is chief technology officer of Beijing OLM. He graduated from Beijing Institute of Technology with a major in computer science engineering in July 1989. He worked as the software engineer of 廣東京粵電腦中心 (Guangdong-Beijing Computer Center*) after graduation in 1989. He worked as engineer and customer service manager for the Guangzhou branch of 甲骨文(中國)軟體發展有限公司 (Oracle (China) Software System Co., Ltd.*) from August 1995 to October 2004, the manager of pre-sales technology department for southern China of 美國維爾軟體/賽門鐵克公司 (Veritas/Symantec Corporation*) from November 2004 to January 2007, the manager of customer service technology department for southern China of 甲骨文(中國)軟體發展有限公司 (Oracle (China) Software System Co., Ltd.*) from January 2007 to August 2009 and chief technology officer of Beijing OLM since September 2009.

Ms. Li Zhuoyang is the chief financial officer of Beijing OLM. She graduated from Southwestern University of Finance and Economics with a major in accounting in 1997. She worked in Pangang Group Company Limited, a large state-owned enterprise, after graduation as cost accountant of finance department. She joined Beijing OLM in 2000, where she acted as finance manager of the Chengdu branch of Beijing OLM, Chengdu Oriental LegendMaker Information Industry Company Limited and Shanghai Oriental LegendMaker Software Technique Company Limited. She was appointed as the chief financial officer of Beijing OLM since 2005. She has 11 years of finance management experience in the information technology industry.

* for identification purpose only

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5. Liquidity and cash flow

The Directors expect that the Remaining Group would have sufficient working capital for its operation upon Completion and the Distribution In Specie. Following Completion and the Distribution In Specie, save for the trade payables and the promissory note of aggregate principal amount of HK\$96 million issued as the consideration for acquiring Liang Hui Holdings Limited and its subsidiaries (detailed information was included in the Company's circular dated on 28 June 2010), the Remaining Group has no bank borrowings and other long-term debts.

As demand in the information technology industry in the PRC continues to grow rapidly, the Remaining Group plans to expand its operations into other cities in the PRC, including Nanjing, Xian and Hangzhou. The Directors expect that the Remaining Group will be able to meet the funding requirement for the abovementioned expansions from positive cash flow generated from operation of the Remaining Group together with its internal resources.

6. Risk factors

i. Risks relating to the Remaining Group

a) Sustainability of business growth

The ability of the Remaining Group to maintain its business growth will depend, in part, on its ability to provide high quality software development services that address the increasingly sophisticated and varied needs of existing and prospective customers in an effective and timely manner.

Further, the information technology industry is characterised by rapid changes in technology and customer requirements. If the Remaining Group fails to keep pace with such changes in any material respect, there could be a material adverse effect on its business and future development.

b) Uncertainty on expansion

The Remaining Group has been expanding its operations and is planning to continue such expansion through growth strategies such as establishing strategic relationships with other information technology companies, penetrating into other markets and strengthening business co-operation with existing customers.

The success of the Remaining Group's expansion depends on the availability of management, operational and financial resources to implement the Remaining Group's expansion strategies. Should the Remaining Group's resources be inadequate to support and manage its expansion plans, the Remaining Group's business and expansion plans will be adversely affected.

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c) Service liability

Software developed by the Remaining Group may be used by its customers to perform critical tasks in their operations. Any defects or errors in such software could result in the Remaining Group having to incur additional costs to rectify such defects or errors or to compensate its customers for any losses suffered by them. The Remaining Group does not maintain any insurance cover in respect of third party claims arising out of or in connection with defective services or software. No such claims have, since the Remaining Group's commencement of business operation, been brought or asserted against the Remaining Group. However, any successful material claim of such nature brought or asserted against the Remaining Group could have a material adverse effect on its reputation and financial position.

d) Reliance on key executives and ability to attract and retain skilled employees

The continued success of the Remaining Group depends, to a significant extent, on its key executives. Competition for personnel with the requisite skills, qualifications and experience in the information technology industry in the PRC is intense. If the Remaining Group is unable to attract new and retain its current key executives and personnel, its operations may be adversely affected.

e) Software, hardware or systems failure

The software development operation of the Remaining Group depends heavily on the performance of its hardware and software as well as the services provided by various Internet service providers. Any significant or prolonged breakdown of or disruptions in the use of the hardware and software of the Remaining Group or the Internet service, whether as a result of computer viruses, power supply or connection failure or otherwise, may adversely affect the software development operations of the Remaining Group. In addition, the computer network or system of the Remaining Group is vulnerable to unauthorised access (generally known as "hacking") which may jeopardize the security of confidential information stored in it. In the event that the computer network or system of the Remaining Group is subject to hacking and the Remaining Group is unable to develop timely and effective remedial measures, it may cause losses to the Remaining Group or deter potential customers from purchasing or subscribing for its products or services, which could have a material adverse effect on the operations of the Remaining Group.

ii. Risks relating to the information technology industry

Rapid changes in technology

The Remaining Group operates in a market which is characterised by rapid changes in technology, industry standards and customers' requirements. The performance and continued success of the Remaining Group will depend on its ability to improve the quality and reliability of its outsourcing software

LETTER FROM THE BOARD

development services, and to adapt to evolving industry standards and customers' requirements. In the event that the Remaining Group fails to adapt successfully to such changes, the performance of the Remaining Group may be adversely affected.

iii. Risks relating to the PRC

a) Legal considerations in the PRC

As the PRC legal system develops, foreign investors may be adversely affected by new laws and regulations, changes to existing laws and regulations, new interpretations of current laws and regulations and the pre-emption of local regulations by national laws. Considerable progress has been made in the enactment of laws and regulations concerning economic matters such as foreign investment, corporate organisation and governance, commerce, taxation and trade, which have significantly enhanced the legal protection afforded to foreign investors. As some of these laws and regulations are still in the course of development, they may be subject to changes and modifications. Since the PRC economy is developing at a much faster pace than the PRC legal system, some degree of uncertainty may result and, until the development of the legal system is able to keep up with economic reforms in the PRC, such uncertainty is likely to remain. However, there can be no assurance that changes in the PRC laws and regulations or interpretation thereof will not have any adverse effect upon the business and prospects of the Remaining Group.

b) Changes in policy regarding the software industry may affect the operations of the Remaining Group

The PRC software industry is regulated by the Service Sector Division of the Ministry of Industry and Information Technology. The Remaining Group has to ensure compliance from time to time with applicable laws and regulations of the relevant regulatory authorities relating to the software industry. At present, the information technology industry is one of the encouraged industries in the PRC and enjoy certain concessions and preferential tax treatment. There is no assurance that such policy will not be changed or restrictions will not be imposed on software enterprises providing export software services. Further, new laws or regulations (or any new interpretation thereof) relating to software products or the provision of software development services and other solution businesses in the PRC may be introduced. Any unfavourable changes in policies or laws or regulations affecting the software industry in the PRC could have an adverse effect on the Remaining Group's business.

c) Political and economic considerations in the PRC

The PRC government has embarked on a change in policy since 1978 to transform the Chinese economy from a government planned economy to a market economy. Like other business activities carried on in the PRC market, the business of the Remaining Group could be adversely affected by changes in the

LETTER FROM THE BOARD

state plans or political, economic and social conditions of the PRC or changes in policies by the PRC government, or by the introduction of any law or administrative order that prohibits or restricts the sale, import, export or use of any computer software or hardware products, modules or components.

I. FINANCIAL AND TRADING PROSPECT OF THE REMAINING GROUP

Following the Completion and the Distribution In Specie, the Group will continue the principal business of the Remaining Group (i.e. in the development of computer software and related matters in the PRC). As demand in the information technology industry in the PRC continues to grow rapidly, the Remaining Group 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, the Remaining Group will continue to explore other markets that have significant need in data management, for example, health, education, energy and manufacturing industries.

J. EGM

The EGM will be held for the purpose of considering and, if thought fit, approving the resolution in respect of the Proposal by Independent Shareholders by way of poll at the EGM. Tai-I BVI, Affluent Start, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolution.

As at the Latest Practicable Date, Tai-I BVI held 195,487,000 Shares, representing 32.79% of the existing issued Shares.

Save for the interests in the Agreement, none of Affluent Start, its associates and parties acting in concert with Affluent Start held any Shares as at the Latest Practicable Date.

A notice convening the EGM is set out on pages EN-1 to EN-4 of this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share 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 practicable but in any event not later than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof should you so desire.

LETTER FROM THE BOARD

K. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed to make recommendation to the Independent Shareholders on the Proposal. Beijing Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposal and such appointment has been approved by the Independent Board Committee.

L. RECOMMENDATION

The Board believes that the terms of the Proposal are fair and reasonable and the Proposal is in the interests of the Company and the Shareholders as a whole and recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposal.

In addition, your attention is drawn to the letter from the Independent Board Committee set out on pages 37 to 38 of this circular which contains its recommendation to the Independent Shareholders in respect of the Proposal, based on the advice from Beijing Securities set out on pages 39 to 64 of this circular which contains its recommendation to the Independent Board Committee and the Independent Shareholders and the principal factors and reasons taken into consideration.

M. FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Set out below is the text of the letter of recommendation from the Independent Board Committee in respect of the Proposal.



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)

18 January 2011

To the Independent Shareholders

Dear Sir or Madam,

**SUBSCRIPTION OF NEW SHARES;
GROUP RESTRUCTURING;
SHARE PREMIUM AND RESERVE APPLICATION;
AND
DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES**

As members of the Independent Board Committee, we have been appointed to advise you in connection with the Proposal, details of which are set out in the circular of the Company dated 18 January 2011 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

We, being the independent non-executive Directors, have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Proposal are fair and reasonable as far as the Independent Shareholders are concerned and whether the Proposal is in the interests of the Company and the Shareholders as a whole.

Beijing Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Proposal.

We wish to draw your attention to the letter from Beijing Securities in the Circular which contains, among other things, its advice and recommendations to us regarding the terms of the Proposal and the principal factors and reasons taken into consideration for its advice and recommendations.

Having taken into account the advice and recommendations of Beijing Securities and the principal factors and reasons taken into consideration by them in arriving at their opinion, we consider that the terms of the Proposal are fair and reasonable so far as the

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Independent Shareholders are concerned and the Proposal is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Proposal.

Yours faithfully,

The Independent Board Committee

Kang Jung-Pao

Cheng Yang-Yi

Tsay Yang-Tzong

Yan Minghe

Atsushi Kanayama

Independent non-executive Directors

LETTER FROM BEIJING SECURITIES



BEIJING SECURITIES LIMITED

Room 2907-8, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong

18 January 2011

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**SUBSCRIPTION OF NEW SHARES;
GROUP RESTRUCTURING;
SHARE PREMIUM AND RESERVE APPLICATION;
AND
DISTRIBUTION IN SPECIE OF THE PRIVATECO SHARES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposal. The details of the Proposal are set out in the circular of the Company dated 18 January 2011 (the “**Circular**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

On 20 September 2010, Tai-I BVI entered into a non-binding MOU with Affluent Start regarding the Share Transfer of approximately 32.79% shareholding in the Company, which may result in a change in control of the Company. On 17 November 2010, the Company, Tai-I BVI and Affluent Start jointly announced the signing of the Agreement on 8 November 2010 regarding the Share Transfer and the Subscription pursuant to which (i) Affluent Start has conditionally agreed to acquire from Tai-I BVI approximately 32.79% of the issued share for a total consideration of approximately HK\$76.73 million; and (ii) Affluent Start has conditionally agreed to subscribe for 210,000,000 Subscription Shares, representing 26.05% of the enlarged issued Shares for a total consideration of approximately HK\$12.6 million.

In order to facilitate the Completion, the Board will put forward the Proposal for the Shareholders’ consideration at the EGM. The Proposal includes the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie. Upon Completion, a conditional voluntary cash offer will be made by Polaris on behalf of Tai-I BVI for the Privateco Shares and an unconditional mandatory cash offer will be made by Haitong Securities on behalf of Affluent Start for the outstanding Shares other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it. As set out in the letter from the Board contained in the Circular (the “**Letter from the Board**”), the Subscription, the Share Premium and

LETTER FROM BEIJING SECURITIES

Reserve Application and the Distribution In Specie are subject to the approval by the Independent Shareholders, by way of poll at the EGM. Tai-I BVI, Affluent Start, their respective associates and parties acting in concert with any of them will abstain from voting on the relevant resolutions.

The Board currently comprises four executive Directors and five independent non-executive Directors. The Independent Board Committee is currently comprised of all the independent non-executive Directors, namely Messrs Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe and Atsushi Kanayama, and has been established to advise the Independent Shareholders regarding the Proposal. We have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposal and such appointment has been approved by the Independent Board Committee.

Beijing Securities is not connected with the directors, chief executive or substantial shareholders of the Company or Affluent Start or any of their respective associates and therefore is considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Company or the directors, chief executive or substantial shareholders of the Company, Affluent Start and Tai-I BVI or any of their respective associates.

Our role is to provide you with our independent opinion and recommendation as to whether the terms of the Proposal are fair and reasonable and whether the Proposal is in the interests of the Company and the Independent Shareholders as a whole and how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Subscription, the Share Premium and Reserve Application and the Distribution In Specie.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations provided to us by the Directors, the Company and its management.

We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of the EGM. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

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The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business, affairs, financial performance and positions or future prospects of the Group and its associates, Affluent Start and its associates as well as Tai-I BVI and its associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Proposal to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Principal terms of the Proposal, the Listco Offer and the Privateco Offer

Set out below are the principal terms of the Proposal, the Listco Offer and the Privateco Offer as extracted from the Circular. Further details of the terms of the Proposal, the Listco Offer and the Privateco Offer, including conditions precedent thereof, are set out in the Letter from the Board and Appendix I to the Circular.

A. The Proposal

(i) Subscription

Subject to the terms and conditions of the Agreement, Affluent Start has conditionally agreed to subscribe for 210,000,000 Subscription Shares, representing approximately 35.23% of the issued Shares as at the Latest Practicable Date and approximately 26.05% of the issued Shares as enlarged by the Subscription.

The total consideration for the Subscription Shares is HK\$12.6 million, representing HK\$0.06 per Subscription Share (the “**Subscription Price**”). The consideration will be payable in cash in full on the Completion Date. The estimated net proceeds from the Subscription is approximately HK\$12.37 million, representing a net price of approximately HK\$0.059 per Subscription Share. The Company intends to apply the net proceeds for general working capital purpose of the Remaining Group.

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A detailed analysis of the Subscription Price is set out in the section headed “The Subscription Price” below.

(ii) Group Restructuring

Pursuant to the Group Restructuring:

- (a) the Company has transferred on 23 December 2010 its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in the bare copper wires and magnetic wires business) and in the Domain Name, free from all encumbrances and third party rights, to the Privateco, a wholly-owned subsidiary of the Company; and
- (b) the Company has effected on 23 December 2010 the Novation whereby certain outstanding payment obligations owned by the Company to Tai-I Copper (BVI) Limited have been transferred to the Privateco, resulting in that payment obligation be owed by the Privateco to Tai-I Copper (BVI) Limited.

Through the Novation, all material intercompany balances in relation to the bare copper wires and magnetic wires business have been transferred to the Privateco and its subsidiaries, and such Novation will not have material effect on the financial position of the Group and did not create any material adverse profit and loss impact. The distributable reserves of the Company including those arising from the Novation will be applied to the Distribution In Specie.

The Group Restructuring is part and parcel of the Proposal in order to reorganize the relevant assets and liabilities related to the bare copper and magnetic wire business under the Privateco Group for the implementation of the Distribution In Specie. At as the Latest Practicable Date, the Group Restructuring was completed.

(iii) Share Premium and Reserve Application

Subject to the obtaining of the Independent Shareholders’ approval on the Share Premium and Reserve Application, the Directors will be authorized to apply the amount standing to the credit of the Share Premium Account and the reserve accounts of the Company (including those arising from the Novation will be applied to the Distribution In Specie), for the implementation of the Distribution In Specie.

In addition to the deployment of the Company’s existing distributable profits, the Share Premium and Reserve Application are part and parcel of the Proposal in order to allow the Company to have sufficient distributable

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reserves to facilitate the implementation of the Distribution In Specie. The completion of the Share Premium and Reserve Application is subject to the approval by the Independent Shareholders at the EGM.

(iv) Distribution In Specie

The Company will distribute all of its Privateco Shares in specie to the Shareholders whose name appear on the register of members of the Company on the Record Date (a date falling before the date of the Completion, which is to be fixed for determining entitlements to the Distribution In Specie) on the basis of one Privateco Share for every Share held.

The Distribution In Specie will be effected by distribution from the Share Premium Account and the reserve accounts of the Company and the amount to be distributed will be equivalent to the carrying value of the Privateco Group which will be ascertained immediately prior to Completion.

The Privateco Shares when issued will rank pari passu in all respects with each other. No application will be made for the listing of the Privateco Shares on the Stock Exchange or any other stock exchange.

As a result of the Distribution In Specie, the Privateco Group will cease to be subsidiaries of the Company and the Remaining Group will be carrying on the Remaining Business, which comprises the business of development of computer software and related matters in the PRC.

The Distribution In Specie is conditional upon Completion and the approval from the Independent Shareholders at the EGM. Completion and the Distribution In Specie form an integral part of the Proposal. Completion will not take place unless all other conditions precedent of the Distribution In Specie have been fulfilled, and subject to Completion and the completion of the Distribution In Specie, Tai-I BVI is obliged to make the Privateco Offer.

B. The Listco Offer

Upon Completion, Affluent Start will hold 405,487,000 Shares, representing approximately 50.30% of the issued share capital of the Company as enlarged by the Subscription. Subject to Completion, Haitong Securities will, on behalf of Affluent Start and pursuant to the Takeovers Code, make the Listco Offer, which is an unconditional mandatory cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it on the following basis:

for each Share held HK\$0.3925 in cash

As at date of the Joint Announcement, Affluent Start has not received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Listco Offer.

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The ad valorem stamp duty payable by the accepting Shareholders in connection with the Listco Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting Shareholders and will be deducted by Affluent Start from the consideration payable to them on acceptance of the Listco Offer. Affluent Start will then pay the stamp duty on behalf of the accepting Shareholders.

Affluent Start intends to maintain the listing status of the Company and it will irrevocably undertake that it will be responsible for maintaining the 25% public float requirement of the Company upon the closing of the Listco Offer.

C. The Privateco Offer

Upon Completion and the completion of the Distribution In Specie, Tai-I BVI and its parties acting in concert will be interested in a total of 195,487,000 Privateco Shares, representing approximately 32.79% of the issued share capital of the Privateco. Given that the Privateco Shares will not be listed on any stock exchange and any holders of the Privateco Shares will therefore be difficult, if not impossible, to liquidate his holdings in the Privateco Shares, Tai-I BVI considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise all or part of their shareholdings in the Privateco Shares by making the Privateco Offer on a conditional voluntary basis pursuant to the Takeovers Code.

Upon Completion and the completion of the Distribution In Specie, Polaris will, on behalf of Tai-I BVI and pursuant to the Takeovers Code, make a conditional voluntary cash offer to the Privateco Shareholders to acquire all the Privateco Shares other than those already held by Tai-I BVI and parties acting in concert with it on the following basis:

for every Privateco Share held * HK\$0.45 in cash

** The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

As the Privateco Offer will only be made following Completion and the Distribution In Specie becoming effective, which is subject to a number of conditions precedent to the Agreement, therefore the making of the Privateco Offer may or may not proceed and as such is a possibility only. In the event that the Privateco Offer is made, it will be a conditional cash offer.

The Privateco Offer, if they are made, will be conditional only upon Tai-I BVI having received acceptances in respect of voting rights acquired or agreed to be acquired before or during the Privateco Offer which will result in Tai-I BVI together with any person acting in concert with it holding more than 50% of the voting rights of Privateco.

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Subject to sufficient Privateco Shares being acquired, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, Tai-I BVI intends to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Details of the possible compulsory acquisition are set out in Appendix I to the Circular.

As at the date of the Joint Announcement, Tai-I BVI has not received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Privateco Offer. The Privateco Shares subject to the Privateco Offer will be acquired by Tai-I BVI with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

Given that Privateco is a company incorporated in Bermuda where its register of members is located and maintained, no Hong Kong stamp duty is payable on any transfer of the Privateco Shares.

2. Reasons for the Proposal

Pursuant to the Agreement, completion of the Share Transfer and the Subscription, which are the transactions contemplated in the Agreement, are conditional upon the completion of the Group Restructuring. Upon Completion, the Directors will be authorised to effect the Share Premium and Reserve Application. Pursuant to the conditions to the Distribution In Specie, the completion of the Distribution In Specie is conditional upon Completion. Based on the aforementioned, we concur with the view of the Directors as set out in the section headed “Reasons for the Subscription and use of proceeds” in the Letter from the Board that the Subscription forms a part and parcel of the Agreement and therefore is a crucial part for achieving completion of the Proposal which in turn will ultimately lead to the Listco Offer and the Privateco Offer. The Share Transfer and the Subscription together will allow Affluent Start to take absolute control of the Company and the Remaining Group upon Completion and the completion of the Distribution In Specie. The Subscription will bring in new capital to the Remaining Group but more importantly, the Subscription and the Share Transfer together allows Affluent Start to take absolute control over the Remaining Group (not less than 50.1% of the issued Shares). During the negotiations among the parties to the Agreement, it was the intention that Affluent Start will be interested in not less than 50.1% of the issued Shares after Completion. An outright sale of controlling interest in the Company to Affluent Start by Tai-I BVI could not achieve the same effect as Tai-I BVI holds only approximately 32.79% of the existing issued Shares.

The Directors consider that the Subscription is an appropriate means of raising additional capital for the Company without incurring interest costs whilst broadening the capital base of the Company. The net proceeds of the Subscription of approximately HK\$12.6 million is intended to be applied as general working capital of the Remaining Group.

As set out in the section headed “Reasons for and effects of the Group Restructuring, the Share Premium and Reserve Application and the Distribution In specie” in the Letter from the Board, during the negotiations between the parties to the Agreement, Affluent Start has expressed that it is not interested in the Distributed Businesses. As opposed to an outright disposal of the Distributed Businesses to the controlling Shareholder, the Distribution In Specie and the Privateco Offer together provide an option for Independent Shareholders to keep or dispose of their investments in the Distributed Businesses through

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the Privateco Offer. The Privateco Offer also provides a cash exit option to the Independent Shareholders (at HK\$0.45 per Privateco Share) to realise all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid, upon Completion and the Distribution In Specie. In addition, following the Completion, Affluent Start will become a substantial Shareholder and will make the Listco Offer, which is an unconditional mandatory cash offer, at HK\$0.3925 per Share for all of the Shares other than those owned by Affluent Start and the parties acting in concert with it.

The Group Restructuring and the Share Premium and Reserve Application are the crucial steps for achieving the Distribution In Specie, which in turn will ultimately lead to the Privateco Offer and the Listco Offer. In order to reorganise the relevant assets and liabilities related to the bare copper and magnetic wire business under the Privateco Group and to allow the Company to have sufficient distributable reserves to facilitate the Distribution In Specie in addition to the deployment of the Company's existing distributable profits, the Board thus proposes that the Group Restructuring and the Share Premium and Reserve Application be effected. The Board therefore considers that the Group Restructuring and the Share Premium and Reserve Application are in the interests of the Shareholders as a whole.

The Listco Offer and the Privateco Offer will provide a cash exit to any Shareholder who wishes to realise all or part of his/her/its interests in the Company and in the Privateco following Completion at a premium compared to the trading price of the Shares prior to the issue of the First Announcement. As such, the Board considers that it is in the interests of the Independent Shareholders for them to be provided with an opportunity to consider and, if thought fit, approve the relevant resolution for the Subscription, the Share Premium and Reserve Application and the Distribution In Specie as part and parcel of the Proposal at the EGM.

For those Shareholders who wish to retain their investments in the Distributed Businesses after Completion, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. They should, however, be aware that there will be no liquid market for the Privateco Shares as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provision pursuant to the Companies Act 1981 of Bermuda (as may be amended from time to time) if sufficient Privateco Shares are acquired by Tai-I BVI under the Privateco Offer. Details of the possible compulsory acquisition are set out in Appendix I to the Circular.

Given the aforesaid and having considered the fact that the completion of the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie are conditional upon each other and the completion of the Proposal will lead to an opportunity provided to the Shareholders to realise all or part of their investments through the Listco Offer and the Privateco Offer at a Combined Offer Price (as defined below) which has a premium over the closing price of the Share during the Review Period, we are of the view that the Proposal is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

3. Information on the Privateco Group and the Remaining Group

The Group is principally engaged in the Distributed Businesses and the Remaining Business.

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Pursuant to the Proposal, the Distributed Businesses will be distributed to the Privateco Group, which will include the subsidiaries and associated company of the Group other than Winsino Group. The Distributed Businesses consist principally of manufacturing and marketing of bare copper wires and magnet wires and provision of processing services and investment holding.

The Remaining Group will mainly comprise the Company's entire interest in the Winsino Group, which is principally engaged in the development of computer software and related matters in the PRC. The Remaining Business comprises the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC as well as customised development of applications as a value-added service to customers, and the sales of self-developed firewall and other software products. As at the Latest Practicable Date, the Remaining Group has branches in Beijing, Guangzhou, Shanghai, and Chengdu.

(i) Financial performance of the Group

Set out below is a summary of the financial information of the Group for the two years ended 31 December 2008 and 2009 and the six months period ended 30 June 2010. As the acquisition of Liang Hui Holdings Limited, which comprises the Remaining Business, was completed in September 2010, the financial results of the Remaining Business therefore were not consolidated in the published financial statements of the Group in these financial periods under analysis. The analysis on the financial performance of the Remaining Business of the Group is set out in the paragraph headed "Financial effects of the Proposal on the Group" in this letter based on the unaudited pro forma financial information of the Remaining Group set out in Appendix IV to the Circular.

	Six months ended 30 June 2010	Year ended 31 December	
	<i>RMB'000</i>	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>
Turnover			
– Sale of bare copper wires	2,507,189	3,166,888	4,438,671
– Sale of magnet wires	981,010	1,178,376	2,034,475
– Processing services	7,427	24,357	17,907
	<hr/>	<hr/>	<hr/>
Total Turnover	3,495,626	4,369,621	6,491,053
Gross Profit	117,773	131,416	9,253
Profit/(loss) from operations	77,774	81,128	(114,325)
Profit/(loss) before taxation	47,966	33,708	(226,756)
Profit/(loss) for the year/period attributable to the Shareholders	47,526	39,345	(208,426)
Earnings/(loss) per Share (HK cents)	9.3	8.1	(40.6)
	As at 30 June 2010	As at 31 December	
	<i>RMB'000</i>	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>
Net assets attributable to the Shareholders	688,373	632,302	557,429
Net assets value per Share (HK\$)	1.34	1.23	1.08

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Source: Annual reports of the Company for the two years ended 31 December 2008 and 2009 and interim report of the Company for the six months ended 30 June 2010.

Note: Based on the conversion of RMB into Hong Kong dollar at the rate of RMB1 to HK\$1.16.

The turnover of the Group decreased by 32.7% from approximately RMB6,491.1 million for the year ended 31 December 2008 to approximately RMB4,369.6 million for the year ended 31 December 2009. The drop in the sales of the Group in 2009 was affected by the fall in international average copper prices despite the fact that there was an increase in the sales volume of bare copper wires and the demand for magnet wires was still not recovered from the impact of the global financial crisis in 2008.

Due to the expansion of bare copper wires division of the Group in 2009, 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 2.8% from 84,391 tonnes in 2008 to 86,756 tonnes in 2009. However, as a consequence of the fall in international copper prices, the turnover of bare copper wires reduced by 28.7% from RMB4,438.7 million in 2008 to RMB3,166.9 million in 2009. In contrast with bare copper wires, magnet wires are relatively downstream products, and the demand of which in the international and China markets was recovering at a slower pace. Both the sales volume and the turnover of magnet wires have been decreased in 2009 as compared to the same period for the last year. However, in response to the growth of China's domestic sales in 2009, the Group has adjusted a greater proportion of its sales for magnet wires in the domestic markets.

Despite the drop in the turnover of the Group in 2009, the gross profit increased substantially from approximately RMB9.2 million in 2008 to RMB131.4 million in 2009 due to the effective management of purchase price of copper plates and sales price and the cost reduction measures implemented by the Company. As a result, the Group recorded a net profit of approximately RMB39.3 million for 2009 as compared to a net loss of RMB208.4 million in 2008.

For the six months ended 30 June 2010, the turnover of the Group amounted to approximately RMB3,495.6 million with an increase of 101.4% as compared with the last corresponding period of RMB1,735.7 million. The increase in the turnover was due mainly to the higher international copper price and growth of market demand. The gross profit for the six months ended 30 June 2010 was RMB117.8 million, representing an increase of 328.4% as compared to the same period last year of RMB27.5 million. Such increase was due to the increase of sales volume of the Group and the enhanced margins.

(ii) Prospects of the Privateco Group

As stated in the paragraph headed "Background of Tai-I BVI and its intention regarding the Privateco" set out in the Letter from the Board, it is the intention of Tai-I BVI that there be will no change to the principal businesses nor conduct any business other than the Distributed Businesses for the Privateco Group. In addition, the Privateco Group will not hold any assets other than those relating to the Distributed

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Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained. Interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, which will contain comparable provisions required under the Listing Rules in respect of a listed issuer.

Though there is no intention at this moment for the Privateco Group to conduct any fund raising activities including rights issue, the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future.

Although the Privateco Group's business has been recovered from the global financial crisis since the second half of 2009, the future financial performance of the Privateco Group is uncertain due to (i) the fluctuations in the international copper prices; (ii) the possible risk arising from the copper futures contracts and foreign exchange forward contracts; (iii) the risks associated with the growth of demand for the Privateco Group's products in the international and China markets; and (iv) the Renminbi exchange rate.

(iii) Prospects of the Remaining Group

As stated in the paragraph headed "Intention of Affluent Start regarding the Remaining Group" set out in Appendix I to the Circular, Affluent Start intends to continue the principal business of the Remaining Group. Following Completion, Affluent Start will conduct a review on the business operations and financial position of the Remaining Group for the purpose of formulating business plans and strategies for the future business development of the Remaining Group. Subject to the result of the review and should suitable investment or business opportunities arise, Affluent Start may consider diversifying the business of the Remaining Group with an objective to broaden its income source. Upon completion of the Proposal and the Listco Offer, Affluent Start intends to maintain the listing status of the Company which comprises only the Remaining Group.

As at the date of the Joint Announcement, no such investment or business opportunities have been identified nor Affluent Start has entered into any agreements, arrangements, understandings, intention or negotiations in relation to inject of any asset or business into the Remaining Group. Notwithstanding the foregoing, Affluent Start has not entered into any agreements, arrangements, understandings, intention or negotiations in relation to re-deployment of the employees, disposal and/or re-deployment of the assets of the Remaining Group, or termination or scaling-down of any Remaining Group's business, other than its ordinary course of business.

4. The Listco Offer, the Privateco Offer and the Combined Offer

Given that Completion is a condition to the Distribution In Specie, the Listco Offer and the Privateco Offer will only be made upon completion of both the Agreement and the Distribution In Specie. Having considered that (i) the Privateco Shares will not be listed on any stock exchange and the Privateco Shareholders has an opportunity to realise all or part

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of their shareholdings in the Privateco Shares under the Privateco Offer; (ii) the fact that the existing market price of the Shares reflects the investors' perception value of the Remaining Group and the Privateco Group; and (iii) the Independent Shareholders will become the Privateco Shareholders upon the completion of the Distribution In Specie; we consider it is fair and reasonable to analyse the Listco Offer and the Privateco Offer on a combined basis for the purpose of evaluating the potential return that the Independent Shareholders will be able to receive following completion of the Proposal. The detailed analysis on the Listco Offer and the Privateco Offer will be set out in the respective composite offer documents in relation to the Listco Offer and the Privateco Offer to be sent to the Shareholders and the Privateco Shareholders in the event that the Agreement and the Distribution In Specie are completed.

A. The Listco Offer

Upon Completion, Affluent Start will own 405,487,000 Shares representing approximately 50.30% of the enlarged issued share capital of the Company and will be required under the Takeovers Code to make an unconditional mandatory cash offer to the Independent Shareholders to acquire all the Shares other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it.

Subject to Completion, Haitong Securities will, on behalf of Affluent Start, make an unconditional mandatory cash offer to all the Independent Shareholders to acquire all the Shares other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it, on the basis of HK\$0.3925 in cash for each Share.

As at the Latest Practicable Date, there were 596,158,000 Shares in issue. Based on the Listco Offer Price of HK\$0.3925 for each Share, the 400,671,000 Shares subject to the Listco Offer will be valued at approximately HK\$157.3 million and the entire issued share capital of the Company will be valued at approximately HK\$234 million.

B. The Privateco Offer

Based on the current shareholding structure of the Company, Tai-I BVI will be interested in a total of 195,487,000 Privateco Shares, representing approximately 32.79% of the issued share capital of the Privateco immediately upon Completion and following the Distribution In Specie. Given that the Privateco Shares will be difficult, if not possible, to liquidate, Tai-I BVI considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realise all or part of their shareholdings in the Privateco Shares by making the Privateco Offer on a conditional voluntary basis pursuant to the Takeovers Code.

After Completion and the Distribution In Specie, Polaris will, on behalf of Tai-I BVI and pursuant to the Takeovers Code, make a conditional voluntary cash offer to the Privateco Shareholders to acquire all the Privateco Shares other than those already held by Tai-I BVI and parties acting in concert with it, on the basis of HK\$0.45 in cash for each Privateco Share.

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The Privateco Offer price has been determined after taking into account the underlying assets and liabilities of the Privateco Group. On the basis that 596,158,000 Privateco Shares are expected to be in issue upon completion of the Group Restructuring, the Privateco Offer values the entire issued share capital of Privateco at approximately HK\$268.3 million.

C. The Combined Offer

The following analysis on the Listco Offer and the Privateco Offer as the combined offer (the “**Combined Offer**”) have been conducted on the assumption that the Independent Shareholders will be able to receive a potential aggregate cash consideration of HK\$0.8425 (the “**Combined Offer Price**”) under the Combined Offer for every Share and Privateco Share held by them after the completion of the Proposal.

(i) *Comparison of the Combined Offer Price with the market price and the net asset value per Share*

The Combined Offer Price of HK\$0.8425 per Share represents:

- (a) a discount of approximately 31.50% to the consolidated net asset value of the Company of approximately HK\$1.23 per Share as at 31 December 2009 based on the annual report of the Company for the year ended 31 December 2009;
- (b) a premium of approximately 10.86% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the last trading day before the First Announcement;
- (c) premiums of approximately 31.23%, 33.10%, 30.02% and 29.62% over the average of the closing prices of approximately HK\$0.642, HK\$0.633, HK\$0.648 and HK\$0.650 respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the date of the First Announcement;
- (d) a premium of approximately 10.86% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (e) premiums of approximately 10.27%, 10.56%, 10.42% and 22.81% over the average of the closing prices of approximately HK\$0.764, HK\$0.762, HK\$0.763 and HK\$0.686 respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day.

Based on the aforementioned, we note that the Combined Offer Price has a discount of 31.50% to the consolidated net asset value of the Company of approximately HK\$1.23 per Share as at 31 December 2009 based on the annual report of the Company for the year ended 31 December 2009. We have analysed the consolidated balance sheet of the Company as at 31 December 2009 and noted

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that its total assets amounted to approximately RMB2,624.68 million and mainly comprised of property, plant and equipment of approximately RMB428.01 million and trade and other receivables of approximately RMB1,085.76 million.

During the Review Period, the Share is trading below the consolidated net asset value of the Company of approximately HK\$1.23 per Share and the average of the closing prices of the Shares during the Review Period (as defined below) was approximately HK\$0.63, which represents a discount of 48.78% to the consolidated net asset value of the Company of approximately HK\$1.23 per Share as at 31 December 2009. Such discounts revealed that the Share has been trading below its net asset value during the Review Period.

Given that the majority of the turnover of the Group was generated from the Distributed Businesses, we consider that it is relevant to assess the Combined Offer Price by making reference to the companies which are principally engaged in the manufacturing of bare copper wires and magnet wires or other similar products which considered in the wire and cable industry. Bare copper wire is a semi-finished product which can be further processed into the form of construction wire, magnet wire, electronic wire, electrical wire and telecommunication wire. Manufactures of bare copper wire are classified as the upper stream suppliers of the wire and cable manufacturing sector. Magnet wire is one of the products which is processed from bare copper wires as raw materials and is used in the coils of electromagnetic devices. The applications of magnet wire are suitable for various industries which include manufacturing of motors, compressors and electrical appliances and coils.

We have identified five other listed companies in Hong Kong (the “**Comparable Companies**”) which are engaged in the manufacturing of bare copper wires and magnet wires or other similar products as at the Last Trading Day. We consider the list of Comparable Companies is an exhaustive list and a fair representation of comparable companies to the Company. Details of the list of Comparable Companies are set out in the sub-section headed “Comparison of the Combined Offer Price with price to earnings multiples and price to book multiples” in this letter.

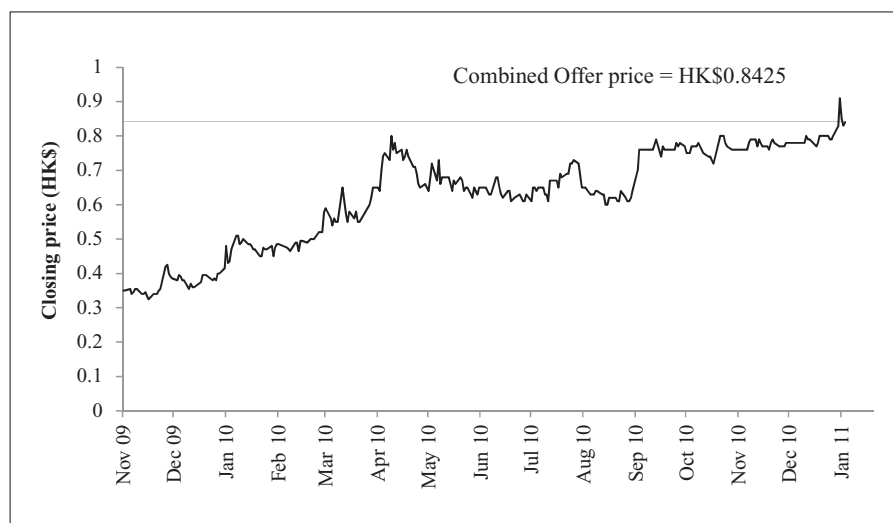
The closing share prices of the Comparable Companies as at the Last Trading Day have discounts ranged from approximately 13.64% to 73.68% to their respective latest consolidated net asset per share. The average discount of the Comparable Companies to the latest consolidated net asset per share was approximately 47.18%. In comparison, we note that the Combined Share Offer Price represents a discount of approximately 31.50% which is within the range of the discounts and is lower than the average discount of the Comparable Companies.

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Having considered that, (i) the Combined Offer Price has premiums over the average closing prices of the Share for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day; (ii) the Combined Offer Price represents a discount of approximately 31.50% which is less than the discounts of the average closing prices of the Shares during the Review Period of approximately 48.78% to the latest consolidated net asset value of the Company; and (iii) the Combined Offer Price represents a discount of approximately 31.50% to the latest consolidated net asset value of the Company which is within the range of the discount and slightly lower than the average discount of the Comparable Companies; we consider that the discount of the Combined Offer Price to the latest consolidated net asset value of the Company is acceptable.

(ii) Comparison of the Combined Offer Price with the historical price of the Shares

We have compared the Combined Offer Price to historical market prices of the Shares over the 12-month period prior to the date of the Joint Announcement up to the Latest Practicable Date. The following chart depicts the daily closing prices of the Shares from 12 November 2009 (approximately 12 months prior to the date of the Joint Announcement) up to the Latest Practicable Date (the “Review Period”):



As illustrated above, the Combined Offer Price has a premium over the closing prices of the Shares during the period from 12 November 2009 to the Last Trading Day, which was ranged from HK\$0.34 to HK\$0.80. During the Review Period, the closing prices of the Shares ranged from HK\$0.34 to HK\$0.91 and such closing prices were traded below the Combined Offer Price except for two trading days that the closing price of HK\$0.91 (recorded on 11 January 2011) and HK\$0.85 (recorded on 12 January 2011) was higher than the Combined Offer Price respectively. The average of the closing prices of the Shares during the Review Period was approximately HK\$0.63. The Combined Offer Price represents a premium of approximately 33.73% over such average closing price.

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As the Combined Offer Price has a premium of approximately 33.73% over the average closing price of the Shares during the Review Period, we consider that the premium in the Combined Offer Price would be attractive to the Independent Shareholders who are interested to realise all or part of their investments in the Company through the Listco Offer and the Privateco Offer.

(iii) Comparison of the Combined Offer Price with price to earnings multiples and price to book multiples

Based on the Company's earnings per Share for the year ended 31 December 2009 of approximately HK cents 8.1, the Combined Offer Price of HK\$0.8425 per Share represents a price to earnings multiples of approximately 10.40 times. Based on the Group's net assets of approximately RMB632.30 million and 596,158,000 number of Shares in issue as at 31 December 2009, the net asset value per Share as at 31 December 2009 was approximately RMB1.06, which is equivalent to approximately HK\$1.23 per share. On this basis, the Combined Offer Price of HK\$0.8425 would represent a price to book multiples of approximately 0.68 time.

The below list is an exhaustive list and a fair representation of comparable companies to the Company.

Company (stock code)	Principal activities	Closing price as at the Last Trading Day (being 8 November 2010) (HK\$)	Net asset value per share based on the latest audited published financial statements (HK\$)	Price to earnings multiples (approximate times) (Note 2)	Price to book multiples (approximate times) (Note 3)	Discount of the closing share price on the net asset value per share based on the latest audited published financial statements (Approximate %)
Hau Yi Copper Holdings Limited (stock code: 559)	Manufacture and sale of cable and wires and copper rods	0.19	0.22	N/A	0.86	13.64
Chengdu Puitian Telecommunications Cable Co., Limited (stock code: 1202)	Manufacture and sale of various types of telecommunications cable, optical fibres, and cable joining sleeves	1.58	3.48	N/A	0.45	54.60
Solartech International Holdings Limited (stock code: 1166)	Manufacture and sale of cables and wires, copper rods, and trade of connectors and terminals and mining business	0.05	0.19	N/A	0.26	73.68

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Company (stock code)	Principal activities	Closing price as at the Last Trading Day (being 8 November 2010)	Net asset value per share based on the latest audited published financial statements	Price to earnings multiples (approximate times)	Price to book multiples (approximate times)	Discount of the closing share price on the net asset value per share based on the latest audited published financial statements (Approximate %)
Perennial International Limited (stock code: 725)	Manufacture and sale of electric cable and wire products	(HK\$) 0.99	(HK\$) 1.34	(Note 2) 6.51	(Note 3) 0.74	26.12
Glory Mark Hi-Tech (Holdings) Limited (stock code: 8159)	Manufacture of connectivity products mainly for computers and peripheral products	0.18	0.56	2.32	0.32	67.86
Average				4.42	0.53	
The Company	Manufacture and sale of bare copper wires and magnet wires and provision of processing service	0.8425 (being the Combined Offer Price)	1.23	10.40	0.68 (Note 4)	31.50

Source: www.hkex.com.hk and Bloomberg

Notes:

1. Amounts denominated in RMB, if any, have been translated into HK\$ at an exchange rate of RMB1=HK\$1.16 for comparison purpose only.
2. Price to earnings multiples of the Comparable Companies are calculated based on its closing price per share as quoted on the Stock Exchange as at the Last Trading Day and its basic earnings per share for the latest financial year.
3. Price to book multiples of the Comparable Companies are calculated on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day and their consolidated net asset value as at the balance sheet date of their latest published audited financial statements, which is calculated by dividing the consolidated net assets by the total number of ordinary shares in issue of the respective Comparable Companies.
4. Price to book multiples of the Company is calculated on the Combined Offer Price to its consolidated net asset per Share as at 31 December 2009.

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As illustrated in the above table, we note that the price to earnings ratio as represented by the Offer Price of approximately 10.40 times is higher than the average of the Comparables Companies of approximately 4.42 times.

We have compared the price to book multiples implied by the Combined Offer Price with the price to book multiples of the Comparable Companies. The price to book multiples implied by the Combined Offer Price of 0.68 time is higher than the average price to book multiples of 0.53 time for the Comparable Companies and is within the upper and lower range of 0.86 time and 0.26 time respectively.

In light of the various analyses of the Combined Offer Price set out above, we consider the Combined Offer Price represents a reasonable premium in comparison with the historical trading prices, a reasonable premium in comparison with the Comparable Companies from the perspective of price to earnings ratio and a reasonable discount to the net asset value of the Company as at the Latest Practicable Date.

5. Liquidity

The following table sets out the trading volume of the Shares during Review Period:

	Total monthly trading volume <i>(in number of shares)</i>	Approximate average daily trading volume <i>(in number of shares)</i>	Percentage of average daily trading volume to average total issued shares <i>(Approximate %)</i> <i>(Note 1)</i>	Percentage of average daily trading volume to average public float <i>(Approximate %)</i> <i>(Note 2)</i>
2009				
November (from 12 November 2009)	7,440,000	572,308	0.10%	0.29%
December	21,078,000	958,091	0.16%	0.49%
2010				
January	23,006,000	1,150,300	0.19%	0.58%
February	4,334,000	240,778	0.04%	0.12%
March	29,602,000	1,287,043	0.22%	0.65%
April	18,186,000	957,158	0.16%	0.49%
May	11,396,000	569,800	0.10%	0.29%
June	2,538,000	120,857	0.02%	0.06%
July	2,478,000	118,000	0.02%	0.06%
August	7,410,000	336,818	0.06%	0.17%
September	43,366,000	2,065,048	0.35%	1.05%
October	8,270,000	413,500	0.07%	0.21%
November	44,206,000	2,009,364	0.34%	1.02%
December	9,804,000	576,706	0.10%	0.29%
2011				
January (up to and including the Latest Practicable Date)	22,624,000	2,262,400	0.38%	1.15%

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Source: Bloomberg

Notes:

- 1. Calculated based on the average of the number of issued Shares in each month during the Review Period obtained from Bloomberg.*
- 2. Calculated based on the average of the number of Shares held by the public in each month during the Review Period obtained from Bloomberg.*

As illustrated above, during the Review Period, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from 0.02% to 0.38%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from 0.06% percentage to 1.15%. It should be noted that the average daily turnover of the Shares during the Review Period was below 0.50% of the average total issued Shares throughout the Review Period and far below 1% of the average public float except for the recent increase in the daily turnover for the months of September and November 2010 and January 2011, which is the month that the First Announcement, the Joint Announcement and the Circular was published respectively.

Based on our past transaction experiences, we consider the liquidity of the Shares during the Review period was low and there may not be sufficient liquidity in the Shares for the Independent Shareholders to dispose of their Shares in the open market at the Combined Offer Price. The Independent Shareholders would find it difficult to sell their Shares, especially in large blocks, without significantly depressing the price of the Shares. Given the low liquidity of the Shares, we consider that the Listco Offer and the Privateco Offer provide opportunities for the Independent Shareholders to realise all or part of their investments in the Company at a price above the historical market price of the Shares during the Review Period, without having an adverse impact on the Share Price.

6. The Subscription Price

Pursuant to the Agreement, Affluent Start has conditionally agreed to subscribe for 210,000,000 Subscription Shares at a subscription price of HK\$0.06 per Share for a total consideration of approximately HK\$12.6 million. The estimated net proceeds from the Subscription is approximately HK\$12.37 million, representing a net price of approximately HK\$0.059 per Subscription Share. The Company intends to apply the net proceeds for general working capital purpose of the Remaining Group.

Since the completion of the Distribution In Specie is one of the conditions precedent of the Agreement, the rights to the Distribution In Specie will not be attached to the Subscription Shares to be subscribed by Affluent Start. We have made adjustments to the historical daily closing prices of the Shares (the “**Adjusted Price(s)**”) by deducting the Privateco Offer Price of HK\$0.45 per Privateco Share. We take the Privateco Offer Price as the value of the Privateco Shares for adjustment purpose as there is no open market value for the Privateco Shares which are unlisted and the Privateco Shares will be subject to the Privateco Offer at the Privateco Offer Price.

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We have compared the Subscription Price to the Adjusted Prices over the 12-month period prior to the date of the Joint Announcement up to the Latest Practicable Date.



The Subscription Price of HK\$0.06 per Share represents:

- (i) a premium of approximately 252.94% over the consolidated net asset value of the Remaining Group of approximately HK\$0.017 per Share as at 31 December 2009 based on the unaudited pro forma financial information of the Remaining Group set out in Appendix IV to the Circular;
- (ii) a discount of approximately 80.65% to the Adjusted Price of HK\$0.31 per Share on the Last Trading Day;
- (iii) a discount of approximately 84.62% to the Adjusted Price of HK\$0.39 per Share on the Latest Practicable Date; and
- (iv) a discount of approximately 68.75%, 67.21%, 69.70% and 70.00% to the average of the Adjusted Prices of approximately HK\$0.192, HK\$0.183, HK\$0.198 and HK\$0.20 respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day.

During the Review Period, the Adjusted Prices ranged from a mathematical negative value to the highest of HK\$0.46 per Share. It was noted that the Adjusted Prices were below the Subscription Price before March 2010 during the Review Period and the Adjusted Prices increased substantially in the month of September 2010 in which the First Announcement was published. However, we consider that there is an uncertainty as to whether such level of share prices can be sustained if the Agreement cannot be completed and the Listco Offer and the Privateco Offer do not proceed.

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As a result of the allotment and issue of the Subscription Shares, the aggregate shareholding interests of the Independent Shareholders would be diluted from approximately 67.21% as at the Latest Practicable Date to approximately 49.70% immediately after Completion but before the Listco Offer. Although there is a dilution effect to the shareholding interests of such Shareholders as a result of the Subscription and the Subscription Price is substantially below the Listco Offer Price of HK\$0.395 per Share and the Adjusted Price on the Latest Practicable Date of HK\$0.39 per Share, having taken in account:

- (i) the Subscription Price has been determined by the Company and Affluent Start on an arm's length basis;
- (ii) the possible adverse impact of the down-sizing of operations of the Remaining Group upon the completion of the Distribution In Specie;
- (iii) the completion of the Subscription is a pre-condition of the Listco Offer and the Privateco Offer and the Subscription is part and parcel of the Proposal. Accordingly, if the Subscription does not take place, the Listco Offer and the Privateco Offer will not proceed, and the Independent Shareholders will not be given an assured opportunity to realise all or part of their investments at the Combined Offer Price, which is higher than the closing price of the Shares as at the Latest Practicable Date;
- (iv) the Subscription Price represents a bigger discount to the Adjusted Price only if we compare it for recent period since the publication of the First Announcement;
- (v) the Subscription Price represents a premium of 252.94% and 114.29% over the pro forma net asset value and the Estimated NAV (as defined below) of the Remaining Group respectively; and
- (vi) the business outlook of the Remaining Group is uncertain as the Remaining Business was newly acquired by the Company in September 2010;

we consider that the Subscription Price and the dilution effect of the Subscription is acceptable.

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7. Financial effects of the Proposal on the Group

According to the unaudited pro forma financial information of the Remaining Group contained in Appendix IV to the Circular, the financial effects of the Proposal to the Group upon the completion of the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie but without taking into account of the completion of the acquisition of Liang Hui Holdings Limited, which comprises the Remaining Business, in September 2010 (the “**Acquisition**”) are shown as follows:

	Before completion of the Proposal	Upon completion of the Proposal	Increase/ (decrease)
Number of Shares in issue	596,158,000	806,158,000	35.23%
Profit/(loss) for the year attributable to the Shareholders (HK\$'000)	39,345	(5,295)	(113.46)%
Basic earnings per Share (HK cents)	8.12	(0.70)	(108.62)%
	<i>(Note 2)</i>		
Net asset (RMB'million) <i>(Note 4)</i>	632.30	11.54/ 19.66	(98.17)%/ (96.89)%
Net asset value per Share (HK\$)	1.23	0.017/0.028	(98.62)%/ (97.72)%
	<i>(Note 4)</i>	<i>(Note 3)</i>	
Current ratio (times)	1.06	304.5	
Gearing ratio (times)	1.58	N/A	

Notes:

1. *Based on the conversion of RMB into Hong Kong dollar at the rate of RMB1 to HK\$1.16*
2. *Based on the net profit attributable to Shareholders of the Group for the year ended 31 December 2009 of approximately RMB39.35 million and the weighted average number of issued Shares of 596,246,806.*
3. *Based on the unaudited net asset of the Group of RMB632.3 million and the number of issued Shares of 596,158,000 as at 31 December 2009.*
4. *Based on the unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2009 and the Estimated NAV respectively.*

(i) Earnings

Following completion of the Proposal, those existing subsidiaries of the Group carrying on the Distributed Businesses will no longer be members of the Group as they will be distributed in specie to the Shareholders. Accordingly, their financial results will not be consolidated into the Group in the future. Based on the unaudited pro forma income statement of the Remaining Group set out in Appendix IV to the Circular (which was prepared on the assumption that the Proposal had taken place at 31 December 2009), the net profit of the Group for the year would decrease by approximately 113.46% from approximately HK\$39.35 million to a net loss

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approximately HK\$5.3 million as a result of the deconsolidation of the Privateco Group. Such decrease in the Group's turnover and net profit are principally due to the elimination of income, other revenues and operating costs of the Group as adjustments reflecting the de-consolidation effect consequent upon completion of the Proposal but without taking into account the completion of the Acquisition. As stated in the paragraph headed "Financial Effects of the Proposal" set out in the Letter from the Board, the Directors are of the view that the future profitability of the Remaining Group will depend on a number of factors including the future management and performance of the Remaining Group, which is therefore not quantifiable at this stage.

(ii) Net assets

According to the unaudited pro forma consolidated balance sheet of the Remaining Group set out in Appendix IV to the Circular, assuming completion of the Proposal have taken place on 31 December 2009 but without taking into account the completion of the acquisition of the Remaining Business in September 2010, the Group's net assets would decrease by 98.17% from approximately RMB632.3 million to RMB11.54 million, which would mainly be attributable to the combined effect of the proceeds from the Subscription and the Distribution In Specie. As stated in the Letter from the Board, the Directors estimated the net asset of the Group after taking into account of the combined effect of the completion of the Proposal and the Acquisition (the "Estimated NAV") would be approximately RMB19.66 million. Accordingly, the unaudited pro forma net asset value per Share and the Estimated NAV per Share would be approximately HK\$0.017 and HK\$0.028 respectively, representing a decrease of 98.62% and 97.72% from the net asset value per Share of approximately HK\$1.23 as at 31 December 2009 respectively.

(iii) Gearing and liquidity

Based on the consolidated balance sheet of the Company as at 31 December 2009, the Group had current assets of approximately RMB2,120.5 million and current liabilities of approximately RMB1,992.4, representing a current ratio of 1.06 times. The gearing ratio (defined as total bank borrowings divided by equity attributable to the Shareholders) as at 31 December 2009 was 1.58 times. Based on the unaudited pro forma balance sheet of the Remaining Group set out in Appendix IV to the Circular (which was prepared on the assumption that the Proposal had taken place at 31 December 2009), the current ratio will be improved to 304.5 times and there would be no bank borrowings for the Group as a result of the deconsolidation of the Privateco Group.

(iv) Working capital

The net proceeds from the Subscription would be approximately HK\$12.6 million. As such, immediately upon Completion, the cash level of the Group will be increased and hence, it is expected to have a positive effect on the working capital of the Remaining Group.

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8. Effect of the Proposal on the shareholding of the Company

Set out below is the shareholding structure of the Company as at the date of the Joint Announcement and immediately upon Completion (assuming no other changes in the issued share capital and shareholding in the Company from the date of the Joint Announcement up to Completion but before the commencement of the Listco Offer):

	As at the Latest Practicable Date		Immediately upon Completion but before the commencement of the Listco Offer	
	Number of Shares	%	Number of Shares	%
Tai-I BVI (Note 1)	195,487,000	32.79%	–	0.00%
Affluent Start and parties acting in concert with it	–	0.00%	405,487,000	50.30%
First Sense (Note 2)	102,015,000	17.11%	102,015,000	12.65%
Green Island (Note 3)	67,500,000	11.32%	67,500,000	8.37%
Sumitomo Corporation	34,418,000	5.77%	34,418,000	4.27%
Public	196,738,000	33.01%	196,738,000	24.41%
Total	596,158,000	100.00%	806,158,000	100.00%

Notes:

1. Taiwan Tai-I directly owns approximately 87.04% and indirectly owns approximately 12.96% of the issued share capital of Tai-I BVI.
2. The entire issued share capital of First Sense is owned by AIF Capital Asia III, L.P.. As stated in the Letter from the Board, both First Sense and AIF Capital Asia III, L.P. are not acting in concert with Affluent Start and its concert parties.
3. The entire issued share capital of Green Island is owned by Mr. Liu Tianni. As stated in the Letter from the Board, both Green Island and Mr. Liu Tianni are not acting in concert with Affluent Start and its concert parties.

Upon Completion but before the commencement of the Listco Offer, Affluent Start and parties acting in concert with it will be interested in a total of 405,487,000 Shares, representing approximately 50.30% of the enlarged issued capital of the Company.

As illustrated in the table above, the interest of the Independent Shareholders will be diluted from approximately 67.21% to approximately 49.70% upon Completion. Given that the Subscription is part and parcel of the Proposal and the merits of which were described in the preceding paragraphs, we consider that such dilution is justifiable and is in the interests of the Company and the Independent Shareholders as a whole.

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RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following,

- (i) the completion of the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie, which are the elements of the Proposal, are conditional upon each other;
- (ii) the Subscription is part and parcel of the Proposal and the Subscription Price represents a premium of approximately 252.94% and 114.29% over the unaudited pro forma net asset value per Share and the Estimated NAV of the Remaining Group respectively;
- (iii) immediately upon completion of the Proposal, the making of the Listco Offer and the Privateco Offer will provide an assured opportunity for the Shareholders to realise all or part of their investments in the Company through the Listco Offer and the Privateco Offer at the Combined Offer Price;
- (iv) the Combined Offer Price represents a premium over the closing price of the Shares on the Last Trading Day as well as the respective average closing prices of the Shares for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day; and
- (v) the overall liquidity of the Shares was relatively low during the Review Period, and the Independent Shareholders who intend to dispose of a large number of the Shares may not be able to do so without exerting a downward pressure on the price of the Shares while the Proposal will lead to an alternative exit to the Independent Shareholders to realise all or part of their investments through the Listco Offer and the Privateco Offer;

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we consider the terms of the Proposal are fair and reasonable so far as the Independent Shareholders are concerned and that the Proposal is in the interests of the Company and the Independent Shareholders as a whole. We therefore recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution in relation to the Proposal at the EGM.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

Information contained in this appendix are extracted from the Joint Announcement for the purposes of providing with the Independent Shareholders reference in respect of the key terms of the Privateco Offer and the Listco Offer. Information extracted from the Joint Announcement reflects the situation as of the date of the Joint Announcement. Detailed terms of the Privateco Offer and the Listco Offer were set out in the Joint Announcement and will be set out in the Privateco Offer Document and Listco Offer Document (as the case may be).

POSSIBLE CONDITIONAL VOLUNTARY CASH OFFER FOR THE PRIVATECO SHARES

Based on the current shareholding structure of the Company, Tai-I BVI and its parties acting in concert will be interested in a total of 195,487,000 Privateco Shares, representing approximately 32.79% of the issued share capital of the Privateco immediately upon Completion and following the Distribution In Specie. Given that the Privateco Shares will not be listed on any stock exchange and any holders of the Privateco Shares will therefore be difficult, if not impossible, to liquidate his holdings in the Privateco Shares. Tai-I BVI considers, in these circumstances, that it is appropriate to provide the Privateco Shareholders with an opportunity to realize their holdings in the Privateco Shares by making the Privateco Offer on a conditional voluntary basis pursuant to the Takeovers Code.

After Completion and the Distribution In Specie, Polaris will, on behalf of Tai-I BVI and pursuant to the Takeovers Code, make a conditional voluntary cash offer to the Privateco Shareholders to acquire all the Privateco Shares other than those already held by Tai-I BVI and parties acting in concert with it on the following basis:

for every Privateco Share held* HK\$0.45 in cash

** The number of the Privateco Shares to be in issue will be equal to the total number of the Shares in issue on the Record Date.*

The Company will announce the Record Date in accordance to Rule 13.66 of the Listing Rules as and when appropriate.

As the Privateco Offer will only be made following Completion and the Distribution In Specie becoming effective, which is subject to a number of conditions precedent to the Agreement, the making of the Privateco Offer may or may not proceed and, as such is a possibility only. In the event that the Privateco Offer is made, it will be a conditional cash offer.

The Privateco Offer, if they are made, will be conditional only upon Tai-I BVI having received acceptances in respect of voting rights acquired or agreed to be acquired before or during the Privateco Offer which will result in Tai-I BVI together with any person acting in concert with it holding more than 50% of the voting rights of the Privateco.

The Privateco Offer price has been determined after taking into account the underlying assets and liabilities of the Privateco Group. On the basis that 596,158,000 Privateco Shares are expected to be in issue upon completion of the Group Restructuring and based on the

Privateco Offer price of HK\$0.45 per Privateco Share, the entire issued share capital of the Privateco is valued at approximately HK\$268.3 million. Assuming completion of the Agreement and the Distribution In Specie and based on 195,487,000 Privateco Shares (representing approximately 32.79% of the share capital of the Privateco expected to be issued) to be beneficially owned by Tai-I BVI, 400,671,000 Privateco Shares (representing approximately 67.21% of the share capital of the Privateco expected to be in issue) will be subject to the Privateco Offer and such Privateco Shares are valued at approximately HK\$180.3 million.

Polaris, the financial adviser to Tai-I BVI, is satisfied that sufficient financial resources are available to Tai-I BVI to satisfy full acceptance of the Privateco Offer.

Subject to sufficient Privateco Shares being acquired, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, Tai-I BVI intends to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act 1981 of Bermuda, the relevant threshold will be Tai-I BVI receiving acceptances from the Privateco Shareholders representing 90% of the Privateco Shares subject to the Privateco Offer provided that if Tai-I BVI already holds over 10% of the Privateco Shares, the acceptances must also represent 75% in number of the Privateco Shareholders accepting the Privateco Offer. Under section 103 of the Companies Act 1981 of Bermuda, Tai-I BVI can compulsorily acquire the Privateco Shares of the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer during the period of 4 months after posting of the Privateco Offer document total 90% of the disinterested Privateco Shares. Further announcements will be made about the exercise of such compulsory acquisition.

As at the date of the Joint Announcement, Tai-I BVI has not received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Privateco Offer. The Privateco Shares subject to the Privateco Offer will be acquired by Tai-I BVI with the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of the Privateco Shares and free from all third party rights.

For those Shareholders who wish to retain their investments in the Distributed Businesses after Completion, they can choose not to accept the Privateco Offer and continue to hold the Privateco Shares. **They should, however, be aware that there will be no liquid market for the Privateco Shares as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provision of the Companies Act 1981 of Bermuda (as may be amended from time to time) if sufficient Privateco Shares are acquired by Tai-I BVI under the Privateco Offer.**

Background of Tai-I BVI and its intentions regarding the Privateco

Taiwan Tai-I is the existing controlling Shareholder holding, directly and indirectly through Tai-I BVI (which is a wholly-owned subsidiary of Taiwan Tai-I), a total of 195,487,000 Shares as at the date of the Joint Announcement. Tai-I BVI is an investment

holding company incorporated in the BVI with limited liability and save for its interests in the Company, it had not carried out any operations or has no other major assets as at the date of the Joint Announcement.

Taiwan Tai-I is a company listed on Taiwan Stock Exchange Corporation. Taiwan Tai-I together with its subsidiaries are principally engaged in the production and distribution of magnet wires, as well as electric wires and cables. Taiwan Tai-I also provides aluminium wires, copper wires and others. The magnet wires are primarily applied in household appliances and electric machinery products, while electric wires and cables are used in power transmission.

It is the intention of Tai-I BVI that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of Tai-I BVI that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained. Interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, which will contain comparable provisions required under the Listing Rules in respect of a listed issuer. A summary of key terms of the new bye-laws of the Privateco will be included in the circular. Though there is no intention for the Privateco Group to conduct any fund raising activities including rights issues, the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future.

As at the date of the Joint Announcement, the Privateco has 1 share issued to the Company. Save as aforesaid, the Privateco has no other relevant securities (as defined in Note 4 to the Rule 22 of the Takeovers Code) as at the date of the Joint Announcement.

As at the date of the Joint Announcement, the directors of the Privateco are Mr. Huang Cheng-Roang and Mr. Lin Chi-Ta, who are also the Directors. None of the independent non-executive directors of the Company have been appointed as a director of the Privateco. Following the dispatch of the Privateco Offer Document, the composition of the board of directors of the Privateco may change. Further announcements will be made in this regard as and when appropriate.

POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER FOR THE SHARES

Upon Completion, Affluent Start will hold 405,487,000 Shares, representing approximately 50.30% of the issued share capital of the Company as enlarged by the Subscription. Subject to Completion, Haitong Securities will, on behalf of Affluent Start and pursuant to the Takeovers Code, make the Listco Offer, which is an unconditional mandatory cash offer to the Shareholders to acquire all the Shares other than those already held or agreed to be acquired by Affluent Start and parties acting in concert with it on the following basis:

for each Share held HK\$0.3925 in cash

The making of the Listco Offer is a possibility only and it may or may not proceed.

In the event that the Listco Offer is made, it will be an unconditional cash offer.

As at the date of the Joint Announcement, Affluent Start has not received any indication or irrevocable commitment from any Shareholder that it will accept or reject the Listco Offer.

Based on the Company's share capital of 806,158,000 Shares as enlarged by the Subscription, the Listco Offer values the entire issued share capital of the Company at approximately HK\$316.4 million. Assuming the Listco Offer is accepted in full, the Listco Offer applies to 400,671,000 Shares, representing approximately 49.70% of the issued share capital of the Company after Completion as enlarged by the Subscription, and the value of the Listco Offer will amount to approximately HK\$157.3 million. The Listco Offer will be financed by a loan facility of HK\$223,600,000 provided by Haitong Securities. Pursuant to the arrangement of such facility, amongst others, Affluent Start has agreed to pledge all the Shares to be acquired pursuant to the Agreement and the Listco Offer (if any), respectively and cash deposit of HK\$123,600,000 to Haitong Securities as collateral. Haitong Capital is satisfied that Affluent Start has sufficient financial resources available to it to satisfy full acceptance of the Listco Offer.

The ad valorem stamp duty payable by the accepting Shareholders in connection with the Listco Offer amounting to HK\$1.00 for every HK\$1,000 or part thereof of the consideration will be payable by the accepting Shareholders and will be deducted by Affluent Start from the consideration payable to them on acceptance of the Listco Offer. Affluent Start will then pay the stamp duty on behalf of the accepting Shareholders.

Set out below is the shareholding structure of the Company as at the date of the Joint Announcement and immediately upon Completion (assuming no other changes in the issued share capital and shareholding in the Company from the date of the Joint Announcement up to Completion but before the commencement of the Listco Offer):

	As at the date of the Joint Announcement		Immediately upon Completion but before the commencement of the Listco Offer	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Tai-I BVI (<i>Note 1</i>)	195,487,000	32.79%	–	0.00%
Affluent Start and parties acting concert with it	–	0.00%	405,487,000	50.30%
First Sense (<i>Note 2</i>)	102,015,000	17.11%	102,015,000	12.65%
Green Island (<i>Note 3</i>)	67,500,000	11.32%	67,500,000	8.37%
Sumitomo Corporation	34,418,000	5.77%	34,418,000	4.27%
Public	<u>196,738,000</u>	<u>33.01%</u>	<u>196,738,000</u>	<u>24.41%</u>
Total	<u>596,158,000</u>	<u>100.00%</u>	<u>806,158,000</u>	<u>100.00%</u>

Notes:

1. Taiwan Tai-I directly owns approximately 87.04% and indirectly owns approximately 12.96% of the issued share capital of Tai-I BVI.
2. The entire issued share capital of First Sense is owned by AIF Capital Asia III, L.P.. Both First Sense and AIF Capital Asia III, L.P. are not acting in concert with Affluent Start and its concert parties.
3. The entire issued share capital of Green Island is owned by Mr. Liu Tianni. Both Green Island and Mr. Liu Tianni are not acting in concert with Affluent Start and its concert parties.

Information on Affluent Start

Affluent Start is an investment holding company incorporated in the BVI with limited liability. As at the date of the Joint Announcement, save for entering into of the MOU and the Agreement and obtaining a facility from Haitong Securities for financing the transactions contemplated under the Agreement and the Listco Offer, Affluent Start did not engage in any substantial business activities. As at the date of the Joint Announcement, Mr. King is the sole beneficial owner and the sole director of Affluent Start.

Intention of Affluent Start regarding the Remaining Group

Affluent Start intends to continue the principal business of the Remaining Group (i.e. the development of computer software and related matters in the PRC). Following Completion, Affluent Start will conduct a review on the business operations and financial position of the Remaining Group for the purpose of formulating business plans and strategies for the future business development of the Remaining Group. Subject to the result of the review and should suitable investment or business opportunities arise, Affluent Start may consider diversifying the business of the Remaining Group with an objective to broaden its income source. However, as the date of the Joint Announcement, no such investment or business opportunities have been identified nor Affluent Start has entered into any agreement, arrangements, understandings, intention or negotiation in relation to inject any assets or business into the Remaining Group. Notwithstanding the foregoing, Affluent Start has not entered into any agreement, arrangements, understandings, intention or negotiations in relation to re-deployment of the employees, disposal and/or re-deployment of the assets of the Remaining Group, or termination or scaling-down of any Remaining Group's business, other than in its ordinary course of business.

Affluent Start intends to maintain the listing status of the Company and it will irrevocably undertake that it will be responsible for maintaining the 25% public float requirement upon the closing of the Listco Offer.

Proposed change of the Board composition of the Company

Affluent Start intends to nominate Mr. King and Mr. Tsang To as executive Directors and such appointment will only be effective not earlier than the despatch date of the Listco Offer Document in accordance with the Takeovers Code.

The biographical details of Mr. King and Mr. Tsang To are set out below:

Mr. King, aged 40, is experienced in property development and corporate management. He is currently the managing director of 昂展投資諮詢有限公司 (For identification purpose only “Advanced Investment Holdings Limited”) (“**Advanced Investment**”), a private company established under the laws of the PRC with limited liability. Mr. King currently owns 90% equity interest in Advanced Investment. Mr. King has no direct experience in managing computer related business in the PRC, but has the experience in investing in such company, details of which are stated below.

Advanced Investment, through its wholly owned subsidiary, is beneficially interested in approximately 20.36% of the entire issued share capital of Fujian Start Group Co., Ltd. (“Fujian Start”), a company listed on the Shanghai Stock Exchange. Based on the latest annual report of Fujian Start, it is engaged in property development, and computer equipment manufacturing and marketing business.

Mr. King did not hold any directorship in any public listed companies in the last three years. As at the date of the Joint Announcement, Mr. King does not hold any positions in the Company or any members of the Group and does not have any interest in the Shares (save for his deemed interest in the Shares through Affluent Start pursuant to the Agreement). Save as disclosed in the Joint Announcement, Mr. King is not aware of any other matters that need to be brought to the attention of the Shareholders in respect to his proposed appointment as an executive Director and there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

Mr. Tsang To, aged 35, is a partner of a PRC law firm. Mr. Tsang holds a bachelor’s degree in laws from Xiamen University (廈門大學) and a master’s degree in laws from the University of London. He is admitted as a solicitor to the High Court of Hong Kong as well as a PRC qualified lawyer.

Mr. Tsang is currently an independent director of THT Heat Transfer Technology, Inc. (Stock Code: THTI), a company listed on the NASDAQ Stock Market. Save as disclosed above, Mr. Tsang did not hold any directorship in any public listed companies in the last three years. As at the date of the Joint Announcement, Mr. Tsang does not hold any positions in the Company or any members of the Group and does not have any interest in the Shares. Save as disclosed in the Joint Announcement, Mr. Tsang is not aware of any other matters that need to be brought to the attention of the Shareholders in respect to his proposed appointment as an executive Director and there is no other information which is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

**COMPARISON OF THE COMBINED OFFER PRICE UNDER THE PROPOSAL
WITH MARKET PRICES OF THE SHARES AND NET ASSET VALUE PER SHARE**

The combined consideration under the Listco Offer and the Privateco Offer is equivalent to HK\$0.8425 per Share, which represents:

- a discount of approximately 31.50% to the audited consolidated net asset value of the Company of approximately HK\$1.23 per Share as at 31 December 2009 based on the annual report of the Company for the year ended 31 December 2009;
- a premium of approximately 10.86% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the last trading day before the First Announcement;
- premiums of approximately 31.23%, 33.10%, 30.02% and 29.62% over the average of the closing prices of approximately HK\$0.642, HK\$0.633, HK\$0.648 and HK\$0.650 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the date of the First Announcement;
- a premium of approximately 10.86% over the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- premiums of approximately 10.27%, 10.56%, 10.42% and 22.81% over the average of the closing prices of approximately HK\$0.764, HK\$0.762, HK\$0.763 and HK\$0.686 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day.

For illustration only, the Listco Offer price of HK\$0.3925 per Share represents:

- a discount of approximately 48.36% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the last trading day before the First Announcement;
- discounts of approximately 38.86%, 37.99%, 39.43% and 39.62% to the average of the closing prices of approximately HK\$0.642, HK\$0.633, HK\$0.648 and HK\$0.650 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the date of the First Announcement;
- a discount of approximately 48.36% to the closing price of HK\$0.76 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- discount of approximately 48.63%, 48.49%, 48.56% and 42.78% to the average of the closing prices of approximately HK\$0.764, HK\$0.762, HK\$0.763 and HK\$0.686 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day.

GENERAL**Maintenance of the listing status of the Company**

Affluent Start intends that the Company remains listed on the Stock Exchange. As set out in section headed “Possible unconditional mandatory cash offer for the Shares” above, Affluent Start will irrevocably undertake that, among other things, it will be responsible for maintaining the 25% public float requirement upon the closing of the Listco Offer.

If, at the close of the Listco Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public, or if the Stock Exchange believes that:

- a false market exists or may exist in the trading of the Shares; or
- there are insufficient Shares in public hands to maintain an orderly market,

the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2009 has been set out in the annual report 2009 of the Company which was posted on 19 March 2010 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2009:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100319/LTN20100319222.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2008 has been set out in the annual report 2008 of the Company which was posted on 28 April 2009 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the annual report 2008:

<http://www.hkexnews.hk/listedco/listconews/sehk/20090428/LTN20090428790.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2007 has also been set out in the comparative column of the annual report 2008 of the Company. Please refer to quick link to the annual report 2008 as above for more details.

2. UNAUDITED INTERIM FINANCIAL INFORMATION OF THE GROUP

The unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2010 has been set out in the interim report 2010 of the Company posted on 23 August 2010 on the Stock Exchange's website (<http://www.hkexnews.hk>). Please also see below quick link to the Interim Report 2010:

<http://www.hkexnews.hk/listedco/listconews/sehk/20100823/LTN20100823214.pdf>

3. INDEBTEDNESS STATEMENT**Borrowings**

At the close of business on 30 November 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had outstanding current bank loans and borrowings of approximately RMB1,328,736,000. As at 30 November 2010, current bank loans and borrowings amounting to approximately RMB210,000,000 were secured over buildings, land use right, machinery, equipment and tools belonging to the Group with an aggregate carrying value of approximately RMB260,195,000.

Banking facilities

At the close of business on 30 November 2010, being the latest practical date for this statement of indebtedness prior to the date of this circular, the Group had banking facilities amounting to approximately RMB4,533,389,000. Of the total banking facilities, except for that utilised as bank loans and borrowings as stated above, approximately RMB1,157,576,000 was utilised for the issuance of letters of credit and commercial bills.

Disclaimer

Save as disclosed above, at the close of business on 30 November 2010, the 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 Group since 30 November 2010 up to the Latest Practicable Date.

4. WORKING CAPITAL

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

5. MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.



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

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Tai-I International (Bermuda) Limited (the "Privateco") and its subsidiaries (hereinafter collectively referred to as the "Privateco Group") including the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Privateco Group, for each of the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 (the "Relevant Period"), and the combined balance sheets of the Privateco Group as at 31 December 2007, 2008 and 2009 and 30 September 2010, together with the notes thereto (the "Financial Information"), for inclusion in the circular of Tai-I International Holdings Limited (the "Company") dated 18 January 2011 (the "Circular").

The Privateco was incorporated in Bermuda on 9 November 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and is a wholly-owned subsidiary of the Company. Pursuant to the group restructuring completed on 23 December 2010 (the "Group Restructuring"), as detailed in the section headed "Letter from the Board" in the Circular, the Privateco became the holding company of the companies now comprising the Privateco Group, details of which are set out in note 28 of Section C below. The Privateco has not carried on any business since the date of its incorporation save for the aforementioned Group Restructuring.

As at the date of this report, no audited financial statements have been prepared for the companies comprising the Privateco Group, except for Tai-I International (HK) Limited, Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper") as they were either incorporated shortly before 30 September 2010 or have not carried on any business since their respective dates of incorporation and are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

All companies now comprising the Privateco Group have adopted 31 December as their financial year end date. Details of the companies comprising the Privateco Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 28 of Section C below. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards or the relevant accounting rules and regulations applicable to enterprises in the PRC.

The directors of the Company have prepared the combined financial statements of the Privateco 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”). The Underlying Financial Statements for each of years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by 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 the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (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 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 on 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 Privateco, its subsidiaries or the Privateco Group in respect of any period subsequent to 30 September 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Privateco Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Privateco Group as at 31 December 2007, 2008 and 2009 and 30 September 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of the Privateco Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2009, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

A BASIS OF PREPARATION

All the companies that took part in the Group Restructuring were controlled by the same group of shareholders of the Company prior to and after the Group Restructuring and, consequently, there was a continuation of the risks and benefits to the same group of shareholders. Therefore the Financial Information has been prepared using the merger basis of accounting as if the Privateco Group had always been in existence so that the net assets of the companies that took part in the Group Restructuring are combined using the existing book values from the same group of shareholder's perspective.

The combined statements of comprehensive income, the combined statements of changes in equity and combined cash flow statements of the Privateco Group for the Relevant Period as set out in Section B include the results and cash flows of the companies now comprising the Privateco Group for the Relevant Period as if the group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or acquisition of the relevant companies which were incorporated or acquired at a date later than 1 January 2007. The combined balance sheets of the Privateco Group as at 31 December 2007, 2008 and 2009 and 30 September 2010 as set out in Section B have been prepared to present the state of affairs of the companies comprising the Privateco Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

Intra-group transactions and balances are eliminated in full in preparing the Financial Information.

Details of the principal subsidiaries, in which the Privateco has direct or indirectly interests as at the date of this report, are set out in note 28 of Section C of this report.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

B FINANCIAL INFORMATION

B1 Combined Statements of Comprehensive Income

	Note	For the year ended 31 December			For the nine months ended 30 September	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 <i>(unaudited)</i>	2010 RMB'000
Turnover	3	6,488,376	6,491,053	4,369,621	2,963,548	5,284,865
Cost of sales		<u>(6,357,954)</u>	<u>(6,481,800)</u>	<u>(4,238,205)</u>	<u>(2,891,445)</u>	<u>(5,141,016)</u>
Gross profit		130,422	9,253	131,416	72,103	143,849
Other revenue	4	22,478	42,498	17,541	13,728	9,328
Other net income/(loss)	5	178,641	(54,321)	(2,794)	2,474	77
Distribution expenses		<u>(22,455)</u>	<u>(21,023)</u>	<u>(18,628)</u>	<u>(12,240)</u>	<u>(16,836)</u>
General and administrative expenses		<u>(38,713)</u>	<u>(53,175)</u>	<u>(35,406)</u>	<u>(26,285)</u>	<u>(24,763)</u>
Other operating expenses	6	<u>(3,671)</u>	<u>(15,002)</u>	<u>(5,708)</u>	<u>(1,681)</u>	<u>(6,681)</u>
Profit/(loss) from operations		266,702	(91,770)	86,421	48,099	104,974
Finance costs	7(i)	<u>(112,283)</u>	<u>(101,566)</u>	<u>(48,626)</u>	<u>(37,601)</u>	<u>(46,585)</u>
Share of (loss)/profit of associate		<u>(1,260)</u>	<u>(10,865)</u>	<u>1,206</u>	<u>1,142</u>	<u>277</u>
Profit/(loss) before taxation		153,159	(204,201)	39,001	11,640	58,666
Income tax (expenses)/credit	8(i)	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>
Profit/(loss) for the year/period		<u><u>140,322</u></u>	<u><u>(185,871)</u></u>	<u><u>44,638</u></u>	<u><u>13,322</u></u>	<u><u>45,876</u></u>
Other comprehensive income for the year/period (after tax)						
Foreign currency translation difference for foreign operations		1,145	1,250	68	25	346
Cash flow hedge: net movement in hedging reserve		<u>–</u>	<u>(35,056)</u>	<u>35,496</u>	<u>38,219</u>	<u>6,551</u>
Total comprehensive income for the year/period		<u><u>141,467</u></u>	<u><u>(219,677)</u></u>	<u><u>80,202</u></u>	<u><u>51,566</u></u>	<u><u>52,773</u></u>
Basic and diluted earnings/(loss) per share (RMB)	31	<u><u>0.24</u></u>	<u><u>(0.31)</u></u>	<u><u>0.07</u></u>	<u><u>0.02</u></u>	<u><u>0.08</u></u>

The notes on pages 11 to 64 form part of these Financial Information.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

B2 Combined Balance Sheets

		At 31 December			At 30
	<i>Note</i>	2007	2008	2009	September
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010
					<i>RMB'000</i>
Non-current assets					
Property, plant and equipment	12	464,630	437,670	427,991	412,892
Lease prepayments	13	33,020	32,183	31,346	30,718
Interest in an associate	14	38,779	17,544	18,750	19,027
Deferred tax assets	22	—	24,411	26,081	21,228
		-----	-----	-----	-----
		536,429	511,808	504,168	483,865
Current assets					
Inventories	15	345,551	230,525	211,477	219,577
Trade and other receivables	16	1,338,364	977,204	1,085,560	1,236,903
Amounts due from a related party	26(a)	—	29,856	35,287	64,003
Derivative financial instruments	17	87,803	16,171	5,712	9,637
Pledged deposits	18	875,178	788,258	284,494	526,647
Time deposits	19	195,000	289,100	245,780	207,617
Cash and cash equivalents	19	339,165	290,578	286,580	301,669
		-----	-----	-----	-----
		3,181,061	2,621,692	2,154,890	2,566,053
Current liabilities					
Bank loans	20	1,395,899	1,422,303	1,000,977	1,224,622
Trade and other payables	21	1,457,805	1,019,471	986,264	1,068,880
Derivative financial instruments	17	16,947	107,971	6,387	9,040
Income tax (recoverable)/ payable	8(iii)	1,714	(2,757)	(1,284)	(84)
		-----	-----	-----	-----
		2,872,365	2,546,988	1,992,344	2,302,458
Net current assets		-----	-----	-----	-----
		308,696	74,704	162,546	263,595
Total assets less current liabilities		-----	-----	-----	-----
		845,125	586,512	666,714	747,460
Non-current liabilities					
Deferred tax liabilities	22	6,598	—	—	—
NET ASSETS		-----	-----	-----	-----
		838,527	586,512	666,714	747,460
Capital and reserves					
Share capital	23(a)	194,712	194,712	194,712	222,685
Reserves	23(b)	643,815	391,800	472,002	524,775
		-----	-----	-----	-----
TOTAL EQUITY		-----	-----	-----	-----
		838,527	586,512	666,714	747,460

The notes on pages 11 to 64 form part of these Financial Information.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

B3 Combined Statements of Changes in Equity

		<u>Attributable to owners of the Privateco</u>				
		For the year ended 31 December			For the nine months ended 30 September	
<i>Note</i>		2007	2008	2009	2009	2010
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					<i>(unaudited)</i>	
	Total equity at 1 January	502,426	838,527	586,512	586,512	666,714
	Changes in equity:					
	Total comprehensive income for the year/period	141,467	(219,677)	80,202	51,566	52,773
	Capital injection	23 194,634	-	-	-	27,973
	Dividends distributed to the parent company in respect of previous year	11 -	(32,338)	-	-	-
		<u>349,244</u>	<u>(252,015)</u>	<u>80,202</u>	<u>51,566</u>	<u>80,746</u>
	Total equity at the year/period end	23 <u>838,527</u>	<u>586,512</u>	<u>666,714</u>	<u>638,078</u>	<u>747,460</u>

The notes on pages 11 to 64 form part of these Financial Information.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

B4 Combined Cash Flow Statements

<i>Note</i>	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Operating activities					
Profit/(loss) before tax	153,159	(204,201)	39,001	11,640	58,666
Adjustments for:					
– Impairment losses for doubtful debts	14,485	22,769	–	–	–
– Depreciation	30,604	29,278	29,099	20,215	22,313
– Share of loss/(profit) of associate	1,260	10,865	(1,206)	(1,142)	(277)
– Impairment loss on interest in an associate	–	10,370	–	–	–
– Amortisation of lease prepayments	838	837	837	628	628
– Interest income	(21,842)	(34,379)	(13,291)	(10,958)	(2,900)
– Loss on disposal of property, plant and equipment	1,160	106	164	–	(3)
– Finance costs	112,283	101,566	48,626	37,601	46,585
– Unrealised (gain)/loss on derivative financial instruments	(70,856)	91,800	675	(6,979)	(597)
– Foreign exchange (gain)/loss	(12,293)	85,227	10,455	7,841	7,883
Changes in working capital: (Increase)/decrease in inventories	(19,506)	115,026	19,048	7,031	(8,100)
Decrease in trade and other receivables	104,020	339,771	(80,970)	(126,278)	(120,316)
Decrease/(increase) in amounts due from a related party	10,651	(29,856)	(5,431)	(3,631)	(28,716)
Increase/(decrease) in trade and other payables	203,146	(412,352)	(149,483)	(169,957)	73,629
Increase/(decrease) in bank advances under discounted bills	80,566	(48,481)	(54,736)	(41,052)	71,680
Cash generated from/(used in)/operating activities	587,675	78,346	(157,212)	64,873	120,475
PRC income tax paid	(5,868)	(13,307)	(4,414)	(3,311)	(6,654)
PRC income tax refund received	–	7,109	5,887	5,887	–

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

<i>Note</i>	For the year ended 31 December			For the nine months ended 30 September	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash generated from/ (used in) operating activities	581,807	72,148	(155,739)	67,449	113,821
Cash flow from investing activities					
Acquisition of property, plant and equipment	(19,114)	(11,316)	(19,584)	(17,962)	(7,226)
Proceeds from disposal of property, plant and equipment	67	6	–	59	15
Acquisition of interest in an associate	(40,039)	–	–	–	–
Proceeds from foreign exchange forward contracts	3,069	9,865	30,251	25,768	1,206
Payments in respect of foreign exchange forward contracts	(2,077)	(77,881)	(8,392)	(7,148)	–
(Increase)/decrease in time deposits	(195,001)	(94,100)	43,320	60,350	38,163
Interest received	13,329	33,285	24,950	19,702	5,335
Net cash (used in)/ generated from investing activities	(239,766)	(140,141)	70,545	80,769	37,493
Cash flow from financing activities					
Proceeds from interest-bearing loans and borrowings	2,783,342	5,105,947	2,221,354	1,655,753	2,458,688
Repayment of interest-bearing loans and borrowings	(3,298,736)	(5,031,062)	(2,587,944)	(2,097,532)	(2,333,723)
Finance costs paid	(117,700)	(111,311)	(56,046)	(43,166)	(47,356)
Decrease/(increase) in pledged deposits	252,040	86,920	503,764	329,818	(242,153)
Dividends paid	–	(32,338)	–	–	–
Capital injection	194,634	–	–	–	27,973

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

	<i>Note</i>	For the year ended 31 December			For the nine months ended 30 September	
		2007	2008	2009	2009	2010
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
						<i>(unaudited)</i>
Net cash (used in)/ generated from financing activities		(186,420)	18,156	81,128	(155,127)	(136,571)
Effect of foreign exchange rate changes on cash		1,145	1,250	68	25	346
Net increase/(decrease) in cash and cash equivalents		156,766	(48,587)	(3,998)	(6,884)	15,089
Cash and cash equivalents at the beginning of year/period		182,399	339,165	290,578	290,578	286,580
Cash and cash equivalents at the end of the year/ period	19	<u>339,165</u>	<u>290,578</u>	<u>286,580</u>	<u>283,694</u>	<u>301,669</u>

The notes on pages 11 to 64 form part of these Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi Yuan)

1. Significant accounting policies***(a) Statement of compliance***

The Financial Information has been prepared in accordance with IFRSs which collective term includes International Accounting Standards (“IAS”) and related interpretations, promulgated by the “IASB”. Further details of the significant accounting policies adopted are set out in the remainder of this section. The Financial Information for the Relevant Period comprise the Privateco and its subsidiaries and an associate.

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 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 IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Privateco 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 beginning on 1 January 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2010 are set out in note 30.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing 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.

The Corresponding Financial Information for the nine months ended 30 September 2009 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information 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 Financial Information comprises the Privateco and its subsidiaries and has been prepared using the merger basis of accounting as if the Privateco Group had always been in existence, as further explained in Section A.

APPENDIX III FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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 Information and major sources of estimation uncertainty is included in note 29.

(c) Subsidiaries

Subsidiaries are those entities controlled by the Privateco Group. Control exists when the Privateco 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 Information of subsidiaries are included in the Financial Information 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 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.

(d) Associate

An associate is an entity in which the Privateco 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 Financial Information under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Privateco Group's share of the associate's net assets. The combined statement of comprehensive income includes the Privateco Group's share of the post-acquisition, post-tax results of the associate for the Relevant Period.

When the Privateco Group's share of losses exceeds its interest in the associate, the Privateco Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Privateco Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised profits and losses resulting from transactions between the Privateco Group and its associate are eliminated to the extent of the Privateco 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 Privateco 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 Privateco 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

Privateco Group uses derivative financial instruments such as copper futures contracts, copper options 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 Privateco Group's policies, which provide written principles on the use of derivative financial instruments consistent with the Privateco 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, copper options 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 Privateco Group formally designates and documents the hedge relationship to which the Privateco 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 Privateco 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.

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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 sheets 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, 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(k)(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.

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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(k)(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 Privateco 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 dates to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Privateco 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.

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(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet dates 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 Relevant Period in which the reversals are recognised.

(i) 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.

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(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 dates, 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 dates. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet dates 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.

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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 Privateco 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 Privateco Group or the Privateco 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 Privateco 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 combined 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 Privateco 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 Privateco 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.

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(s) Translation of foreign currencies

The functional currency of the Privateco and its subsidiaries in the PRC are Hong Kong dollars and Renminbi (“RMB”) respectively. For the purposes of presenting the Financial Information, the Privateco Group adopted RMB as its presentation currency.

Foreign currency transactions during the Relevant Period 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 dates. 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 dates. 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 or 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 Information, a party is considered to be related to the Privateco Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Privateco Group or exercise significant influence over the Privateco Group in making financial and operating policy decisions, or has joint control over the Privateco Group;
- (ii) the Privateco Group and the party are subject to common control;
- (iii) the party is an associate of the Privateco Group or a jointly controlled entity in which the Privateco Group is a venturer;
- (iv) the party is a member of key management personnel of the Privateco Group or the Privateco 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 3(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 Privateco Group or of any entity that is related party of the Privateco 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 Information, are identified from the financial information provided regularly to the Board of Directors (“Board”) for the purposes of allocating resources to, and assessing the performance of, the Privateco 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. Segment reporting

The Privateco Group manages its business by divisions, which are mainly organised by business lines. 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 Privateco 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 Privateco Group’s turnover and results as well as analysis of the Privateco 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.

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Information regarding the Privateco 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 2007, 2008 and 2009 and the nine months ended 30 September 2009 and 2010 is set out below.

	Bare copper wires						Magnet wires						Total					
	For the year ended 31 December 2007		2008		2009		For the year ended 31 December 2007		2008		2009		For the year ended 31 December 2007		2008		2009	
	RMB '000		RMB '000		RMB '000		RMB '000		RMB '000		RMB '000		RMB '000		RMB '000		RMB '000	
Revenue from external customers	4,182,738	4,456,578	3,191,245	2,177,021	3,841,704	2,178,376	2,305,638	2,034,475	1,178,376	1,443,161	786,527	1,443,161	6,488,376	6,491,053	4,369,621	2,963,548	5,284,865	
Inter-segment revenue	1,746,798	1,655,091	989,092	664,107	1,258,935	—	—	—	—	—	—	—	1,746,798	1,655,091	989,092	664,107	1,258,935	
Reportable segment revenue	5,929,536	6,111,669	4,180,337	2,841,128	5,100,639	1,178,376	2,305,638	2,034,475	1,178,376	1,443,161	786,527	1,443,161	8,235,174	8,146,144	5,358,713	3,627,655	6,543,800	
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	130,641	(119,268)	23,755	8,071	22,079	(1,870)	(74,094)	23,548	23,548	46,314	8,206	46,314	128,771	(193,362)	47,303	16,277	68,393	
Interest income from bank deposits	20,832	23,115	7,584	5,721	6,940	776	11,126	5,675	5,675	575	5,220	575	21,608	34,241	13,259	10,941	7,515	
Interest expenses	63,584	51,709	20,910	16,530	23,963	40,839	41,468	22,363	22,363	17,451	17,451	17,565	104,423	93,177	43,273	33,981	41,528	
Depreciation and amortisation for the year/period	9,855	9,853	11,054	8,180	7,968	21,587	20,262	18,881	18,881	14,220	14,220	14,345	31,442	30,115	29,935	20,843	22,941	
Reportable segment assets	2,883,133	2,453,823	2,068,623	2,048,325	1,226,951	1,353,303	932,914	1,125,140	3,807,126	3,001,537	3,178,465	3,178,465	3,178,465	3,178,465	3,178,465	3,178,465	3,178,465	3,178,465
Additions to non-current assets during the year/period	15,309	451	18,140	1,675	1,675	459	1,979	1,444	1,444	5,551	5,551	5,551	15,768	2,430	19,584	7,226	7,226	
Reportable segment liabilities	2,520,005	2,235,318	1,840,456	2,021,143	868,995	1,071,846	608,992	3,389,000	3,307,164	2,449,448	2,767,489	2,767,489	2,767,489	2,767,489	2,767,489	2,767,489	2,767,489	2,767,489

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Revenue					
Reportable segment revenue	8,235,174	8,146,144	5,358,713	3,627,655	6,543,800
Elimination of inter segment revenue	<u>(1,746,798)</u>	<u>(1,655,091)</u>	<u>(989,092)</u>	<u>(664,107)</u>	<u>(1,258,935)</u>
Total	<u>6,488,376</u>	<u>6,491,053</u>	<u>4,369,621</u>	<u>2,963,548</u>	<u>5,284,865</u>
Profit/(loss) before taxation					
Reportable segment profit/(loss) before taxation	157,588	(179,322)	47,303	16,277	68,393
Elimination of inter segment profits	<u>(2,458)</u>	<u>(4,416)</u>	<u>(1,910)</u>	<u>(137)</u>	<u>(1,011)</u>
Reportable segment profit/(loss) derived from Privateco Group's external customers	155,130	(183,738)	45,393	16,140	67,382
Share of profit/(loss) of associate	(1,260)	(10,865)	1,206	1,142	277
Unallocated head office and corporate expenses	<u>(711)</u>	<u>(9,598)</u>	<u>(7,598)</u>	<u>(5,642)</u>	<u>(8,993)</u>
Total	<u>153,159</u>	<u>(204,201)</u>	<u>39,001</u>	<u>11,640</u>	<u>58,666</u>

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	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Reportable segment assets	4,109,719	3,807,126	3,001,537	3,178,465
Elimination of intersegment receivables	<u>(509,088)</u>	<u>(764,271)</u>	<u>(457,104)</u>	<u>(467,060)</u>
Interests in associates	38,779	17,544	18,750	19,027
Deferred tax assets	–	24,411	26,081	21,228
Unallocated head office and corporate assets	<u>78,080</u>	<u>48,690</u>	<u>69,794</u>	<u>298,258</u>
Total	<u>3,717,490</u>	<u>3,133,500</u>	<u>2,659,058</u>	<u>3,049,918</u>
Liabilities				
Reportable segment liabilities	3,380,733	3,307,164	2,449,448	2,767,489
Elimination of inter segment payables	<u>(509,088)</u>	<u>(764,271)</u>	<u>(457,104)</u>	<u>(467,060)</u>
Unallocated head office and corporate liabilities	<u>720</u>	<u>4,095</u>	<u>–</u>	<u>2,029</u>
Total	<u>2,872,365</u>	<u>2,546,988</u>	<u>1,992,344</u>	<u>2,302,458</u>

3. Turnover

The principal activities of the Privateco 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 Relevant Period is as follows:

	For the year ended 31 December			For the nine months ended	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of bare copper wires	4,161,131	4,438,671	3,166,888	2,157,970	3,830,253
Sales of magnet wires	2,305,638	2,034,475	1,178,376	786,528	1,443,161
Processing services	<u>21,607</u>	<u>17,907</u>	<u>24,357</u>	<u>19,050</u>	<u>11,451</u>
	<u>6,488,376</u>	<u>6,491,053</u>	<u>4,369,621</u>	<u>2,963,548</u>	<u>5,284,865</u>

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

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4. Other revenue

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Interest income	21,842	34,379	13,291	10,958	7,541
Government grants	–	–	4,008	2,589	1,361
Income tax refund	–	7,109	–	–	–
Others	636	1,010	242	181	426
	<u>22,478</u>	<u>42,498</u>	<u>17,541</u>	<u>13,728</u>	<u>9,328</u>

5. Other net income/(loss)

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Net exchange gain/(loss)	10,500	33,651	(8,250)	(6,778)	(1,182)
Gain on sales of scrap materials	4,275	1,228	1,730	681	2,153
(Loss)/gain on disposal of property, plant and equipment	(1,160)	(106)	(164)	–	3
Net gain/(loss) on derivative financial instruments					
– copper futures contracts	87,563	(34,702)	589	7,666	(1,490)
– copper options contracts	–	–	–	–	(787)
– foreign exchange forward contracts	74,884	(54,578)	3,301	905	1,380
Others	2,579	186	–	–	–
	<u>178,641</u>	<u>(54,321)</u>	<u>(2,794)</u>	<u>2,474</u>	<u>77</u>

6. Other operating expenses

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Impairment loss on interest in an associate (<i>note 14</i>)	–	10,370	–	–	–
Bank charges	2,212	3,716	1,689	1,274	2,662
Others	1,459	916	4,019	407	4,019
	<u>3,671</u>	<u>15,002</u>	<u>5,708</u>	<u>1,681</u>	<u>6,681</u>

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7. Profit/(loss) before taxation

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

(i) Finance costs

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	104,183	93,177	43,273	33,981	41,528
Letter of credit charges	8,100	8,389	5,353	3,620	5,057
	<u>112,283</u>	<u>101,566</u>	<u>48,626</u>	<u>37,601</u>	<u>46,585</u>

(ii) Staff costs

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	44,183	45,788	41,082	25,224	42,469
Contributions to defined contribution retirement schemes (note 25)	3,290	3,952	3,078	2,186	2,240
	<u>47,473</u>	<u>49,740</u>	<u>44,160</u>	<u>27,410</u>	<u>44,709</u>

(iii) Other items

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories # (note 15)	6,357,954	6,481,800	4,238,205	2,891,445	5,141,016
Auditors' remuneration					
– audit services	1,551	2,212	1,814	2,538	1,323
Depreciation #	30,604	29,278	29,099	20,215	22,313
Amortisation of lease prepayments #	838	837	837	628	628
Impairment losses for doubtful debts	14,485	22,769	–	–	–
Impairment loss on associate	–	10,370	–	–	–
Operating leases charges in respect of properties	871	294	483	441	422
	<u>871</u>	<u>294</u>	<u>483</u>	<u>441</u>	<u>422</u>

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Cost of inventories includes RMB59,181,000, RMB66,987,000, RMB68,741,000, RMB44,031,000 (unaudited) and RMB52,667,000 for the years ended 31 December 2007, 2008 and 2009, and the nine months ended 30 September 2009 and 2010, relating to staff costs, depreciation and amortisation of lease prepayments, which are included in the respective total amounts disclosed separately above and in note 7(ii) for each of these types of expenses.

8. Income tax (expenses)/credit

(i) Income tax (expenses)/credit in the combined statements of comprehensive income represent:

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Current tax – PRC					
Provision for the year	(6,239)	(8,836)	–	–	(7,854)
Deferred tax					
Origination/(reversal) of temporary differences <i>(note 22)</i>	<u>(6,598)</u>	<u>27,166</u>	<u>5,637</u>	<u>1,682</u>	<u>(4,936)</u>
	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>

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

No provisions for Hong Kong profits tax have been made for the Relevant Period as the Privateco Group does not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

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.

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 were 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.

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, and 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.

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, 2009 and 2010 are 7.5%, 9%, 10% and 22% respectively.

These tax rates were used to calculate the Privateco Group’s deferred tax assets and liabilities as at 31 December 2007, 2008 and 2009, and 30 September 2009 and 2010.

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 <i>(unaudited)</i>	2010 RMB'000
Profit/(loss) before taxation	153,159	(204,201)	39,001	11,640	58,666
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Privateco Group's profit/(loss) in the tax jurisdiction concerned (2007: 15%, 2008: 18%, 2009: 20%, 2010: 22%)	(22,974)	36,756	(7,801)	(2,328)	(12,907)
Effect of share of profit/(loss) of associate and impairment loss on interest in associate	(189)	(3,822)	241	251	61
Effect of non-deductible expenses	(2,646)	(1,251)	(639)	(69)	(400)
Effect of non-taxable income	-	640	1,921	3,083	902
Effect of change on tax rate	-	-	11,915	745	(446)
Effect of PRC tax holidays granted to subsidiaries	12,972	(14,097)	-	-	-
Others	-	104	-	-	-
	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>

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(iii) Taxation in the combined balance sheets represents:

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010 <i>RMB'000</i>
At 1 January	1,343	1,714	(2,757)	(1,284)
Provision for income tax for the year/period	6,239	8,836	–	9,013
Amounts (paid)/received	<u>(5,868)</u>	<u>(13,307)</u>	<u>1,473</u>	<u>(6,654)</u>
At year/period end	<u>1,714</u>	<u>(2,757)</u>	<u>(1,284)</u>	<u>1,075</u>

9. Directors' remuneration in respect of the Company

Year ended 31 December 2007

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors				
Mr. Huang Cheng Roang	29	181	36	246
Mr. Lin Chi Ta	28	220	70	318
Mr. Huang Kuo Feng	29	130	34	193
Mr. Du Chi Ting	<u>–</u>	<u>181</u>	<u>35</u>	<u>216</u>
Independent non-executive directors				
Mr. Kang Jung Pao	240	–	–	240
Mr. Cheng Yang Yi	240	–	–	240
Mr. Tsay Yang Tzong	240	–	–	240
Mr. Yan Ming He	240	–	–	240
Mr. Atsushi Kanayama	<u>240</u>	<u>–</u>	<u>–</u>	<u>240</u>
Total	<u>1,286</u>	<u>712</u>	<u>175</u>	<u>2,173</u>

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Year ended 31 December 2008

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>1,118</u>	<u>2,559</u>	<u>–</u>	<u>3,677</u>

Year ended 31 December 2009

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
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
Total	<u>86</u>	<u>1,846</u>	<u>112</u>	<u>2,044</u>
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	<u>1,141</u>	<u>1,846</u>	<u>112</u>	<u>3,099</u>

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Nine months ended 30 September 2009 (unaudited)

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors				
Mr. Huang Cheng Roang	32	342	27	401
Mr. Lin Chi Ta	32	486	40	558
Mr. Huang Kuo Feng	32	264	26	322
Mr. Du Chi Ting	32	292	21	345
Independent non-executive directors				
Mr. Kang Jung Pao	159	–	–	159
Mr. Cheng Yang Yi	159	–	–	159
Mr. Tsay Yang Tzong	159	–	–	159
Mr. Yan Ming He	159	–	–	159
Mr. Atsushi Kanayama	159	–	–	159
Total	<u>923</u>	<u>1,384</u>	<u>114</u>	<u>2,421</u>

Nine months ended 30 September 2010

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors				
Mr. Huang Cheng Roang	32	447	–	479
Mr. Lin Chi Ta	32	663	–	695
Mr. Huang Kuo Feng	32	357	–	389
Mr. Du Chi Ting	32	368	–	400
Independent non-executive directors				
Mr. Kang Jung Pao	155	–	–	155
Mr. Cheng Yang Yi	155	–	–	155
Mr. Tsay Yang Tzong	155	–	–	155
Mr. Yan Ming He	155	–	–	155
Mr. Atsushi Kanayama	155	–	–	155
Total	<u>903</u>	<u>1,835</u>	<u>–</u>	<u>2,738</u>

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Nil to RMB 1,000,000	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>

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There were no amounts paid during the Relevant Period to the directors in connection with their retirement from employment with the Privateco Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period. The remuneration to the Company's directors has been paid for the services provided to the Privateco Group and the Company during the Relevant Period.

10. Individuals with highest emoluments

The five highest paid individuals of the Privateco Group include 3, 2, 2, 2 and 2 directors of the Company during the Relevant Period, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Privateco Group are as follows:

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Basic salaries, allowance and other benefits	628	2,157	2,257	1,990	2,844
Bonus	94	–	17	124	–
	<u>722</u>	<u>2,157</u>	<u>2,274</u>	<u>2,114</u>	<u>2,844</u>
Number of senior management	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

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 Privateco Group, or inducement to join.

11. Dividends

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Final dividend proposed after the balance sheet date	<u>32,400</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Final dividend in respect of the previous financial year, approved and paid during the year	<u>–</u>	<u>32,338</u>	<u>–</u>	<u>–</u>	<u>–</u>

The final dividend proposed after the balance sheet dates was not recognised as a liability at the balance sheet dates.

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12. Property, plant and equipment

	Buildings <i>RMB'000</i>	Machinery, equipment and tools <i>RMB'000</i>	Dies and moulds <i>RMB'000</i>	Motor vehicles and other fixed assets <i>RMB'000</i>	Construction in progress ("CIP") <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2007	186,162	435,765	11,877	13,770	237	647,811
Additions	446	10,145	3,307	1,803	67	15,768
Transfer from CIP	–	304	–	–	(304)	–
Disposals	–	(1,868)	(8,239)	(314)	–	(10,421)
At 31 December 2007	186,608	444,346	6,945	15,259	–	653,158
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	15,415	223	650,802
Additions	–	1,450	1,020	403	16,711	19,584
Transfer from CIP	–	16,834	–	–	(16,834)	–
Disposals	–	(463)	(3,162)	(113)	–	(3,738)
At 31 December 2009	186,621	461,998	2,224	15,705	100	666,648
Additions	12	2,629	2,819	340	1,426	7,226
Disposals	–	–	(1,170)	(120)	–	(1,290)
At 30 September 2010	186,633	464,627	3,873	15,925	1,526	672,584
Accumulated depreciation:						
At 1 January 2007	(27,929)	(124,183)	(7,358)	(7,648)	–	(167,118)
Change for the year	(4,207)	(19,998)	(4,630)	(1,769)	–	(30,604)
Written back on disposals	–	673	8,239	282	–	9,194
At 31 December 2007	(32,136)	(143,508)	(3,749)	(9,135)	–	(188,528)
Charge for the year	(4,212)	(20,499)	(2,962)	(1,605)	–	(29,278)
Written back on disposals	–	489	4,017	168	–	4,674
At 31 December 2008	(36,348)	(163,518)	(2,694)	(10,572)	–	(213,132)
Charge for the year	(4,229)	(21,750)	(1,652)	(1,468)	–	(29,099)
Written back on disposals	–	310	3,162	102	–	3,574
At 31 December 2009	(40,577)	(184,958)	(1,184)	(11,938)	–	(238,657)

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	Buildings <i>RMB'000</i>	Machinery, equipment and tools <i>RMB'000</i>	Dies and moulds <i>RMB'000</i>	Motor vehicles and other fixed assets <i>RMB'000</i>	Construction in progress ("CIP") <i>RMB'000</i>	Total <i>RMB'000</i>
Charge for the year	(3,147)	(17,289)	(959)	(918)	–	(22,313)
Written back on disposals	–	–	1,170	108	–	1,278
At 30 September 2010	<u>(43,724)</u>	<u>(202,247)</u>	<u>(973)</u>	<u>(12,748)</u>	<u>–</u>	<u>(259,692)</u>
Net book value:						
At 31 December 2007	<u>154,472</u>	<u>300,838</u>	<u>3,196</u>	<u>6,124</u>	<u>–</u>	<u>464,630</u>
At 31 December 2008	<u>150,273</u>	<u>280,659</u>	<u>1,672</u>	<u>4,843</u>	<u>223</u>	<u>437,670</u>
At 31 December 2009	<u>146,044</u>	<u>277,040</u>	<u>1,040</u>	<u>3,767</u>	<u>100</u>	<u>427,991</u>
At 30 September 2010	<u>142,909</u>	<u>262,380</u>	<u>2,900</u>	<u>3,176</u>	<u>1,526</u>	<u>412,892</u>

- (i) All of the Privateco Group's buildings are located in the PRC.
- (ii) As at 31 December 2007, 2008 and 2009 and 30 September 2010, buildings with a carrying amount of RMB91,621,000, RMB89,059,000, RMB86,485,000 and RMB84,555,000 respectively, were pledged to a bank for certain banking facilities and bank loans (see note 20).
- (iii) As at 31 December 2007, 2008 and 2009 and 30 September 2010, machinery, equipment and tools with carrying amounts of RMB183,978,000, RMB170,546,000, RMB157,977,000 and RMB145,408,000 respectively, were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term bank loans (see note 20).

13. Lease prepayments

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010
				<i>RMB'000</i>
At 1 January	33,858	33,020	32,183	31,346
Less: Amortisation	<u>(838)</u>	<u>(837)</u>	<u>(837)</u>	<u>(628)</u>
At the period/year end	<u>33,020</u>	<u>32,183</u>	<u>31,346</u>	<u>30,718</u>

Lease prepayments represent payments for land use rights of two pieces of land situated in the PRC on which the Privateco 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 2007, 2008 and 2009 and 30 September 2010, land use rights with a carrying amount of RMB33,020,000, 32,183,000, 31,346,000 and 30,718,000 respectively were pledged to a bank for certain banking facilities and bank loans (see note 20).

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14. Interest in an associate

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Share of net assets	28,409	17,544	18,750	19,027
Goodwill arising on acquisition	<u>10,370</u>	<u>10,370</u>	<u>10,370</u>	<u>10,370</u>
	38,779	27,914	29,120	29,397
Less: Impairment on goodwill	<u>–</u>	<u>(10,370)</u>	<u>(10,370)</u>	<u>(10,370)</u>
	<u><u>38,779</u></u>	<u><u>17,544</u></u>	<u><u>18,750</u></u>	<u><u>19,027</u></u>

The particulars of the associate are set out below:

Name of associate	Place of establishment and operation	Percentage of equity attributable to the Privateco		Registered capital '000	Principal activities
		Direct	Indirect		
		%	%		
JCC Tai-yi Special Electric Material Co., Ltd. (“JCC-Taiyi”)	PRC	30%		US\$16,800	Manufacture and sale of bare copper wires and magnet wires

The Privateco, through its wholly owned subsidiaries, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 31 December 2007, 2008 and 2009. On 20 March 2010, Tai-I Copper entered into an agreement with Supreme Union Management Limited (“Supreme Union”) to transfer its entire equity interest in JCC-Taiyi to Supreme Union, which was completed on 7 July 2010.

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

2007

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Revenue <i>RMB'000</i>	Loss after tax <i>RMB'000</i>
100 percent	367,084	(272,386)	164,008	(4,200)
The Privateco Group’s effective interest	<u>110,125</u>	<u>(81,716)</u>	<u>49,202</u>	<u>(1,260)</u>

2008

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

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2009

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

At 30 September 2010

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Revenue <i>RMB'000</i>	Profit after tax <i>RMB'000</i>
100 percent	472,017	(408,594)	450,750	920
The Privateco Group's effective interest	<u>141,605</u>	<u>(122,578)</u>	<u>135,225</u>	<u>277</u>

15. Inventories

Inventories comprise:

	At 31 December			At 30 September
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Raw materials	181,313	31,056	66,968	33,313
Work in progress	27,677	25,145	33,740	29,727
Finished goods	130,560	168,408	103,949	148,839
Low value consumables	<u>6,001</u>	<u>5,916</u>	<u>6,820</u>	<u>7,698</u>
	<u>345,551</u>	<u>230,525</u>	<u>211,477</u>	<u>219,577</u>

The net realisable value of the majority of the inventories is closely related to the commodity market price for copper.

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Carrying amount of inventories sold	6,383,999	6,457,618	4,263,138	2,917,314	5,154,444
Realised (gain)/loss on derivative financial instruments	<u>(26,045)</u>	<u>24,182</u>	<u>(24,933)</u>	<u>(25,869)</u>	<u>(13,428)</u>
	<u>6,357,954</u>	<u>6,481,800</u>	<u>4,238,205</u>	<u>2,891,445</u>	<u>5,141,016</u>

As at 31 December 2008, inventories with a carrying amount of RMB100,000,000 (At 31 December 2007 and 2009 and 30 September 2010: Nil) were pledged to a bank for bank loans (see note 20).

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16. Trade and other receivables

		At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
		RMB'000			
Trade receivables	(i)	859,838	325,732	525,526	627,157
Bills receivable (note 20 (ii))	(i)	<u>247,915</u>	<u>151,384</u>	<u>120,849</u>	<u>213,009</u>
		1,107,753	477,116	646,375	840,166
Deposits and prepayments made to suppliers	(ii)	136,983	376,681	373,488	336,282
Other receivables		64,751	60,849	33,363	43,201
Deposits for derivative financial instruments	(iii)	<u>28,877</u>	<u>62,558</u>	<u>32,334</u>	<u>12,254</u>
		<u>1,338,364</u>	<u>977,204</u>	<u>1,085,560</u>	<u>1,236,903</u>

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 dates:

		At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
		RMB'000			
<i>Invoice date:</i>					
Within 1 month		712,977	357,773	357,559	516,762
Over 1 month but less than 3 months		270,997	55,646	213,799	220,266
Over 3 months but less than 1 year		117,217	58,467	55,316	99,964
Over 1 year but less than 2 years		17,643	26,475	23,793	5,519
Over 2 years		<u>3,404</u>	<u>16,009</u>	<u>33,162</u>	<u>34,909</u>
		1,122,238	514,370	683,629	877,420
Less: Impairment losses for doubtful debts		<u>(14,485)</u>	<u>(37,254)</u>	<u>(37,254)</u>	<u>(37,254)</u>
		<u>1,107,753</u>	<u>477,116</u>	<u>646,375</u>	<u>840,166</u>

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

		At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
		RMB'000			
At 1 January		–	14,485	37,254	37,254
Impairment loss recognised during the year/period		14,485	27,024	3,624	–
Reversed during the year/period		<u>–</u>	<u>(4,255)</u>	<u>(3,624)</u>	<u>–</u>
At 31 December/30 September		<u>14,485</u>	<u>37,254</u>	<u>37,254</u>	<u>37,254</u>

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During the Relevant Period, 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 Privateco Group, its creditworthiness and settlement record.

- (ii) According to the terms of purchase of copper plate entered into with the Privateco Group's suppliers, the Privateco 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 Privateco Group has placed deposits with futures agents for copper futures contracts entered into in the normal course of business.

17. Derivative financial instruments

	2007		At 31 December 2008				2009		At 30 September 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unrealised copper futures contracts										
– under cash flow hedge accounting	–	–	–	(26,980)	121	–	4,391	–		
– under fair value hedge accounting	–	(361)	–	(109)	–	(6,387)	–	(1,037)		
– not qualifying for hedge accounting	–	–	–	(10,430)	2,157	–	672	(3,279)		
	–	(361)	–	(37,519)	2,278	(6,387)	5,063	(4,316)		
Unrealised copper options contracts										
– not qualifying for hedge accounting	–	–	–	–	–	–	–	(4,724)		
Unrealised foreign exchange forward contracts										
– under fair value hedge accounting	10,992	–	–	–	–	–	–	–		
– not qualifying for hedge accounting	76,811	(16,586)	16,171	(70,452)	3,434	–	4,574	–		
	87,803	(16,586)	16,171	(70,452)	3,434	–	4,574	–		
	87,803	(16,947)	16,171	(107,971)	5,712	(6,387)	9,637	(9,040)		

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(a) Copper futures contracts

The Privateco 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, the Privateco 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			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales contracts				
Volume (tonne)	1,525	75	2,515	2,015
Notional contract value	87,986	1,469	125,690	82,644
Market value	<u>88,872</u>	<u>1,575</u>	<u>132,077</u>	<u>86,960</u>
Fair value	----- (886)	----- (106)	----- (6,387)	----- (4,316)
Purchase contracts				
Volume (tonne)	1,590	4,165	1,065	1,200
Notional contract value	91,113	133,939	61,155	64,329
Market value	<u>91,638</u>	<u>96,526</u>	<u>63,433</u>	<u>69,392</u>
Fair value	----- 525	----- (37,413)	----- 2,278	----- 5,063
	<u>(361)</u>	<u>(37,519)</u>	<u>(4,109)</u>	<u>747</u>
Contract maturity months	January, February, March, April and May 2008	January, February March, April May, June July and November 2009	January, February March, April and May 2010	October, November and December 2010, January, February, March, April and June 2011

The market value of futures contracts is based on quoted market prices at the balance sheet dates. The commodity price risk related to the price of copper is discussed in note 27(e).

As at 31 December 2007, 2008 and 2009 and 30 September 2010, copper futures contracts designated as fair value hedges to inventories with unrealised losses of RMB361,000, RMB109,000, RMB6,387,000 and RMB1,037,000 arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the Relevant Period.

As at 31 December 2008 and 2009 and 30 September 2010, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised (losses)/gains of RMB(26,980,000), RMB121,000 and RMB4,391,000 arising from the changes in fair value of these derivative instruments are included in equity (At 31 December 2007: Nil). Such unrealised (losses)/gains are expected to be transferred to profit or loss when the designated forecast transactions occur. The portion assessed as ineffective of unrealised (losses)/gains of RMB(10,430,000), RMB2,157,000 and RMB(2,607,000) is recognised in the profit or loss for the years ended 31 December 2008 and 2009 and for the nine months ended 30 September 2010 respectively (for the year ended 31 December 2007: Nil).

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(b) Copper options contracts

The Privateco Group entered into certain copper options contracts in 2010 which are not qualified for hedging accounting. The notional contract value and the related terms are summarised as follows:

At 30 September 2010

	Volume (tonne)	Exercise price USD'000	Contract maturity month	Fair value RMB'000
Written call option	300	7.75/tonne	October 2010	(935)
Written call option	675	8.5/tonne	March 2011	(3,789)
	<u>975</u>			<u>(4,724)</u>

(c) Foreign exchange forward contracts

For foreign exchange forward contracts that meet the requirements for hedge accounting, the Privateco 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 2007

	Weighted average contracted rate	Weighted average market rate	Notional amount US\$'000	Fair value RMB'000
Buy RMB/Sell US\$				
Less than 3 months	7.4100	7.2003	(76,690)	16,083
3 to 6 months	7.3938	7.0985	(111,000)	32,780
6 months to 1 year	7.2052	6.9329	(143,000)	38,940
			----- (330,690)	----- 87,803
Sell RMB/Buy US\$				
Less than 3 months	7.3140	7.2374	84,600	(6,482)
3 to 6 months	7.2851	7.1115	53,000	(8,728)
6 months to 1 year	7.0778	6.9109	4,000	(1,376)
			----- 141,600	----- (16,586)
			----- (189,090)	----- 71,217

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At 31 December 2008

	Weighted average contracted rate	Weighted average market rate	Notional amount <i>US\$'000</i>	Fair value <i>RMB'000</i>
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)
			<u>(563,800)</u>	<u>(73,873)</u>
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
			<u>85,000</u>	<u>19,592</u>
			<u>(478,800)</u>	<u>(54,281)</u>

At 31 December 2009

	Weighted average contracted rate	Weighted average market rate	Notional amount <i>US\$'000</i>	Fair value <i>RMB'000</i>
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)
			<u>(88,742)</u>	<u>20</u>
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
			<u>18,000</u>	<u>3,414</u>
			<u>(70,742)</u>	<u>3,434</u>

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At 30 September 2010

	Weighted average contracted rate	Weighted average market rate	Notional amount <i>US\$'000</i>	Fair value <i>RMB'000</i>
Buy RMB/Sell US\$				
Less than 3 months	6.7302	6.6810	(24,000)	1,181
3 to 6 months	6.7390	6.6701	(12,000)	827
6 months to 1 year	6.6138	6.6203	(3,000)	(20)
			(39,000)	1,988
Sell RMB/Buy US\$				
Less than 3 months	6.6341	6.7011	24,000	1,607
3 to 6 months	6.6315	6.6915	12,000	720
6 months to 1 year	6.5530	6.6393	3,000	259
			39,000	2,586
			–	4,574

The above derivatives are measured at fair value based on the valuation provided by certain banks at the balance sheet dates. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting, the net gains/(losses) arising from changes in the fair value were all recognised in the profit or loss account for the Relevant Period. The foreign currency risk related to these contracts is described in note 27(d).

18. Pledged deposits

Pledged deposits can be analysed as follows:

	At 31 December			At 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee deposits for issuance of commercial bills and letters of credit (note 20 and 21)	875,178	788,258	284,494	526,647

Pledged deposits earn interest at a rate ranging from 0.72% to 5.43%, 0.36 to 4.14%, 0.36% to 1.98% and 0.36% to 1.98% per annum for the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 respectively.

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19. Cash and cash equivalents

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

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	100	153	92	93
Deposits on demand	339,065	290,425	286,488	301,576
Time deposits	195,000	289,100	245,780	207,617
Less: Time deposits with original maturity more than 3 months	195,000	289,100	245,780	207,617
Cash and cash equivalents in the combined cash flow statements	<u>339,165</u>	<u>290,578</u>	<u>286,580</u>	<u>301,669</u>

20. Bank loans

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
Bank loans and borrowings				
– Secured (i)	876,712	1,281,205	914,615	1,066,580
– Unsecured	329,608	–	–	–
– Bank advances under discounted bills (ii)	189,579	141,098	86,362	158,042
	<u>1,395,899</u>	<u>1,422,303</u>	<u>1,000,977</u>	<u>1,224,622</u>

All bank loans during the year are interest-bearing, with fixed rates that ranged from 5.47% to 10.13%, 1.96% to 8.96%, 0.24% to 5.31% and 1.49% to 5.31% for the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 respectively.

- (i) Current secured bank loans as At 31 December 2007, 2008 and 2009 and 30 September 2010 were secured over the Privateco Group's buildings with a carrying amount of RMB91,621,000, RMB89,059,000, RMB86,485,000 and RMB84,555,000, and land use rights with carrying amounts of RMB33,020,000, RMB32,183,000, RMB31,346,000 and RMB30,718,000. Current secured bank loans as at 31 December 2008 were secured over the Privateco Group's inventories with a carrying amount of RMB100,000,000 (At 31 December 2007 and 2009 and 30 September 2010: Nil).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2007, 2008 and 2009 and 30 September 2010 were secured over the Privateco Group's pledged deposits (see note 18) and certain machinery, equipment and tools with carrying amounts of RMB183,978,000, RMB170,546,000, RMB157,977,000 and RMB145,408,000.

- (ii) The Privateco 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 Privateco Group's "Bills receivable" and "Bank advances under discounted bills" as at the balance sheet dates.

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21. Trade and other payables

		At 31 December			At 30
		2007	2008	2009	September
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade creditors	(i)	1,068,409	621,772	542,603	750,604
Bills payable	(ii)	<u>310,966</u>	<u>302,956</u>	<u>400,109</u>	<u>228,399</u>
		1,379,375	924,728	942,712	979,003
Non-trade payables and accrued expenses		73,329	93,337	48,677	70,313
Other taxes payable/(recoverable)		<u>5,101</u>	<u>1,406</u>	<u>(5,125)</u>	<u>19,564</u>
		<u>1,457,805</u>	<u>1,019,471</u>	<u>986,264</u>	<u>1,068,880</u>

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

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

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Due within 3 months or on demand	1,220,886	692,118	796,643	916,231
Due after 3 months but within 6 months	158,139	231,996	145,225	60,346
Due after 6 months but within 1 year	184	219	111	1,867
Due after 1 year but within 2 years	166	229	127	143
Due after 2 years	<u>–</u>	<u>166</u>	<u>606</u>	<u>416</u>
	<u>1,379,375</u>	<u>924,728</u>	<u>942,712</u>	<u>979,003</u>

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 18). As at 31 December 2007, 2008 and 2009 and 30 September 2010, outstanding letters of credit included in trade creditors amounted to RMB759,475,000, RMB614,196,000, RMB676,358,000 and RMB847,473,000 respectively.

(ii) Certain bills payable outstanding as At 31 December 2007, 2008 and 2009 and 30 September 2010 were secured by the Privateco Group's machinery, equipment and tools with carrying amounts of RMB183,978,000, RMB170,546,000, RMB157,977,000 and RMB145,408,000 respectively.

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22. Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the combined balance sheets and the movements during the Relevant Period are shown as follows:

	Unrealised (gain)/ loss on derivative financial instruments	Impairment losses for doubtful debt s	Unutilised tax losses	Cash flow hedges	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2007	–	–	–	–	–	–
Credited to profit or loss	(7,902)	1,304	–	–	–	(6,598)
At 31 December 2007	<u>(7,902)</u>	<u>1,304</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,598)</u>
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	<u>7,861</u>	<u>3,725</u>	<u>1,778</u>	<u>3,843</u>	<u>7,204</u>	<u>24,411</u>
At 1 January 2009	7,861	3,725	1,778	3,843	7,204	24,411
Credited to profit or loss	(7,999)	4,471	13,683	–	(4,518)	5,637
Credited to reserves	–	–	–	(3,967)	–	(3,967)
At 31 December 2009	<u>(138)</u>	<u>8,196</u>	<u>15,461</u>	<u>(124)</u>	<u>2,686</u>	<u>26,081</u>
At 1 January 2010	(138)	8,196	15,461	(124)	2,686	26,081
Credited to profit or loss	(469)	745	(6,017)	–	805	(4,936)
Credited to reserves	–	–	–	83	–	83
At 30 September 2010	<u>(607)</u>	<u>8,941</u>	<u>9,444</u>	<u>(41)</u>	<u>3,491</u>	<u>21,228</u>

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.

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010
				<i>RMB'000</i>
Net deferred tax assets recognised on the balance sheets	–	24,411	26,081	21,228
Net deferred tax liabilities recognised on the balance sheets	(6,598)	–	–	–
	<u>(6,598)</u>	<u>24,411</u>	<u>26,081</u>	<u>21,228</u>

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23. Share capital and reserves

	Attributable to owners of the Privateco						Total RMB'000
	Share capital	Merger reserve	PRC statutory reserve	Exchange reserve	Hedging reserve	Retained earnings	
	RMB'000 (a)	RMB'000 (b)(i)	RMB'000 (b)(ii)	RMB'000 (b)(iii)	RMB'000 (b)(iv)	RMB'000	
At 1 January 2007	78	418,860	18,701	–	–	64,787	502,426
Profit for the year	–	–	–	–	–	140,322	140,322
Capital injection	194,634	–	–	–	–	–	194,634
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	1,145	–	–	1,145
Transfer to reserve	–	–	7,558	–	–	(7,558)	–
At 31 December 2007	<u>194,712</u>	<u>418,860</u>	<u>26,259</u>	<u>1,145</u>	<u>–</u>	<u>197,551</u>	<u>838,527</u>
At 1 January 2008	194,712	418,860	26,259	1,145	–	197,551	838,527
Dividends declared and approved during the year	–	(32,338)	–	–	–	–	(32,338)
Loss for the year	–	–	–	–	–	(185,871)	(185,871)
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	(35,992)	–	(35,992)
– unrealised portion (note 17(a))	–	–	–	–	(26,980)	–	(26,980)
– deferred tax credited (note 22)	–	–	–	–	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	–	–	–	1,250	–	–	1,250
At 31 December 2008	<u>194,712</u>	<u>386,522</u>	<u>26,259</u>	<u>2,395</u>	<u>(35,056)</u>	<u>11,680</u>	<u>586,512</u>
At 1 January 2009	194,712	386,522	26,259	2,395	(35,056)	11,680	586,512
Profit for the year	–	–	–	–	–	44,638	44,638
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	7,837	–	7,837
– unrealised portion (note 17(a))	–	–	–	–	121	–	121
– deferred tax credited (note 22)	–	–	–	–	(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	–	–	–	68	–	–	68
At 31 December 2009	<u>194,712</u>	<u>386,522</u>	<u>26,259</u>	<u>2,463</u>	<u>440</u>	<u>56,318</u>	<u>666,714</u>

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	Attributable to owners of the Privateco						
	Share capital	Merger reserve	PRC statutory reserve	Exchange reserve	Hedging reserve	Retained earnings	Total
	RMB'000 (a)	RMB'000 (b)(i)	RMB'000 (b)(ii)	RMB'000 (b)(iii)	RMB'000 (b)(iv)	RMB'000	RMB'000
At 1 January 2010	194,712	386,522	26,259	2,463	440	56,318	666,714
Profit for the period	–	–	–	–	–	45,876	45,876
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	18,297	–	18,297
– unrealised portion (<i>note 17(a)</i>)	–	–	–	–	4,391	–	4,391
– deferred tax credited (<i>note 22</i>)	–	–	–	–	(41)	–	(41)
Cash flow hedges:							
transfer from equity to profit or loss in cost of sales	–	–	–	–	(16,096)	–	(16,096)
Capital injection	27,973	–	–	–	–	–	27,973
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	346	–	–	346
At 30 September 2010	<u>222,685</u>	<u>386,522</u>	<u>26,259</u>	<u>2,809</u>	<u>6,991</u>	<u>102,194</u>	<u>747,460</u>
At 1 January 2009	194,712	386,522	26,259	2,395	(35,056)	11,680	586,512
Profit for the period	–	–	–	–	–	13,322	13,322
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	9,187	–	9,187
– unrealised portion (<i>note 17(a)</i>)	–	–	–	–	2,231	–	2,231
– deferred tax credited (<i>note 22</i>)	–	–	–	–	(352)	–	(352)
Cash flow hedges:							
transfer from equity to profit or loss in cost of sales	–	–	–	–	27,153	–	27,153
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	25	–	–	25
At 30 September 2009 (unaudited)	<u>194,712</u>	<u>386,522</u>	<u>26,259</u>	<u>2,420</u>	<u>3,163</u>	<u>25,002</u>	<u>638,078</u>

(a) Share capital

For the purpose of this report, share capital in the combined balance sheets as at 31 December 2007, 2008 and 2009 and September 30, 2010 represents the aggregate amount of the share paid up capital of all the entities comprising the Privateco Group at the respective dates, after elimination of investments in subsidiaries.

(b) Nature and purpose of reserves

(i) 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 in exchange thereafter. The reserve is distributable.

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(ii) *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 Privateco'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.

(iii) *Exchange reserve*

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

(iv) *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).

(c) *Capital management*

The Privateco Group's primary objectives when managing capital are to safeguard the Privateco 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 Privateco 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 Privateco Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Privateco 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 the Relevant Period, the Privateco Group's strategy was to maintain the net debt-to-adjusted capital ratio within the range of 20% to 70%.

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The net debt-to-adjusted capital ratio At 31 December 2007, 2008 and 2009 and 30 September 2010 is as follows:

	Note	At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
					RMB'000
Current liabilities					
Bank loans	20	1,395,899	1,422,303	1,000,977	1,224,622
Total debt		1,395,899	1,422,303	1,000,977	1,224,622
Less: Cash and cash equivalents	19	(339,165)	(290,578)	(286,580)	(301,669)
Pledged deposits	18	(875,178)	(788,258)	(284,494)	(526,647)
Net debt		181,556	343,467	429,903	396,306
Total equity		838,527	586,512	666,714	747,640
Less: Proposed dividends		(32,400)	–	–	–
Adjusted capital		806,127	586,512	666,714	747,640
Net debt-to-adjusted capital ratio		23%	59%	64%	53%

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

24. Commitments

(i) Capital commitments

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

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Contracted	–	16,582	–	–

(ii) Lease commitments

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

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Less than one year	1,490	858	620	652
Between one and two years	47	128	9	–
Between two and three years	23	9	2	–
	1,560	995	631	652

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

25. Retirement benefits

As stipulated by the regulations of the PRC, the Privateco 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 Privateco Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

26. Related party transactions

(a) Amounts due from a related party

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Company	–	29,856	35,287	64,003

The amounts due from the related party are unsecured, interest free and have no fixed repayment terms.

(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 Privateco Group, directly or indirectly, including directors and supervisors of the Privateco Group. The compensation of key management personnel is as follows:

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Short-term employee benefits	2,516	7,873	7,384	6,705

(c) Contributions to defined contribution retirement plans

The Privateco Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Privateco Group's employee benefits plan are disclosed in note 25. As at 31 December 2007, 2008 and 2009 and 30 September 2010, there were no material outstanding contribution to post-employment benefit plans.

27. Financial risk management and fair values

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

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

(a) Credit risk

The Privateco 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 Privateco Group does not collect collateral from its customers.

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

The Privateco 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 Privateco 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 31 December 2007, 2008 and 2009 and 30 September 2010, the Privateco Group has a certain concentrations of credit risk as 5%, 14%, 6% and 5% of the total deposits and prepayments (included in trade and other receivables) were due from the Privateco Group's largest supplier, and 9%, 32%, 41% and 18% of the total deposits and prepayments were due from the Privateco Group's five largest suppliers respectively.

Further quantitative disclosures in respect of the Privateco Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

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 sheets after deducting any impairment allowance. The Privateco Group does not provide any guarantees which would expose the Privateco Group to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Privateco Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Privateco 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 Privateco Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Privateco 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.

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Contractual maturities of financial liabilities

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

	At 31 December 2007			
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Non-derivative financial liabilities				
Secured loans and borrowings	876,712	(885,522)	(773,174)	(112,348)
Unsecured loans and borrowings	329,608	(331,876)	(331,876)	–
Bank advances under discounted bills	189,579	(189,579)	(189,579)	–
Trade and other payables excluding advance from customers	1,445,821	(1,445,821)	(1,445,821)	–
Derivative financial liabilities				
Foreign exchange forward contracts held as fair value hedging instruments				
– outflow	(10,992)	(235,208)	(235,208)	–
– inflow	–	241,385	241,385	–
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow	(76,811)	(2,180,350)	(1,208,838)	(971,512)
– inflow	–	2,178,615	1,222,371	956,244
Other foreign exchange forward contracts	16,586	(1,399)	(1,399)	–
Copper futures contracts <i>(note 17(a))</i>	361	(361)	(361)	–
	<u>2,770,864</u>	<u>(2,850,116)</u>	<u>(2,722,500)</u>	<u>(127,616)</u>

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At 31 December 2008				
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
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	985,141	(985,141)	(985,141)	–
Derivative financial liabilities				
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow	70,663	(2,554,226)	(1,863,275)	(690,951)
– inflow	(211)	248,037	61,837	186,200
Copper futures contracts <i>(note 17(a))</i>	37,519	(37,519)	(36,445)	(1,074)
	2,515,415	(4,755,607)	(4,229,993)	(525,614)

At 31 December 2009				
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
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	979,545	(979,545)	(979,545)	–
Derivative financial liabilities				
Copper futures contracts <i>(note 17(a))</i>	6,387	(6,387)	(6,387)	–
	1,986,909	(1,990,254)	(1,940,762)	(49,492)

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	At 30 September 2010			
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Non-derivative financial liabilities				
Secured loans and borrowings	1,146,580	(1,155,426)	(1,155,426)	–
Bank advances under discounted bills	158,042	(158,042)	(158,042)	–
Trade and other payables excluding advance from customers	1,046,898	(1,046,898)	(1,046,898)	–
Derivative financial liabilities				
Copper futures contracts (note 17(a))	4,316	(4,316)	(4,316)	–
Copper options contracts (note 17(b))	4,724	(2,644)	(2,644)	–
	<u>2,360,560</u>	<u>(2,367,326)</u>	<u>(2,367,326)</u>	<u>–</u>

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.

	At 31 December 2008			
	Carrying amount <i>RMB'000</i>	Expected cash flow <i>RMB'000</i>	6 months or less <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Copper futures contracts liabilities	<u>(26,980)</u>	<u>(68,566)</u>	<u>(63,521)</u>	<u>(5,045)</u>
	At 31 December 2009			
	Carrying amount <i>RMB'000</i>	Expected cash flow <i>RMB'000</i>	6 months or less <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Copper futures contracts assets	<u>121</u>	<u>(1,073)</u>	<u>(1,073)</u>	<u>–</u>
	At 30 September 2010			
	Carrying amount <i>RMB'000</i>	Expected cash flow <i>RMB'000</i>	6 months or less <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Copper futures contracts assets	<u>4,391</u>	<u>(20,081)</u>	<u>(20,081)</u>	<u>–</u>

In addition to copper futures contracts, the Privateco 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

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accounting described in the Privateco 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 31 December 2008 and 2009 and 30 September 2010, the expected delivery periods of the forecast sales are from January 2009 to May 2009 and January 2010 to May 2010 and October 2010 to March 2011 respectively (At 31 December 2007: nil).

(c) Interest rate risk

The Privateco 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 Privateco Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

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

	2007		At 31 December 2008		2009		At 30 September 2010	
	Effective weighted average interest rates	weighted interest amount	Effective weighted average interest rates	weighted interest amount	Effective weighted average interest rates	weighted interest amount	Effective weighted average interest rates	weighted interest amount
	%		%		%		%	
	(annual)	RMB'000	(annual)	RMB'000	(annual)	RMB'000	(annual)	RMB'000
Fixed rate instruments								
Time deposits	3.46	195,000	2.65	289,100	1.98	245,780	1.71	207,617
Pledged deposits	4.67	386,218	3.84	471,498	1.85	104,209	1.85	522,647
Bank loans	6.90	(1,395,899)	4.48	(1,422,303)	2.29	(1,000,977)	2.52	(1,224,622)
		<u>(814,681)</u>		<u>(661,705)</u>		<u>(650,988)</u>		<u>(494,358)</u>
Variable rate instruments								
Pledged deposits	0.94	488,960	0.36	316,760	0.36	180,285	0.36	4,000
Cash and cash equivalents	0.72	339,165	0.36	290,578	0.36	286,580	0.36	301,669
		<u>828,125</u>		<u>607,338</u>		<u>466,865</u>		<u>305,669</u>

(ii) Sensitivity analysis

At the balance sheet dates, 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 Privateco Group's profit after tax and retained profits by approximately RMB7,671,000, RMB5,531,000, RMB4,208,000 and RMB2,384,000. Other components of combined equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Privateco Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to re-measure those financial instruments held by the Privateco Group which expose the Privateco Group to fair value interest rate risk at the balance sheet dates. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Privateco Group at the balance sheet dates, the impact on

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the Privateco 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 the Relevant Period.

(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 Privateco 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 Privateco 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 Privateco 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 Privateco Group hedges part of its estimated foreign currency exposure in respect of highly probable forecast sales transactions. The Privateco 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 dates.

At 31 December 2007, 2008 and 2009 and 30 September 2010, the Privateco Group had foreign exchange forward contracts hedging forecast transactions with a net gains/(losses) on fair value change of RMB38,328,000, RMB(54,281,000), RMB3,434,000 and RMB4,574,000 recognised as derivative financial instruments.

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(iii) *Exposure to currency risk*

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

	2007		At 31 December 2008		2009		At 30 September 2010	
	USD'000	HKD'000	USD'000	HKD'000	USD'000	HKD'000	USD'000	HKD'000
Trade and other receivables	68,450	146,383	54,888	50,559	65,790	53,371	109,539	62,343
Receivables due from related parties	-	-	-	33,854	-	40,076	-	74,121
Copper futures contracts held as fair value hedging instruments	-	-	(81)	-	(708)	-	(644)	-
Other copper futures contracts	-	-	(333)	-	-	-	613	-
Copper options contracts	-	-	-	-	-	-	(705)	-
Pledged deposits	37,215	-	-	-	-	-	15,976	-
Time deposits	-	-	-	-	1,551	-	31,000	-
Cash and cash equivalents	14,123	7,615	7,973	17,370	25,070	9,192	10,427	8,053
Bank loans	(77,682)	(136,158)	(76,651)	-	(50,346)	-	(76,774)	-
Trade and other payables	<u>(106,987)</u>	<u>(1,769)</u>	<u>(91,747)</u>	<u>-</u>	<u>(75,845)</u>	<u>-</u>	<u>(116,710)</u>	<u>-</u>
Gross balance sheet exposure	(64,881)	16,071	(105,951)	101,783	(34,488)	102,639	(27,278)	144,517
Deliverable foreign exchange forward contracts <i>(note 17(c))</i>								
– sell foreign currency	(330,690)	-	(383,800)	-	(88,742)	-	(39,000)	-
– buy foreign currency	-	-	36,000	-	-	-	-	-
Non-deliverable foreign exchange forward contracts <i>(note 17(c))</i>								
– sell foreign currency	(141,600)	-	(180,000)	-	-	-	-	-
– buy foreign currency	-	-	49,000	-	18,000	-	39,000	-
Net exposure	<u>(537,171)</u>	<u>16,071</u>	<u>(584,751)</u>	<u>101,783</u>	<u>(105,230)</u>	<u>102,639</u>	<u>(27,278)</u>	<u>144,517</u>

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(iv) *Sensitivity analysis*

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

	At 31 December		At 30	
	2007	2008	2009	2010
	Increase/ (decrease) in profit after tax and retained profits <i>RMB'000</i>	Increase/ (decrease) in loss after tax and accumulated losses <i>RMB'000</i>	Increase/ (decrease) in profit after tax and retained profits <i>RMB'000</i>	Increase/ (decrease) in profit after tax and retained profits <i>RMB'000</i>
USD				
– 6%, 6%, 1% and 1% strengthening of RMB	46,727	(223,408)	6,324	1,065
– 6%, 6%, 1% and 1% weakening of RMB	(46,727)	223,408	(6,324)	(1,065)
HKD				
– 6%, 6%, 1% and 1% strengthening of RMB	974	4,901	(813)	(474)
– 6%, 6%, 1% and 1% weakening of RMB	(974)	(4,901)	813	474

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Privateco 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 dates 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 Privateco Group which expose the Privateco Group to foreign currency risk at the balance sheet dates. The analysis excludes differences that would result from the translation of the Financial Information of foreign operations into the Privateco Group's presentation currency.

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(e) Commodity price risk

The Privateco Group's exposure to commodity price risk relates principally to the market price fluctuation for copper on copper futures contracts and inventories held without fixed sales orders and commitments to buy or sell amounts of copper at contracted price in future. To partially offset the risk of fluctuation in copper prices on copper inventories held, the Privateco Group enters into sales orders with certain customers to deliver goods in future periods at fixed future prices. In addition, the Privateco 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 Privateco Group's exposure to copper commodity price risk (including copper inventories, open copper futures contracts and copper options contracts) at balance sheet dates was as follows:

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	339,550	34,746	84,575	62,540
Notional amounts of copper futures contracts to:				
– buy copper (note 17(a))	91,113	133,939	61,155	64,329
– sell copper (note 17(a))	(87,986)	(1,469)	(125,690)	(82,644)
Notional amounts of Copper options Contracts to:				
– sell copper (note 17(b))	–	–	–	(54,822)
Net exposure	<u>342,677</u>	<u>167,216</u>	<u>20,040</u>	<u>(10,597)</u>

(ii) Sensitivity analysis

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

	At 31 December						At 30 September					
	2007			2008			2009			2010		
	Increase/	Effect on		Increase/	Effect on		Increase/	Effect on		Increase/	Effect on	
	(decrease)	after tax	Effect on	(decrease)	after tax	Effect on	(decrease)	after tax	Effect on	(decrease)	after tax	Effect on
	in	and	other	in	and	other	in	and	other	in	and	other
	commodity	retained	components	commodity	retained	components	commodity	retained	components	commodity	retained	components
	price	profits	of equity	price	profits	of equity	price	profits	of equity	price	profits	of equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	10%	–	–	10%	–	–	10%	–	–	10%	–	–
	(10)%	(30,780)	–	(10)%	(3,162)	–	(10)%	(5,328)	–	(10)%	(3,415)	–
Copper futures contracts	10%	256	–	10%	2,305	6,265	10%	6,481	263	10%	6,083	4,592
	(10)%	(256)	–	(10)%	(2,305)	(6,265)	(10)%	(6,481)	(263)	(10)%	(6,083)	(4,592)
Copper options contracts	–	–	–	–	–	–	–	–	–	10%	(4,157)	–
	–	–	–	–	–	–	–	–	–	(10)%	4,157	–

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

(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 dates 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.

At 31 December 2007

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	87,803	–	87,803
	<u>–</u>	<u>87,803</u>	<u>–</u>	<u>87,803</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(361)	–	–	(361)
– Forward exchange contracts	–	(16,586)	–	(16,586)
	<u>(361)</u>	<u>71,217</u>	<u>–</u>	<u>70,856</u>

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At 31 December 2008

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	16,171	–	16,171
	<u>–</u>	<u>16,171</u>	<u>–</u>	<u>16,171</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(37,519)	–	–	(37,519)
– Forward exchange contracts	–	(70,452)	–	(70,452)
	<u>(37,519)</u>	<u>(70,452)</u>	<u>–</u>	<u>(107,971)</u>

At 31 December 2009

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Copper futures contracts	2,278	–	–	2,278
– Forward exchange contracts	–	3,434	–	3,434
	<u>2,278</u>	<u>3,434</u>	<u>–</u>	<u>5,712</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(6,387)	–	–	(6,387)
	<u>(6,387)</u>	<u>–</u>	<u>–</u>	<u>(6,387)</u>

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At 30 September 2010

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Copper futures contracts	5,063	–	–	5,063
– Forward exchange contracts	–	4,574	–	4,574
	<u>5,063</u>	<u>4,574</u>	<u>–</u>	<u>9,637</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(4,316)	–	–	(4,316)
– Copper options contracts	–	(4,724)	–	(4,724)
	<u>(4,316)</u>	<u>(4,724)</u>	<u>–</u>	<u>(9,040)</u>

During the Relevant Period 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 Privateco Group's and financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2007, 2008 and 2009 and 30 September 2010.

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28. Particulars of subsidiaries

As at the date of this report, the Privateco had direct or indirect interests in the following subsidiaries, which are private companies, the particulars of which are set out below:

Name of subsidiaries	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Privateco		Issued and fully paid up/ registered capital '000	Principal activities	Auditor	Period/Year of audit
		Direct %	Indirect %				
Tai-I Copper (BVI) Limited	BVI	100%	-	US\$25,150	Investment holding	-	-
United Development International Limited	BVI	100%	-	US\$4,221.50	Investment holding	-	-
Supreme Union	HK	-	100%	HK\$32,547.70	Investment holding	-	-
Tai-I International (HK) Limited	HK	-	100%	HK\$6,000	Investment holding	Profectus & Co Certified Public Accountants	Period from 27 October 2008 to 31 December 2009
Tai-I Jiang Corp	PRC	-	100%	US\$44,720	Manufacture and sale of bare copper wires	Guangzhou Xin Zhong Nan Certified Public Accountants	2007 2008 2009
Tai-I Copper	PRC	-	100%	US\$50,760	Manufacture and sale of magnet wires	Guangzhou Xin Zhong Nan Certified Public Accountants	2007 2008 2009

29. Accounting estimates and judgements

The Privateco Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(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 dates.

(b) Impairment of property, plant and equipment

In considering the impairment losses that may be required for certain of the Privateco 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 Privateco 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.

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Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charges 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 collectability. 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.

30. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 September 2010

Up to the date of issue of these Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2010 and which have not been adopted in these Financial Information.

	Effective for accounting period beginning on or after
Amendment to IAS 32, <i>Financial instruments: Presentation – Classification of rights issues</i>	1 February 2010
IFRIC 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendment to IFRS 1, <i>First-time adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters</i>	1 July 2010
Revised IAS 24, <i>Related party disclosures</i>	1 January 2011
Amendments to IFRIC 14, IAS 19 – <i>The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement</i>	1 January 2011
Amendments to IFRS 7, <i>Financial instruments: Disclosures – Transfers of financial assets</i>	1 July 2011
IFRS 9, <i>Financial instruments (2009)</i> <i>Basis for conclusions on IFRS 9 (2009)</i> <i>Amendments to other IFRSs and guidance on IFRS 9 (2009)</i>	1 January 2013
IFRS 9, <i>Financial instruments (2010)</i> <i>Basis for conclusions on IFRS 9 (2010)</i> <i>Implementation guidance on IFRS 9 (2010)</i>	1 January 2013

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The Privateco 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 Privateco Group believes that the adoption of them is unlikely to have a significant impact on the Privateco Group's results of operations and financial position.

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

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) for the year/period during the Relevant Period and on the 596,158,000 ordinary shares of the Privateco in issue as at the date of the Circular, as if the shares were issued and outstanding throughout the Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period.

D SUBSEQUENT EVENTS

The Privateco was incorporated in the Bermuda on 9 November 2010. The companies comprising the Group underwent and completed a group restructuring in preparation for the Share Transfer of the Company on 23 December 2010. Further details of the Group Restructuring are set out in the sub-section headed "Group Restructuring" of the part "Letter from the Board" to the Circular. As a result of the Group Restructuring, the Privateco became the holding company of the Privateco Group.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Privateco and its subsidiaries and an associate in respect of any period subsequent to 30 September 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Remaining Group assuming completion of the Group Restructuring and the Subscription (collectively the “Transaction”). The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29(1) and Paragraph 14.68(2)(a)(ii) of the Listing Rules to illustrate the effect of the Transaction on the Remaining Group’s financial information presented.

**(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE
REMAINING GROUP**

Introduction to the unaudited pro forma financial information

On 8 November 2010, Tai-I International Holdings Limited (the “Company”), Tai-I International (BVI) Limited (“Tai-I BVI”), Mr. Hsu Shou-Hsin, Affluent Start Holdings Investment Limited (“Affluent Start”) and Mr. King Pak Fu entered in to an agreement (the “Agreement”) pursuant to which:

- (i) Affluent Start has conditionally agreed to acquire and Tai-I BVI has conditionally agreed to sell an aggregate of 195,487,000 shares, representing approximately 32.79% of the issued shares of the Company; and
- (ii) Affluent Start has conditionally agreed to subscribe for 210,000,000 new subscription shares of the Company in cash (the “Subscription”), representing approximately 26.05% of the issued shares of the Company as enlarged by the Subscription.

Pursuant to the Agreement, the Company completed a reorganisation of the Company and its subsidiaries (the “Group”)’s businesses (the “Group Restructuring”) on 23 December 2010. The key steps of Group Restructuring are set out below:

- (i) the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnet wire businesses) to the Tai-I International (Bermuda) Limited (the “Privateco”), a wholly-owned subsidiary of the Company; and
- (ii) the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited to the Privateco for a consideration of HK\$1.00 with the consent of Tai-I Copper (BVI) Limited.

Following the completion of the Subscription and the Group Restructuring, the Company shall distribute all of its Privateco’s shares to the shareholders of the Company on a pro rata basis as described under “Distribution In Specie” as set out in the Part “Letter from the Board” of this circular. Tai-I BVI, the controlling shareholder of Privateco, shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares as described under “Possible Conditional Voluntary Cash Offer For The Privateco Shares” as set out in the Part “Letter from the Board” of this circular.

The accompanying unaudited pro forma financial information of the Company and its subsidiaries (the “Remaining Group”) has been prepared by the directors of the Company to illustrate the effect that the Subscription and the Group Restructuring (the “Transaction”), might have on the presented financial information of the Group.

The unaudited pro forma consolidated balance sheet of the Remaining Group is prepared based upon the audited consolidated balance sheet of the Group as at 31 December 2009, which has been extracted from the published annual report of the Company for the year ended 31 December 2009 after incorporating the unaudited pro forma adjustments described in the accompanying notes, for the purpose of illustrating the effect of the Transaction on the financial position of the Group as if the Transaction had taken place on 31 December 2009.

The unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated cash flow statement of the Remaining Group is prepared based upon the audited consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year ended 31 December 2009, which have been extracted from the published annual report of the Company for the year ended 31 December 2009 after incorporating the unaudited pro forma adjustments described in the accompanying notes, for the purpose of illustrating the effect of the Transaction on the earnings/(losses) per share, results and cash flow of the Group as if the Transaction had taken place at the commencement of the year ended 31 December 2009.

A narrative description of the unaudited pro forma adjustments of the Transaction 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 Remaining Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Remaining 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 Remaining Group does not purport to describe the actual financial position, the earnings/(losses) per share, results and cash flow of the Remaining Group that would have been attained had the Transaction been completed on 31 December 2009 or at the commencement of the year ended 31 December 2009. Further, the accompanying unaudited pro forma financial information of the Remaining Group does not purport to predict the Remaining Group’s future financial position, earnings/(losses) per share, results and cash flow, and does not take into account of the subsequent acquisition by the Company and any trading or other transactions subsequent to the issuance date of the consolidated financial statements, being 12 March 2010, included in the unaudited pro forma financial information.

The unaudited pro forma financial information of the Remaining Group should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP

1. Unaudited pro forma consolidated balance sheet of the Remaining Group as at 31 December 2009

	The Group <i>RMB'000</i> <i>(Note b)</i>	Pro Forma Adjustments		Pro Forma Consolidated Balance Sheet of the Remaining Group
		<i>RMB'000</i> <i>(Note c(i))</i>	<i>RMB'000</i> <i>(Note d)</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	428,014	(427,991)	–	23
Lease prepayments	31,346	(31,346)	–	–
Interest in an associate	18,750	(18,750)	–	–
Deferred tax assets	26,081	(26,081)	–	–
	<u>504,191</u>	<u>(504,168)</u>	<u>–</u>	<u>23</u>
Current assets				
Inventories	211,477	(211,477)	–	–
Trade and other receivables	1,085,762	(1,085,560)	–	202
Derivative financial instruments	5,712	(5,712)	–	–
Pledged deposits	284,494	(284,494)	–	–
Time deposits	245,780	(245,780)	–	–
Cash and cash equivalents	287,268	(286,580)	10,664	11,352
	<u>2,120,493</u>	<u>(2,119,603)</u>	<u>10,664</u>	<u>11,554</u>
Current liabilities				
Bank loans	(1,000,977)	1,000,977	–	–
Trade and other payables	(986,302)	986,264	–	(38)
Derivative financial instruments	(6,387)	6,387	–	–
Income tax payable	1,284	(1,284)	–	–
	<u>(1,992,382)</u>	<u>1,992,344</u>	<u>–</u>	<u>(38)</u>
Net current assets	<u>128,111</u>	<u>(127,259)</u>	<u>10,664</u>	<u>11,516</u>
Total assets less current liabilities	<u>632,302</u>	<u>(631,427)</u>	<u>10,664</u>	<u>11,539</u>
Net assets	<u>632,302</u>	<u>(631,427)</u>	<u>10,664</u>	<u>11,539</u>
Capital and reserves				
Share capital	(5,962)	–	(1,849)	(7,811)
Reserves	(626,340)	631,427	(8,815)	(3,728)
Total equity attributable to equity holders of the Company	<u>(632,302)</u>	<u>631,427</u>	<u>(10,664)</u>	<u>(11,539)</u>

See accompanying notes to the unaudited pro forma financial information of the Remaining Group.

2. Unaudited pro forma consolidated statement of comprehensive income of the Remaining Group for the year ended 31 December 2009

	The Group	Pro Forma	Pro Forma
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note b)</i>	<i>(Note c(ii))</i>	Consolidated Statement of Comprehensive Income of the Remaining Group
			Group
			<i>RMB'000</i>
Turnover	4,369,621	(4,369,621)	–
Cost of sales	<u>(4,238,205)</u>	<u>4,238,205</u>	<u>–</u>
Gross profit	131,416	(131,416)	–
Other revenue	17,541	(17,541)	–
Other net loss	(2,810)	2,794	(16)
Distribution expenses	(18,628)	18,628	–
General and administrative expenses	(40,666)	35,404	(5,262)
Other operating expenses	<u>(5,725)</u>	<u>5,708</u>	<u>(17)</u>
Profit/(loss) from operations	81,128	(86,423)	(5,295)
Finance costs	(48,626)	48,626	–
Share of profit of associate	<u>1,206</u>	<u>(1,206)</u>	<u>–</u>
Profit/(loss) before taxation	33,708	(39,003)	(5,295)
Income tax credit	<u>5,637</u>	<u>(5,637)</u>	<u>–</u>
Profit/(loss) for the year attributable to equity holders of the Company	<u>39,345</u>	<u>(44,640)</u>	<u>(5,295)</u>
Other comprehensive income for the year (after tax)			
Foreign currency translation differences for foreign operations	110	(68)	42
Cash flow hedge: net movement in hedging reserve	<u>35,496</u>	<u>(35,496)</u>	<u>–</u>
Total comprehensive income/(loss) for the year attributable to the owner of the Company	<u>74,951</u>	<u>(80,204)</u>	<u>(5,253)</u>
Basic and diluted earnings/(losses) per share (RMB)			
<i>(Note e)</i>	<u>0.07</u>		<u>(0.006)</u>

See accompanying notes to the unaudited pro forma financial information of the Remaining Group.

**3. Unaudited pro forma consolidated cash flow statement of the Remaining Group
for the year ended 31 December 2009**

	The Group	Pro Forma Adjustments		Pro forma Consolidated Cash flow Statement of the Remaining Group
		<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(Note b)</i>	<i>(Note c(iii))</i>	<i>(Note d)</i>	<i>RMB'000</i>
Operating activities				
Profit/(loss) before taxation	33,708	(39,003)	–	(5,295)
Adjustments for:				
– Depreciation	29,173	(29,099)	–	74
– Share of gain of associate	(1,206)	1,206	–	–
– Amortisation of lease prepayments	837	(837)	–	–
– Interest income	(13,291)	13,291	–	–
– Gain on disposal of property, plant and equipment	164	(164)	–	–
– Finance costs	48,626	(48,626)	–	–
– Unrealised loss on derivative financial instruments	675	(675)	–	–
– Foreign exchange loss	10,455	(10,455)	–	–
Operating profit (loss) before changes in working capital	109,141	(114,362)	–	(5,221)
Decrease in inventories	19,048	(19,048)	–	–
Decrease in trade and other receivables	(80,680)	86,403	–	5,723
Decrease in trade and other payables	(149,699)	149,483	–	(216)
Decrease in bank advances under discounted bills	(54,736)	54,736	–	–
Cash used in operating activities	(156,926)	157,212	–	286
PRC income taxes paid	(4,414)	4,414	–	–
PRC income tax refund received	5,887	(5,887)	–	–
Net cash (used in)/generated from operating activities	(155,453)	155,739	–	286
Cash flow from investing activities				
Acquisition of property, plant and equipment	(19,584)	19,584	–	–
Proceeds from foreign exchange forward Contracts	30,251	(30,251)	–	–
Payment in respect of foreign exchange forward Contracts	(8,392)	8,392	–	–
Decrease in time deposit	43,320	(43,320)	–	–
Interest received	24,950	(24,950)	–	–

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE REMAINING GROUP

	The Group	Pro Forma Adjustments		Pro forma
		RMB'000	RMB'000	RMB'000
	(Note b)	(Note c(iii))	(Note d)	Statement
				of the
				Remaining
				Group
				RMB'000
Net cash generated from investing activities	70,545	(70,545)	–	–
Cash flow from financing activities				
Proceeds from interest-bearing loans and borrowings	2,221,354	(2,221,354)	–	–
Prepayment of interest-bearing loans and borrowings	(2,587,944)	2,587,944	–	–
Finance costs paid	(56,046)	56,046	–	–
Decrease in pledged deposits	503,764	(503,764)	–	–
Issuance of new shares	–	–	10,664	10,664
Payment for repurchase of shares	(78)	–	–	(78)
Net cash generated from financing activities	81,050	(81,128)	10,664	10,586
Effect of foreign exchange rate changes on cash	110	(68)	–	42
Net (decrease)/increase in cash and cash equivalents	(3,748)	3,998	10,664	10,914
Cash and cash equivalents at the beginning of year	291,016	(290,578)	–	438
Cash and cash equivalents at the end of year	287,268	(286,580)	10,664	11,352

See accompanying notes to the unaudited pro forma financial information of the Remaining Group.

4. Notes to the unaudited pro forma financial information of the Remaining Group

- (a) Upon the completion of the Group Restructuring on 23 December 2010, the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnetic wire businesses) to the Privateco, a wholly-owned subsidiary of the Company. Upon the completion of the Group Restructuring and Agreement, the Company shall distribute all of its Privateco's shares to the shareholders of the Company on a pro rata basis. Tai-I BVI shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares.
- (b) The financial figures presented in respect of the Group are extracted without adjustments from the published annual report of the Company for the year ended 31 December 2009.
- (c) The adjustments reflect (i) the de-consolidation of the assets and liabilities of the Privateco Group from the Group and the transfer of the intercompany balance due to Tai-I Copper (BVI) limited as at 31 December 2009 from the Company to the Privateco upon the completion of the Group Restructuring. (ii) the de-consolidation of the results of the Privateco Group from the Group upon the completion of the Group Restructuring. (iii) the de-consolidation of the cash flows of the Privateco Group from the Group upon the completion of the Group Restructuring. The amounts have been extracted without adjustments from the Accountants' Report of the Privateco Group as set out in Appendix III to this circular.
- (d) The adjustment reflects the issuance of 210,000,000 new ordinary shares of the Company to Affluent Start at a consideration HK\$0.06 each in cash as described under "Subscription" as set out in the Part "Letter from the Board" of this circular as if the shares were issued on January 1, 2009. The net proceeds from the Subscription is HK\$12,370,000 (equivalent to approximately RMB10,664,000).

- (e) The calculation of the unaudited pro forma basic and diluted earnings/(losses) per share attributable to the equity holders of the Company is based on the unaudited pro forma consolidated loss attributable to the owners of the Company of RMB 5,253,000 and the weighted average number of 806,246,806 ordinary shares, calculated as follows:

Number of shares	Pro forma Remaining Group
Weighted average number of ordinary shares for the year ended 31 December 2009 extracted from published annual report of the Company for the year ended 31 December 2009	596,246,806
Adjustment for the issue of 210,000,000 new ordinary shares the Company as mentioned in note (d)	<u>210,000,000</u>
Weighted average number of ordinary shares for the purpose of of calculating the pro forma losses per share	<u><u>806,246,806</u></u>

- (f) The Company acquired Liang Hui Holdings Limited and its subsidiaries on 10 September 2010, which is principally engaged in the business of development of computer software and related matters in the PRC. As a result, the directors of the Company consider that the Remaining Group will continue to operate as a going concern, and the Company's directors have prepared the unaudited pro forma financial information of the Remaining Group on a going concern basis. The detailed information in relation to the acquisition of Liang Hui Holdings Limited and its subsidiaries is included in the Company's circular dated on 28 June 2010. The unaudited pro forma financial information of the Remaining Group does not take into account of the subsequent acquisition by the Company and any trading or other transactions subsequent to the issuance date of the consolidated financial statements, being 12 March 2010, included in the unaudited pro forma financial information.

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 OF THE REMAINING GROUP**

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

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma consolidated balance sheet as at 31 December 2009 and the unaudited pro forma consolidated statement of comprehensive income and consolidated cash flow statement for the year ended 31 December 2009 (collectively “the Unaudited Pro Forma Financial Information”) of Tai-I International Holdings Limited (the “Company”) and its subsidiaries (“the Remaining Group”), set out in section A of Appendix IV of the circular dated 18 January 2011 (“the Circular”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Group Restructuring and the Subscription as defined in the Circular (the “Transaction”) 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 Remaining Group in section A of Appendix IV to the Circular.

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 Remaining Group as at 31 December 2009 or any future date; or
- the earnings/(losses) per share, the results and cash flows of the Remaining Group for the year ended 31 December 2009 or any future periods.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company’s shares, the application of those net proceeds, or whether such use will actually take place as described under “Reason for the Subscription and use of proceeds” set out in Part “Letter from the Board” of the Circular.

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

For illustrative purpose only, set out below is the unaudited pro forma financial information of the Privateco Group assuming completion of the Group Restructuring. The unaudited pro forma financial information is prepared in accordance with Paragraph 4.29(1) of the Listing Rules to illustrate the effect of the Group Restructuring on the Privateco Group's financial information presented.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Introduction to the unaudited pro forma financial information

On 8 November 2010, Tai-I International Holdings Limited (the “Company”), Tai-I International (BVI) Limited (“Tai-I BVI”), Mr. Hsu Shou-Hsin, Affluent Start Holdings Investment Limited (“Affluent Start”) and Mr. King Pak Fu entered in to an agreement (“Agreement”) pursuant to which:

- (i) Affluent Start has conditionally agreed to acquire and Tai-I BVI has conditionally agreed to sell an aggregate of 195,487,000 shares, representing approximately 32.79% of the issued shares of the Company; and
- (ii) Affluent Start has conditionally agreed to subscribe for 210,000,000 new subscription shares of the Company in cash (the “Subscription”), representing approximately 26.05% of the issued shares of the Company as enlarged by the Subscription.

Pursuant to the Agreement, the Company completed a reorganisation of the Company and its subsidiaries (the “Group”)’s businesses (the “Group Restructuring”) on 23 December 2010. The key steps of Group Restructuring are set out below:

- (i) the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnet wire businesses) to Tai-I International (Bermuda) Limited (the “Privateco”), a wholly-owned subsidiary of the Company; and
- (ii) the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited to the Privateco for a consideration of HK\$1.00 with the consent of Tai-I Copper (BVI) Limited.

Following the completion of the Subscription and the Group Restructuring, the Company shall distribute all of its Privateco’s shares to the shareholders of the Company on a pro rata basis as described under “Distribution In Specie” as set out in the Part “Letter from the Board” of this circular. Tai-I BVI, the controlling shareholder of Privateco, shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares as described under “Possible Conditional Voluntary Cash Offer For The Privateco Shares” as set out in the Part “Letter from the Board” of this circular.

The accompanying unaudited pro forma financial information of the Privateco and its subsidiaries (the “Privateco Group”) has been prepared by the directors of the Company to illustrate the effect that the Group Restructuring might have on the presented financial information of the Privateco Group.

The unaudited pro forma combined balance sheet of the Privateco Group is prepared based upon the audited consolidated balance sheet of the Group as at 31 December 2009, which has been extracted from the published annual report of the Company for the year ended 31 December 2009 after incorporating the unaudited pro forma adjustments described in the accompanying notes, for the purpose of illustrating the effect of the Group Restructuring on the financial position of the Privateco Group as if the Group Restructuring had taken place on 31 December 2009.

The unaudited pro forma combined statement of comprehensive income and the unaudited pro forma combined cash flow statement of the Privateco Group is prepared based upon the audited consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year ended 31 December 2009, which have been extracted from the published annual report of the Company for the year ended 31 December 2009 after incorporating the unaudited pro forma adjustments described in the accompanying notes, for the purpose of illustrating the effect of the Group Restructuring on the results and cash flow of the Privateco Group as if the Group Restructuring had taken place at the commencement of the year ended 31 December 2009.

A narrative description of the unaudited pro forma adjustments of the Group Restructuring that are (i) directly attributable to the Group Restructuring concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Privateco Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Privateco 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 Privateco Group does not purport to describe the actual financial position, results and cash flow of the Privateco Group that would have been attained had the Group Restructuring been completed on 31 December 2009 or at the commencement of the year ended 31 December 2009. Further, the accompanying unaudited pro forma financial information of the Privateco Group does not purport to predict the Privateco Group’s future financial position, results and cash flow, and does not take into account of the subsequent acquisition by the Company and any trading or other transactions subsequent to the issuance date of the consolidated financial statements, being 12 March 2010, included in the unaudited pro forma financial information.

The unaudited pro forma financial information of the Privateco Group should be read in conjunction with other financial information included elsewhere in this circular.

1. Unaudited pro forma combined balance sheet of the Privateco Group as at 31 December 2009

	The Group	Pro Forma Adjustments		Pro Forma Combined Balance Sheet of the Privateco Group
		<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(Note b)</i>	<i>(Note c(i))</i>	<i>(Note d)</i>	<i>RMB'000</i>
Non-current assets				
Property, plant and equipment	428,014	(23)	–	427,991
Lease prepayments	31,346	–	–	31,346
Interest in an associate	18,750	–	–	18,750
Deferred tax assets	<u>26,081</u>	<u>–</u>	<u>–</u>	<u>26,081</u>
	----- 504,191	----- (23)	----- –	----- 504,168
Current assets				
Inventories	211,477	–	–	211,477
Trade and other receivables	1,085,762	(202)	–	1,085,560
Derivative financial instruments	5,712	–	–	5,712
Pledged deposits	284,494	–	–	284,494
Time deposits	245,780	–	–	245,780
Cash and cash equivalents	<u>287,268</u>	<u>(688)</u>	<u>–</u>	<u>286,580</u>
	----- 2,120,493	----- (890)	----- –	----- 2,119,603
Current liabilities				
Bank loans	(1,000,977)	–	–	(1,000,977)
Trade and other payables	(986,302)	38	(1,650)	(987,914)
Derivative financial instruments	(6,387)	–	–	(6,387)
Income tax recoverable	<u>1,284</u>	<u>–</u>	<u>–</u>	<u>1,284</u>
	----- (1,992,382)	----- 38	----- (1,650)	----- (1,993,994)
Net current assets	----- 128,111	----- (852)	----- (1,650)	----- 125,609
Total assets less current liabilities	----- 632,302	----- (875)	----- (1,650)	----- 629,777
Net assets	<u>632,302</u>	<u>(875)</u>	<u>(1,650)</u>	<u>629,777</u>
Capital and reserves				
Share capital	(5,962)	5,962	–	–
Reserves	<u>(626,340)</u>	<u>(5,087)</u>	<u>1,650</u>	<u>(629,777)</u>
Total equity attributable to the equity holders of the Privateco	<u>(632,302)</u>	<u>875</u>	<u>1,650</u>	<u>(629,777)</u>

See accompanying notes to the unaudited pro forma financial information of the Privateco Group.

2. Unaudited pro forma combined statement of comprehensive income of the Privateco Group for the year ended 31 December 2009

	Pro Forma Adjustment			Pro forma Combined Statement of Comprehensive Income of the Privateco Group
	The Group			RMB'000
	<i>RMB'000 (Note b)</i>	<i>RMB'000 (Note c(ii))</i>	<i>RMB'000 (Note d)</i>	<i>RMB'000</i>
Turnover	4,369,621	–	–	4,369,621
Cost of sales	(4,238,205)	–	–	(4,238,205)
Gross profit	<u>131,416</u>	<u>–</u>	<u>–</u>	<u>131,416</u>
Other revenue	17,541	–	–	17,541
Other net loss	(2,810)	16	–	(2,794)
Distribution expenses	(18,628)	–	–	(18,628)
General and administrative expenses	(40,666)	5,262	(1,650)	(37,054)
Other operating expenses	(5,725)	17	–	(5,708)
Profit from operations	<u>81,128</u>	<u>5,295</u>	<u>(1,650)</u>	<u>84,773</u>
Finance costs	(48,626)	–	–	(48,626)
Share of profit of associate	1,206	–	–	1,206
Profit before taxation	33,708	5,295	(1,650)	37,353
Income tax credit	5,637	–	–	5,637
Profit for the year	<u>39,345</u>	<u>5,295</u>	<u>(1,650)</u>	<u>42,990</u>
Other comprehensive income for the year (after tax)				
Foreign currency translation differences for foreign operations	110	(42)	–	68
Cash flow hedge: net movement in hedging reserve	35,496	–	–	35,496
Total comprehensive income for the year attributable to the equity holders of the Privateco	<u>74,951</u>	<u>5,253</u>	<u>(1,650)</u>	<u>78,554</u>

See accompanying notes to the unaudited pro forma financial information of the Privateco Group.

3. Unaudited pro forma combined cash flow statement of the Privateco Group for the year ended 31 December 2009

	The Group	Pro Forma Adjustment	Pro forma Combined Cash flow Statement of the Privateco Group
	<i>RMB'000</i> <i>(Note b)</i>	<i>RMB'000</i> <i>(Note c(iii))</i>	<i>RMB'000</i>
Operating activities			
Profit before taxation	33,708	5,295	39,003
Adjustments for:			
– Depreciation	29,173	(74)	29,099
– Share of gain of associate	(1,206)	–	(1,206)
– Amortisation of lease prepayments	837	–	837
– Interest income	(13,291)	–	(13,291)
– Gain on disposal of property, plant and equipment	164	–	164
– Finance costs	48,626	–	48,626
– Unrealised loss on derivative financial instruments	675	–	675
– Foreign exchange loss	10,455	–	10,455
Operating profit before changes in working capital	109,141	5,221	114,362
Decrease in inventories	19,048	–	19,048
Increase in trade and other receivables	(80,680)	(5,723)	(86,403)
Decrease in trade and other payables	(149,699)	216	(149,483)
Decrease in bank advances under discounted bills	(54,736)	–	(54,736)
Cash used in operating activities	(156,926)	(286)	(157,212)
PRC income taxes paid	(4,414)	–	(4,414)
PRC income tax refund received	5,887	–	5,887
Net cash used in operating activities	(155,453)	(286)	(155,739)
Cash flow from investing activities			
Acquisition of property, plant and equipment	(19,584)	–	(19,584)
Proceeds from foreign exchange forward contracts	30,251	–	30,251
Payment in respect of foreign exchange forward contracts	(8,392)	–	(8,392)
Decrease in time deposits	43,320	–	43,320
Interest received	24,950	–	24,950
Net cash generated from investing activities	70,545	–	70,545

	The Group	Pro Forma Adjustment	Pro forma Combined Cash flow Statement of the Privateco Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note b)</i>	<i>(Note c(iii))</i>	
Cash flow from financing activities			
Proceeds from interest-bearing loans and borrowings	2,221,354	–	2,221,354
Prepayment of interest-bearing loans and borrowings	(2,587,944)	–	(2,587,944)
Finance costs paid	(56,046)	–	(56,046)
Decrease in pledged deposits	503,764	–	503,764
Payment for repurchase of shares	(78)	78	–
	<u>81,050</u>	<u>78</u>	<u>81,128</u>
Net cash generated from financing activities	81,050	78	81,128
	<u>110</u>	<u>(42)</u>	<u>68</u>
Effect of foreign exchange rate changes on cash	110	(42)	68
Net decrease in cash and cash equivalents	(3,748)	(250)	(3,998)
Cash and cash equivalents at the beginning of year	291,016	(438)	290,578
Cash and cash equivalents at the end of year	287,268	(688)	286,580

See accompanying notes to the unaudited pro forma financial information of the Privateco Group.

4. Notes to the unaudited pro forma financial information of the Privateco Group

- (a) Upon the completion of the Group Restructuring on 23 December 2010, the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnetic wire businesses) to the Privateco, a wholly-owned subsidiary of the Company. Upon the completion of the Group Restructuring and Agreement, the Company shall distribute all of its Privateco's shares to the shareholders of the Company on a pro rata basis. Tai-I BVI shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares.
- (b) The financial figures presented in respect of the Group are extracted without adjustments from the published annual report of the Company for the year ended 31 December 2009.
- (c) Privateco was incorporated on 9 November 2010 and has not carried on any business since the date of its incorporation save for the Group Restructuring as disclosed in the section headed "Letter from the Board" contained in this circular.

The adjustments reflect (i) the de-consolidation of the assets and liabilities of the Company from the Group and the transfer of the intercompany balance due to Tai-I Copper (BVI) limited as at 31 December 2009 from the Company to the Privateco upon the completion of the Group Restructuring. (ii) the de-consolidation of the results of the Company from the Group upon the completion of the Group Restructuring. (iii) the de-consolidation of the cash flows of the Company from the Group upon the completion of the Group Restructuring.

- (d) The adjustment represents the estimated legal and professional fees to be borne by the Privateco Group in relation to the Group Restructuring.

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 OF THE PRIVATECO GROUP**

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

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma combined balance sheet as at 31 December 2009 and the unaudited pro forma combined statement of comprehensive income and combined cash flow statement for the year ended 31 December 2009 (collectively “the Unaudited Pro Forma Financial Information”) of Tai-I International (Bermuda) Limited (the “Privateco”) and its subsidiaries (“the Privateco Group”), set out in section A of Appendix V of the circular of Tai-I International Holdings Limited (“the Company”) dated 18 January 2011 (“the Circular”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Group Restructuring as defined in the Circular 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 Privateco Group in section A of Appendix V to the Circular.

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 Privateco Group as at 31 December 2009 or any future date; or
- the results and cash flows of the Privateco Group for the year ended 31 December 2009 or any future periods.

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

Set out below is the texts of the Letters from KPMG, the auditors of the Company, and Somerley, the financial adviser of the Company, in relation to the unaudited profit estimate of the Group for the nine months ended 30 September 2010 as published in the letter from the Board in this circular, for the purpose of inclusion in this circular.

I. OVERALL

The estimate of the consolidated profit attributable to equity holders of Tai-I International Holdings Limited (the “Company”) for the nine months ended 30 September 2010 (the “Profit Estimate”) is set out in the section headed “Letter from the Board” in this circular.

II. BASES AND ASSUMPTION

The estimate of the consolidated profit attributable to equity holders of the Company for the nine months ended 30 September 2010 prepared by the directors of the Company (the “Directors”) is based on the unaudited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the nine months ended 30 September 2010. The estimate has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by the Group as summarised in the accountants’ report of the Company dated 12 March 2010 and the accountants’ report of Beijing Oriental LegendMaker Software Development Company Limited dated 28 June 2010 respectively, the text of which are set out in the Company’s 2009 annual report and the Company’s circular dated 28 June 2010 respectively.

The Directors have made the following principal assumption in the preparation of the Profit Estimate:

- There will be no events subsequent to 30 September 2010 which require adjustments to the Profit Estimate.

III. LETTER FROM KPMG



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

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs

We have reviewed, in accordance with the Auditing Guideline 3.341 "Accountants' report on profit forecasts" issued by the Hong Kong Institute of Certified Public Accountants, the accounting policies adopted and calculations made in arriving at the estimate of the consolidated profit attributable to equity holders of Tai-I International Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") for the nine months ended 30 September 2010 ("the Profit Estimate"), for which the directors of the Company are solely responsible, as set forth in the section headed "Financial Effects of the Proposal" of the "Letter from the Board" in the circular of the Company dated 18 January 2011 ("the Circular").

The Profit Estimate has been prepared by the directors of the Company based on the unaudited consolidated financial statements of the Group for the nine months ended 30 September 2010.

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the assumption made by the directors as set out in Appendix VI of the Circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the accountants' report of the Company dated 12 March 2010 and the accountants' report of Beijing Oriental LegendMaker Software Development Company Limited dated 28 June 2010 respectively.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

IV. COMFORT LETTER FROM SOMERLEY

**SOMERLEY LIMITED**

10th Floor
The Hong Kong Club Building
3A Chater Road
Hong Kong

18 January 2011

The Board of Directors
Tai-I International Holdings Limited
Room 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

Dear Sirs,

TAI-I INTERNATIONAL HOLDINGS LIMITED

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the nine months ended 30 September 2010 (the “Profit Estimate”) as published in the letter from the Board in this circular. We note that the Profit Estimate is regarded as a profit forecast under Rule 10 of the Takeovers Code. The Profit Estimate is set out in section headed “G. Financial Effects of the Proposal” in the letter from the Board of this circular, of which this letter form part. Terms used in this letter shall have the same meanings as defined in this circular unless the context requires otherwise.

We have discussed with the Directors the bases upon which the Profit Estimate was prepared. We have also considered the “Letter from KPMG” dated 18 January 2011 issued to you, the text, of which is set out in page VI-2 of this circular, which stated that, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the assumption made by the directors as set out in Appendix VI of this circular and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company as set out in the accountants’ report of the Company dated 12 March 2010 and the accountants’ report of Beijing Oriental LegendMaker Software Development Company Limited dated 28 June 2010 respectively. The preparation of the Profit Estimate is the sole responsibility of, and has been approved by, the Directors.

Based on the above, we are satisfied that the Profit Estimate have been prepared by the Directors after due care and consideration.

Yours faithfully,
For and on behalf of
SOMERLEY LIMITED
Kenneth Chow
Managing Director – Corporate Finance

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) which will be adopted on or before completion of the Group Restructuring, of the Privateco (referred to as the “Company” in this appendix) and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act 1981 of Bermuda. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act 1981 of Bermuda, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of directors of the Company (the “board” or “Directors”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws will be adopted on or before completion of the Group Reorganisation. The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act 1981 of Bermuda, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act 1981 of Bermuda, the Bye-laws, any direction that may be given by the Company in general meeting and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act 1981 of Bermuda to be exercised or done by the Company in general meeting and this includes the power to dispose of the assets of the Company.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act 1981 of Bermuda contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) *Financial assistance to purchase shares of the Company*

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act 1981 of Bermuda.

(vi) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act 1981 of Bermuda, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act 1981 of Bermuda and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 30 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived);
or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the

previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but

without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act 1981 of Bermuda, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act 1981 of Bermuda:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;

- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act 1981 of Bermuda, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act 1981 of Bermuda, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution, has been duly given. Except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution

may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period has been approved by the members and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act 1981 of Bermuda or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act 1981 of Bermuda, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act 1981 of Bermuda, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act 1981 of Bermuda provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act 1981 of Bermuda, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act 1981 of Bermuda.

Unless any share is issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists or any share is transferred to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien, the Board shall not refuse to register a transfer of any share (being a fully paid up share) to any person.

The board may decline to recognise any instrument of transfer unless the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary. However this is permitted under Bermuda law.

(m) Dividends and other methods of distribution

Subject to the Companies Act 1981 of Bermuda, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act 1981 of Bermuda). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part

of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act 1981 of Bermuda, unless the register is closed in accordance with the Companies Act 1981 of Bermuda.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act 1981 of Bermuda, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Reserved Matters

No material related party transaction may be undertaken by the Company unless (1) it is a transaction on normal commercial terms in the ordinary and usual course of business (as defined in the Listing Rules) of the Company or its subsidiaries; or (2) it is a transaction involving any acquisition or disposal of assets with total assets (as defined in the Listing Rules) or attributable revenue (as defined in the Listing Rules) of (a) less than 2.5% of total assets (as defined in the Listing Rules) or total revenue (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts; or (b) more than 2.5% but less than 25% of total assets (as defined in the Listing Rules) and total revenue (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts and the total consideration is less than HK\$10,000,000; or (3) it is made subject to the approval of disinterested member(s), if any, by way of ordinary resolution in general meeting. Where any such transaction requiring approval of disinterested member(s) is proposed for consideration by the members, the board shall prepare and send a notice convening the general meeting accompanied by a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction and the advice of an independent financial adviser as to whether the terms of such proposed transaction are fair and reasonable.

Notwithstanding any provision contained in the Bye-laws and without prejudice to the above paragraph, no non-related party transaction involving acquisition or disposal of assets with an aggregate value of more than fifty (50) per cent of the value of the aggregate total assets (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts may be undertaken by the Company, unless it is made subject to the approval of the member(s) by way of ordinary resolution in general meeting. Where any such transaction requiring approval of the members is proposed for consideration by the members, the Company shall at its own costs and expenses prepare and send, together with the notice convening the general meeting, a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction. So long as the proposed transaction falling to be considered under this paragraph is not subject to the paragraph above regarding related party transaction, the requirement as to approval by the members shall be satisfied without holding a general meeting if a member, or group of members, holding more than fifty (50) per cent of the shares and being entitled to receive notice of and to attend and vote at general meetings of the Company, has or have given written notice(s) to the board confirming its or their approval of the proposed transaction.

The Directors shall obtain the approval of the members by way of ordinary resolution in general meeting prior to allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or such convertible securities. However, no such consent shall be required (i) for the allotment, issue or grant of such shares or securities pursuant to an offer made to the members, excluding for that purpose any member who is resident in a place where such offer is not permitted under the law of that place and where appropriate, to holders of other equity securities of the Company entitled to be offered them, in proportion (apart from fractional entitlements) to their then holdings; or (ii) if, but only to the extent that, the existing members have by ordinary resolution given a general mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of shares or securities allotted or agreed to be allotted must not exceed in aggregate twenty (20) per cent of the issued share capital of the Company in issue from time to time.

(u) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in newspapers giving notice of its intention to sell such shares and a period of three months, has elapsed since such advertisement. The net

proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act 1981 of Bermuda, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act 1981 of Bermuda and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act 1981 of Bermuda provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”, to which the provisions of the Companies Act 1981 of Bermuda relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act 1981 of Bermuda permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act 1981 of Bermuda includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company’s shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial

assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act 1981 of Bermuda as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act 1981 of Bermuda. A company,

whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act 1981 of Bermuda.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act 1981 of Bermuda to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act 1981 of Bermuda contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act 1981 of Bermuda requires that every officer should comply with the Companies Act 1981 of Bermuda, regulations passed pursuant to the Companies Act 1981 of Bermuda and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act 1981 of Bermuda or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act 1981 of Bermuda requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act 1981 of Bermuda requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on

the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act 1981 of Bermuda; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act 1981 of Bermuda. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution

of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as “non-resident” for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act 1981 of Bermuda). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act 1981 of Bermuda which allows the company to advance moneys to an officer or auditor of the company for the costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company’s certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company’s memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company’s audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act 1981 of Bermuda, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal

register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act 1981 of Bermuda require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act 1981 of Bermuda, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act 1981 of Bermuda for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a

general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter summarising certain provisions of the memorandum of association and bye-laws of the Company and certain aspects of Bermuda company law. This letter, together with a copy of the Companies Act 1981 of Bermuda, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VIII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

(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 (other than those relating to Affluent Start and Tai-I BVI, their respective associates and parties acting in concert with each of Affluent Start and Tai-I BVI) 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.

Information and confirmation relating to Affluent Start, Tai-I BVI, the Listco Offer and the Privateco Offer set out in this circular have been duly extracted from the Joint Announcement or provided by the respective parties. The Directors collectively and individually accept responsibility for the correctness and fairness of reproduction or presentation of such information.

(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 of HK\$0.01 each as at the Latest Practicable Date	10,000,000

Issued, to be issued and fully paid or credited as fully paid up:

596,158,000	Shares of HK\$0.01 each as at the Latest Practicable Date	5,961,580
210,000,000	Subscription Shares of HK\$0.01 each to be issued pursuant to the Agreement	2,100,000
806,158,000	Shares upon Completion	8,061,580

The Company has no options, warrants and conversion rights convertible into Shares.

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital. The Subscription Shares to be allotted and issued will, when issued and fully paid, rank pari passu in all respects with the Shares, but the rights to the Distribution In Specie will not be attached to the Subscription Shares.

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	<i>Notes</i>
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
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%	
Affluent Start	405,487,000	Beneficial owner	68.02%	4
Mr. King	405,487,000	Interest through controlled corporation	68.02%	4

Notes:

1. Taiwan Tai-I directly owns approximately 87.04% and indirectly owns approximately 12.96% 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.
4. By virtue of entering into the Agreement, Affluent Start, which is wholly owned by Mr. King, is deemed to be interested in 405,487,000 Shares.

(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 was materially interested, directly or indirectly, in any contracts or arrangements entered into by any members of the Group subsisting at the Latest Practicable Date and which was 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

The following material contracts, not being contracts entered into in the ordinary course of business of the Group, have been entered into by the Group within two years immediately preceding the date of this circular:

- (i) the agreement dated 7 June 2010 entered into between Winsino Investments Limited (being the purchaser), Advance Mode Limited (being the vendor) and Mr. Lo Kai Bong (being the vendor's guarantor) in relation to the acquisition of the entire issued share capital of Liang Hui Holdings Limited by Winsino Investments Limited, and the assignment of the related shareholder loan;
- (ii) the Agreement;
- (iii) deed of novation dated 23 December 2010 entered into between the Company and the Privateco in respect of the transfer of payment obligations owed by the Company to Tai-I Copper (BVI) Limited to the Privateco, resulting in that payment obligation be owed by the Privateco to Tai-I Copper (BVI) Limited;
- (iv) deed of assignment of Domain Name dated 23 December 2010 entered into between the Company and the Privateco in respect of the transfer of entire interests in the Domain Name by the Company, free from all encumbrances and third party rights, to the Privateco; and

- (v) termination agreement dated 23 December 2010 entered into between the Company and Taiwan Tai-I to terminate the framework agreement dated 16 April 2009 entered into between the Company and Taiwan Tai-I with respect to the purchase of a variety of high voltage power wires and cables by the Company from Taiwan Tai-I and/or the party designated by Taiwan Tai-I as supplier and the transactions contemplated thereunder.

(9) QUALIFICATION AND CONSENT OF EXPERTS

- (a) The following is the qualification of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Beijing Securities	a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman	Bermuda legal advisers
KPMG	Certified public accountants
Somerley	a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

- (b) As at the Latest Practicable Date, Beijing Securities, Conyers Dill & Pearman, KPMG and Somerley 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) Each of Beijing Securities, Conyers Dill & Pearman, KPMG and Somerley 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, Beijing Securities, Conyers Dill & Pearman, KPMG and Somerley 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 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) 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 17M 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.

(13) 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:

- (i) the memorandum and articles of association of the Company;

- (ii) the annual reports of the Company for the years ended 31 December 2008 and 2009;
- (iii) the Bye-laws of the Privateco;
- (iv) the interim report of the Company for the six month period ended 30 June 2010;
- (v) the letter of recommendation from the Independent Board Committee, the text of which is set out in this circular;
- (vi) the letter of advice from Beijing Securities, the text of which is set out in this circular;
- (vii) the letter from Conyers Dill & Pearman as referred to in Appendix VII to this circular summarising certain provisions of the memorandum of association and bye-laws of the Privateco and certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda;
- (viii) the letter from KPMG on unaudited profit estimate of the Group as set out in part (III) of Appendix VI to this circular;
- (ix) the comfort letter from Somerley on unaudited profit estimate of the Group as set out in part (IV) of Appendix VI to this circular;
- (x) the material contracts as referred to in the section headed “Material contracts” in this appendix;
- (xi) the written consents as referred to in the section headed “Qualification and consent of experts” in this appendix; and
- (xii) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since 31 December 2009, being the date to which the latest published audited consolidated financial statements of the Company were made up.

NOTICE OF EGM



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 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Tuesday, 8 February 2011 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolution:

ORDINARY RESOLUTION

1. **“THAT:**

- (i) the agreement (the “**Agreement**”) dated 8 November 2010 entered into between the Company, Tai-I International (BVI) Limited (“**Tai-I BVI**”), Mr. Hsu Shou-Hsin, Affluent Start Holdings Investment Limited (“**Affluent Start**”) and Mr. King Pak Fu in relation to, inter alia, the acquisition by Affluent Start of 195,487,000 shares of the Company (the “**Sale Shares**”) from Tai-I BVI at a cash consideration of HK\$0.3925 per Sale Share and the subscription by Affluent Start of 210,000,000 new shares of the Company (the “**Subscription Shares**”) at a cash consideration of HK\$0.06 per Subscription Share upon and subject to the terms and conditions contained therein and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) subject to and conditional upon, among others, the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the Subscription Shares, the issue and allotment of the Subscription Shares to Affluent Start pursuant to the terms and conditions of the Agreement be and is hereby approved; and
- (iii) the directors of the Company (the “**Directors**”) be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the Agreement (a copy of which is produced to the Meeting marked “A” for the purpose of identification) and the transactions contemplated thereunder;

AND THAT, subject to completion of the Agreement,

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- (iv) the termination agreement dated 23 December 2010 entered into between the Company and Tai-I Electric Wire & Cable Co., Ltd. (“**Taiwan Tai-I**”) to terminate the framework agreement dated 16 April 2009 entered into between the Company and Taiwan Tai-I with respect to the purchase of a variety of high voltage power wires and cables by the Company from Taiwan Tai-I and/or the party designated by Taiwan Tai-I as supplier (details of such framework agreement were disclosed in the announcement of the Company dated 20 April 2009) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and the Directors be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the aforesaid termination agreement (a copy of which is produced to the Meeting marked “B” for the purpose of identification) and the transactions contemplated thereunder;

AND THAT, subject to the obtaining any third-party consents or approvals, including all regulatory consents, required to the give effect to the reorganisation of the Company and its subsidiaries (the “**Group**”), the reorganisation of the Group in the following manner (the “**Group Restructuring**”) be and is hereby approved, confirmed and ratified:–

- (v) the Company is to transfer its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in bare copper wires and magnetic wire business) and in the Domain Name (as defined in the circular dated 18 January 2011 (the “**Circular**”) of which this notice forms part), free from all encumbrances and third party rights, to Tai-I International (Bermuda) Limited (the “**Privateco**”), a wholly-owned subsidiary of the Company, prior to Completion (as defined in the Agreement);
- (vi) the Company is to effect the Novation as explained and elaborated in the Circular whereby certain outstanding payment obligations owed by the Company to Tai-I Copper (BVI) Limited are to be transferred to the Privateco, resulting in that payment obligation be owed by the Privateco to Tai-I Copper (BVI) Limited;
- (vii) in consideration of and in exchange for the said acquisition, the Privateco is to issue and allot such number of shares in the Privateco (the “**Privateco Shares**”) credited as fully paid to the Company so that the total number of the Privateco Shares in issue is equal to the number of shares of the Company (the “**Shares**”) in issue on the Record Date (as defined below);
- (viii) the Directors be and are hereby authorised to apply the entire amount standing to the credit of the share premium account of the Company from time to time (the “**Share Premium Account**”) and the reserve accounts of the Company (the “**Share Premium and Reserve Application**”) for the implementation of the Distribution In Specie (as defined below); and

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- (ix) the Directors be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the Group Restructuring and the Share Premium and Reserve Application;

AND THAT, subject to the satisfaction of the conditions to the Distribution In Specie, including completion of the formation of the Privateco and the Group Restructuring to form the Privateco and its subsidiaries, the passing of an ordinary resolution in general meeting to approve the Share Premium and Reserve Application and the Distribution In Specie, and completion of the Agreement as explained and elaborated in the Circular, the distribution in specie in the following manner (the “**Distribution In Specie**”) be and is hereby approved:–

- (x) subject to (xi) below, the Privateco Shares of HK\$0.01 each held by the Company will be distributed to the shareholders of the Company (the “**Shareholders**”) whose names appear on the register of members of the Company as at the close of business of a record date (the “**Record Date**”) as determined by the Directors, which shall be a date falling before the date of Completion, on a one-for-one basis (i.e. one Privateco Share for one Share held by such Shareholders) by a distribution from the Share Premium Account and the reserve accounts of the Company and the amount to be distributed will be equivalent to the carrying value of the Privateco and its subsidiaries, it being noted that the Directors have determined that the Company will be able to pay its debts as they fall due in the ordinary course of its business immediately following the date on which the Distribution In Specie is implemented;
- (xi) for those overseas shareholders of the Company whose names appear on the register of members of the Company as at the close of business of the Record Date but to whom the Directors, based on enquiries made with its lawyers, considers it necessary or expedient not to offer the Privateco Shares to them under the Distribution in Specie, a trustee in Hong Kong be authorised by the Directors to hold such Privateco Shares on trust for such overseas Shareholders and to sell such Privateco Shares at his absolute discretion for the benefits and accounts of such overseas Shareholders; and
- (xii) the Directors be and are hereby authorised generally to do all such acts, deeds and things and to sign all documents as they may, in their absolute discretion, deem necessary, desirable or appropriate to carry into effect or to give effect to the foregoing.”

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

Hong Kong, 18 January 2011

NOTICE OF EGM

<i>Registered office:</i> Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands	<i>Principal place of business in Hong Kong:</i> Room 1502, 15th Floor The Chinese Bank Building 61-65 Des Voeux Road Central Hong Kong	<i>Principal place of business in the PRC:</i> No. 77 Dongpeng Avenue Eastern District of Guangzhou Economic and Technological Development Zone Guangzhou Guangdong Province The PRC
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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. The register of members of the Company will be closed from Wednesday, 2 February 2011 to Tuesday, 8 February 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all duly completed and signed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share register in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 1 February 2011.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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.