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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of Tai-I International Holdings Limited (the "Company") announces the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 together with comparative figures for the corresponding period in 2009. The unaudited interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2010
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2010	2009
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Turnover	*4*	**3,495,626**	1,735,698
Cost of sales		**(3,377,853)**	(1,708,241)
Gross profit		**117,773**	27,457
Other revenue		**5,916**	11,968
Other net income/(loss)	*5*	**2,198**	(3,150)
Distribution expenses		**(19,369)**	(9,057)
General and administrative expenses		**(24,630)**	(19,082)
Other operating expenses		**(4,114)**	(4,112)
Profit from operations		**77,774**	4,024
Finance costs	*6(i)*	**(30,002)**	(28,105)
Share of profit/(loss) of associate		**194**	(2,300)
Profit/(loss) before taxation	*6*	**47,966**	(26,381)
Income tax expenses	*7*	**(440)**	(1,767)
Profit/(loss) attributable to equity holders of the Company		**47,526**	(28,148)

	Notes	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Other comprehensive income for the period (after tax)			
Exchange differences on translation of financial statements of the Company outside the PRC		**499**	37
Cash flow hedge: net movement in hedging reserve		**8,046**	36,217
Total comprehensive income attributable to equity holders of the Company for the period		**56,071**	8,106
Basic and diluted earnings/(loss) per share (RMB)	*9*	**0.08**	(0.05)

Consolidated Balance Sheet
At 30 June 2010
(Expressed in Renminbi Yuan)

	Notes	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		**416,666**	428,014
Lease prepayments		**30,927**	31,346
Interest in associate		**18,944**	18,750
Deferred tax assets		**34,030**	26,081
		500,567	504,191
Current assets			
Inventories		**265,633**	211,477
Trade and other receivables	*10*	**1,396,083**	1,085,762
Derivative financial instruments		**17,289**	5,712
Pledged deposits		**279,483**	284,494
Time deposits		**429,583**	245,780
Cash and cash equivalents		**275,949**	287,268
		2,664,020	2,120,493
Current liabilities			
Bank loans		**1,282,112**	1,000,977
Trade and other payables	*11*	**1,184,828**	986,302
Derivative financial instruments		**6,744**	6,387
Income tax payable/(recoverable)		**2,530**	(1,284)
		2,476,214	1,992,382
Net current assents		**187,806**	128,111
Total assets less current liabilities		**688,373**	632,302
Net assets		**688,373**	632,302
Capital and reserves			
Share capital		**5,962**	5,962
Reserves		**682,411**	626,340
Total equity		**688,373**	632,302

NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

(Expressed in Renminbi Yuan)

Tai-I International Holding Limited ("the Company") was incorporated in the Cayman Islands on 20 April 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

1. Basic of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting" promulgated by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from the 2009 annual financial statements. The 2009 annual financial statements are available from the Company's principal place of business in Hong Kong. The auditors have expressed an unqualified opinion on the 2009 annual financial statements dated 12 March 2010.

2. Changes in accounting policies

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

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*

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

The amendments to IAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

  In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated

3. Segment reporting

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

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

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

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments, or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is the "adjusted profit before taxation". To arrive at adjusted profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as share of profits less losses of an associate, directors' and auditors' remuneration and other head office or corporate administration costs. Inter-segment sales are priced with reference to price charged to external parties for similar orders.

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of the sales are generated from the PRC market.

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2010 and 2009 is set out below.

	Six months ended 30 June 2010		
	Bare copper wires	**Magnet wires**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Revenue from external customers	**2,514,616**	**981,010**	**3,495,626**
Inter-segment revenue	**873,024**	**-**	**873,024**
Reportable segment revenue	**3,387,640**	**981,010**	**4,368,650**
Reportable segment profit (adjusted profit before taxation)	**15,861**	**34,727**	**50,588**
Reportable segment assets	**2,617,409**	**1,357,110**	**3,974,519**
Reportable segment liabilities	**2,416,822**	**1,014,023**	**3,430,845**

	Six months ended 30 June 2009		
	Bare copper wires	Magnet wires	Total
	RMB'000	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers	1,265,658	470,040	1,735,698
Inter-segment revenue	382,846	-	382,846
Reportable segment revenue	1,648,504	470,040	2,118,544
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	790	(25,167)	(24,377)
Reportable segment assets	2,002,853	1,083,902	3,086,755
Reportable segment liabilities	1,798,579	795,867	2,594,446

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
Revenue	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**4,368,650**	2,118,544
Elimination of inter-segment revenue	**(873,024)**	(382,846)
Consolidated turnover	**3,495,626**	1,735,698

Profit/(loss) before taxation	Six months ended 30 June **2010** ***RMB'000*** **(Unaudited)**	 2009 *RMB'000* (Unaudited)
Reportable segment profit/(loss)	**50,588**	(24,377)
Elimination of inter-segment profits	**350**	1,278
Reportable segment profit derived from group's external customers and jointly controlled entity	**50,938**	(23,099)
Share of profits less losses of associates	**194**	(2,300)
Unallocated head office and corporate expenses	**(3,166)**	(982)
Consolidated profit/(loss) before taxation	**47,966**	(26,381)
Depreciation and amortisation	**14,855**	14,910
Finance costs	**26,677**	25,978

Assets	**At 30 June 2010** ***RMB'000*** **(Unaudited)**	At 31 December 2009 *RMB'000* (Audited)
Reportable segment assets	**3,974,519**	3,001,537
Elimination of inter-segment receivables	**(958,364)**	(457,104)
	3,016,155	2,544,433
Interests in associates	**18,944**	18,750
Deferred tax assets	**34,030**	26,081
Unallocated head office and corporate assets	**95,458**	35,420
Total	**3,164,587**	2,624,684

Liabilities	**At 30 June 2010** ***RMB'000*** **(Unaudited)**	At 31 December 2009 *RMB'000* (Audited)
Reportable segment liabilities	**3,430,845**	2,449,448
Elimination of inter-segment payable	**(958,364)**	(457,104)
	2,472,481	1,992,344
Unallocated head office and corporate liabilities	**3,733**	38
Total	**2,476,214**	1,992,382

4. Turnover

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

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

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Sales of bare copper wires	**2,507,189**	1,279,338
Sales of magnet wires	**981,010**	442,703
Processing services	**7,427**	13,657
	3,495,626	1,735,698

The Group's operations are mostly located in the PRC. For the six months ended 30 June 2010, a substantial proportion of the Group's products were sold to its customers for further processing, which were eventually exported to overseas countries.

5. Other net income/(loss)

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net exchange gain/(loss)	**237**	(5,950)
Gain on sales of scrap materials	**764**	435
Loss on disposal of property, plant and equipment	**(12)**	(13)
Net gain on derivative financial instruments – Foreign exchange forward contracts	**1,209**	2,378
	2,198	(3,150)

6. Profit/(loss) before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(i) Finance cost		
Interest expenses	**26,677**	25,978
Letter of credit charges	**3,325**	2,127
Total borrowing costs	**30,002**	28,105

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(ii) Staff cost		
Salaries, wages and other benefits	**23,048**	15,365
Contributions to defined contribution retirement schemes	**1,247**	1,215
	24,295	16,580

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(iii) Other items		
Cost of inventories	**3,296,866**	1,708,241
Depreciation	**14,449**	14,540
Amortisation of lease prepayments	**419**	418
Operating leases charges in respect of properties	**369**	376

7. Income tax expense

Income tax expense represents:

	Six months ended 30 June	
	2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC		
Provision for the period	**6,655**	-
Deferred tax		
Origination and reversal of temporary differences	**(6,215)**	1,767
	440	1,767

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

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

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

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2010.

Pursuant to the approvals obtained from the relevant PRC tax authorities, being production oriented enterprises established in an Economic and Technological Zone, Tai-I Jiang Corp and Tai-I Copper are entitled to a preferential income tax rate of 15% and are entitled to a tax concession period in which they are fully exempted from PRC income tax for two years commencing from their first profit-making year (after the offset of tax losses brought forward), followed by a 50% reduction in PRC income tax for the next three years. The tax holidays expired in 2009.

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

8. Dividends

No dividends have been declared or paid by the Company for the six months ended 30 June 2010 and 2009.

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

The calculation of basic and diluted earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity holders of the Company of RMB47,526,000 (six months ended 30 June 2009: loss of RMB 28,148,000) and the weighted average of 596,158,000 (six months ended 30 June 2009: 596,158,000) ordinary shares in issue during the period.

10. Trade and other receivables

		30 June 2010	31 December 2009
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Trade receivables		**722,012**	525,526
Bills receivable		**151,318**	120,849
	(i)	**873,330**	646,375
Deposits and prepayments made to suppliers		**456,910**	373,488
Other receivables		**38,588**	33,565
Deposits for derivative financial instruments		**27,255**	32,334
		1,396,083	1,085,762

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 (net of impairment loss for doubtful debts) with the following ageing analysis as of the balance sheet date:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month	**489,061**	357,559
Over 1 month but less than 3 months	**321,753**	213,799
Over 3 months but less than 1 year	**60,335**	55,316
Over 1 year but less than 2 years	**11,425**	23,793
Over 2 years	**28,010**	33,162
	910,584	683,629
Less: Impairment losses for doubtful debts	**(37,254)**	(37,254)
	873,330	646,375

During the 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 Group, its creditworthiness and settlement record.

11. Trade and other payables

		30 June 2010	31 December 2009
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Trade creditors	*(i)*	**849,651**	542,603
Bills payable	*(ii)*	**244,313**	400,109
		1,093,964	942,712
Non-trade payables and accrued expenses		**77,900**	48,715
Other taxes payable		**12,964**	(5,125)
		1,184,828	986,302

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

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due within 3 months or on demand	**983,168**	796,643
Due after 3 months but within 6 months	**108,422**	145,225
Due after 6 months but within 1 year	**1,866**	111
Due after 1 year but within 2 years	**29**	127
Due after 2 years	**479**	606
	1,093,964	942,712

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits.

(ii) As at 30 June 2010, certain bills payable outstanding were secured by the Group's machinery, equipment and tools with carrying amounts of RMB151,046,000 (31 December 2009: RMB157,977,000).

12. Subsequent event

On 7 June 2010, Winsino Investments Limited, a wholly-owned subsidiary of the Company ("the Purchaser"), Advanced Mode Limited ("the Vendor") and Mr. Lo Kai Bong ("the Vendor's Guarantor") entered into the Sale and Purchase Agreement, whereby the Purchaser has conditionally agreed to purchase the entire issued share capital, together with the assignment of a RMB60,000,000 Sale Loan of Liang Hui Holdings Limited for a total consideration of HK$96,000,000. The Consideration would be settled by way of the issue of promissory note in the principal amount equivalent to HK$96,000,000 by the Purchaser. At the Extraordinary General Meeting of the Company held on 14 July 2010, the Ordinary Resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder was duly passed by the Shareholders as an ordinary resolution by way of poll.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2010, the turnover of the Group amounted to RMB3,495,626,000 (six months ended 30 June 2009: RMB1,735,698,000), an increase of 101.40% as compared with the last corresponding period. The increase in the Group's revenue was due to the higher international copper price and growth of market demand. For example, the average LME copper price for the six months ended 30 June 2010 was US$7,130 per tonnes as compared to US$4,045 per tonnes for the six months ended 30 June 2009, representing a increase of US$3,085 per tonnes or 76%.

Turnover of bare copper wires and magnet wires was RMB2,507,189,000 and RMB981,010,000 respectively whereas the revenue of processing services was RMB7,427,000. Turnover of bare copper wires and magnet wires accounted for 71.72% and 28.06% of the total turnover of the Group respectively.

Gross profit

For the six months ended 30 June 2010, the gross profit was RMB117,773,000 (six months ended 30 June 2009: RMB27,457,000), representing an increase of approximately RMB90,316,000. When compared with the corresponding period of 2009, the gross profit of magnet wires and bare copper wires increased by approximately RMB10,118,000 and RMB84,461,000 respectively. This was due to increase of sales volume of the Group and enhanced margins.

Other net income/(loss)

For the six months ended 30 June 2010, the Group recorded other net income of RMB2,198,000 (six months ended 30 June 2009: other net loss of RMB3,150,000). The main income was attributable to net foreign exchange gain of RMB237,000 (six months ended 30 June 2009: net foreign exchange loss of RMB5,950,000). The Group used foreign exchange forward contracts to hedge against the foreign exchange exposures arising from the appreciation of Renminbi. As at 30 June 2010, the Group record gain on foreign exchange forward contracts of RMB1,209,000 (six months ended 30 June 2009: RMB2,378,000).

Finance costs

For the six months ended 30 June 2010, financial costs were approximately RMB30,002,000 (six months ended 30 June 2009: RMB28,105,000), representing a increase of RMB1,897,000. Financial costs of the Group were mainly applied in the payment of letters of credit and the repayment of short-term loans. The increase in financial costs for the period was mainly because: (i) the average copper price increased by nearly 76% when compared with the corresponding period of 2009, resulting in a increase in the amount related to letters of credit when compared with the corresponding period of 2009; (ii) the lower rates of inward and outward bills and loans.

Profit/(Loss) for the period

For the six months ended 30 June 2010, the net profit was approximately RMB47,526,000 (six months ended 30 June 2009: a loss of RMB28,148,000), representing an increase of RMB75,674,000.

Liquidity and financial resources

The Group's working capital is funded by the cash generated by internal operating activities or short term bank borrowings. As at 30 June 2010, the Group maintained cash and cash equivalents amounted to RMB275,949,000 (31 December 2009: RMB287,268,000). The short term bank borrowing as at 30 June 2010 amounted to RMB1,282,112,000 (31 December 2009: RMB1,000,977,000), representing an increase of RMB281,135,000. As at 30 June 2010, the Group's current ratio was 107.58% (31 December 2009: 106.43%), and the Group's net gearing ratio (balance of total borrowings less cash and cash equivalent, time deposits and pledged deposits divided by total assets and multiplied by 100%) was 9.39% (31 December 2009: 6.99%).

Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper cathodes amounted to RMB279,483,000 as at 30 June 2010 (31 December 2009: RMB284,494,000), decreased by 1.76%. During the period, pledged deposits were required by the banks for the issuance of letters of credit and commercial bills.

Foreign exchange

The Group receives US dollar, Hong Kong dollar and Renminbi for goods sold and pays, US dollar and Renminbi for raw materials purchased. For the six months ended 30 June 2010, approximately 60.10%, 2.76% and 37.14% of the Group's turnover were denominated in US dollar, Hong Kong dollar and Renminbi, while approximately 63% and 37% of the Group's purchases were denominated in US dollar and Renminbi. For the six months ended 30 June 2010, the Group had a net foreign exchange gain of RMB237,000 (30 June 2009: a loss of RMB5,950,000).

The Group uses copper futures contracts to hedge its exposure against copper price fluctuations and foreign exchange forward contracts to hedge its exposure against foreign exchange fluctuations.

Pledged of assets

In order to obtain bank loans for working capital, certain Group's assets are pledged for the issuance of letters of credit and commercial bills. The carrying amount of the Group's assets pledged are as follows:

Assets pledged	**30 June 2010** *RMB'000*	31 December 2009 *RMB'000*	Purpose
Buildings	**85,198**	86,485	Bank loans
Land use rights	**30,927**	31,346	Bank loans
Pledged deposits	**279,483**	284,494	Letters of credits and commercial bills
Machinery, equipment and tools	**151,046**	157,977	Letters of credits and commercial bills
Total	**546,654**	560,302	

Use of proceeds

The proceeds from the issuance of new shares by the Company in January 2007, net of listing expenses, were approximately HK$220,762,000. As at 30 June 2010, the net proceeds were utilised in the following manner:

	Per prospectus *HK$'000*	**Amount utilised** *HK$'000*	**Balance** *HK$'000*
Expansion of production capacity			
– Upgrading of existing production facilities	18,544	18,544	-
– Acquisition of new production facilities or related businesses	136,142	69,517	66,625
Repayment of short-term borrowings	44,000	44,000	-
General working capital	22,076	22,076	-
Total	220,762	154,137	66,625

The unutilised balance was placed in short-term deposits with banks.

Capital structure

The Group adopts a prudent treasury policy, and its net debt-to-adjusted capital ratio (calculated as bank loans less pledged deposits and cash and cash equivalent plus unaccrued proposed dividend then divided by total equity less declared dividend) as at 30 June 2010 was 105.56% (31 December 2009: 67.88%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2010 was 107.58% (31 December 2009: 106.43%). The Group continued to monitor debts in line with a stringent debt collection policy so as to minimise the risks of sales on credit to ensure that funds are timely collected.

Capital expenditure

The Group's capital expenditures was mainly for the acquisition of property, plant and equipment. The following table shows the Group's capital expenditures for the six months ended 30 June 2010 and the year of 2009:

	Six months ended 30 June 2010	Year ended 31 December 2009
	RMB'000	*RMB'000*
Buildings	**–**	-
Machinery, equipment and tools	**902**	1,450
Dies and moulds	**857**	1,020
Motor vehicles and other fixed assets	**238**	403
Construction in progress	**1,126**	16,711
	3,123	19,584

Material acquisition and disposal of subsidiaries or associated companies

On 7 June 2010, Winsino Investments Limited, a wholly-owned subsidiary of the Company ("the Purchaser"), Advanced Mode Limited ("the Vendor") and Mr. Lo Kai Bong ("the Vendor's Guarantor") entered into the Sale and Purchase Agreement, whereby the Purchaser has conditionally agreed to purchase the entire issued share capital, together with the assignment of a RMB60,000,000 Sale Loan of Liang Hui Holdings Limited for a total consideration of HK$96,000,000. The Consideration would be settled by way of the issue of promissory note in the principal amount equivalent to HK$96,000,000 by the Purchaser. At the Extraordinary General Meeting of the Company held on 14 July 2010, the Ordinary Resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder was duly passed by the Shareholders as an ordinary resolution by way of poll.

Significant investments

The Group has no significant investments held as at 30 June 2010.

Employees and remuneration policies

As at 30 June 2010, the Group employed 978 full-time employees (31 December 2009: 922). There is no significant change in the Group's salaries and remuneration policies during the period. The remuneration package of employees is determined by reference to their performance, experience, their positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC.

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

Commitments

(a) Capital commitments outstanding at 30 June 2010 not provided for in the consolidated interim financial report are as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Contracted, but not provided:		
Acquisition of plant, machinery and equipment	**3,162**	-

(b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases in respect of property were payables as follows:

	30 June 2010 *RMB'000*	31 December 2009 *RMB'000*
Less than one year	**319**	620
Between one and two years	**67**	9
Between two and three years	**4**	2
	390	631

For the six months ended 30 June 2010, the Group leased a number of properties under operating leases. None of the leases includes contingent rentals.

Contingent liabilities

As at 30 June 2010, there were no significant contingent liabilities (31 December 2009: Nil).

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

BUSINESS REVIEW

Growth of sales of bare copper wires and magnet wires

In the first half year, due to the effect of the active fiscal measures put forward by different countries and the higher copper price and growth of market needs, the sales volume of bare copper wire for the six months ended 30 June 2010 was 49,828 tonnes (six months ended 30 June 2009: 42,038 tonnes), representing an increase of 7,790 tonnes; the sales volume of magnet wire for the six months ended 30 June 2010 was 17,714 tonnes (six months ended 30 June 2009: 11,251 tonnes), representing an increase of 6,463 tonnes. Meanwhile, the processing service volume of bare copper wires decreased from 19,433 tonnes for the six months ended 30 June 2009 to 13,863 for the six months ended 30 June 2010, decreased by 5,570 tonnes.

For the six months ended 30 June 2010, the turnover of the Group amounted to RMB3,495,626,000 (six months ended 30 June 2009: RMB1,735,698,000), an increase of 101.40% as compared with the last corresponding period. The increase in the Group's revenue was due to the sales volume of bare copper wires and magnet wires increased 26.75% as compared with the last corresponding period and the higher international copper price in 2010. For example, the average LME copper price for the six months ended 30 June 2010 was US$7,130 per tonnes as compared to US$4,045 per tonnes for the six months ended 30 June 2009, representing an increase of US$3,085 per tonnes or 76%.

Copper processing service cost increased and reduced the business of commissioned processing service

The commissioned processing service of bare copper wires of the Group in the first half year was affected by increase in copper processing costs, and customers turning to lower processing costs of copper rods. The sales volume of processing services for the six months ended 2010 was 13,863 tonnes, a decrease of 5,570 tonnes as compared with the last corresponding period, the revenue of processing services also decreased to RMB7,427,000 for the six months ended 30 June 2010 from RMB13,657,000 of 2009.

BUSINESS OUTLOOK

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

Marketing enhancement plan of domestic market

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

New product development plan

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

Production management and man power quality enhancement plans

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

Energy saving and consumption reduction intensification

The Group will continue to carry out equipment modification projects and we have been working hard to implement energy saving and consumption reduction measures in the hope that we can further initiate projects in these areas.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2010.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Listing Rules.

In the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises five independent non-executive Directors, namely Mr. Tsay Yang-Tzong (as chairman), Mr. Cheng Yang-Yi, Mr. Kang Jung-Pao, Mr. Atsushi Kanayama and Mr. Yan Minghe. The unaudited interim results of the Group for the six months ended 30 June 2010 have been reviewed by the Audit Committee of the Company.

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

Hong Kong, 9 August 2010

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