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## **TAI-I INTERNATIONAL HOLDINGS LIMITED**

**台一國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1808)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **THE FRAMEWORK AGREEMENT**

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

#### **IMPLICATION OF LISTING RULES**

As at the date of this announcement, Taiwan Tai-I and its associates are interested in approximately 38.56% of the issued share capital of the Company. Accordingly, Taiwan Tai-I is a connected person of the Company under the Listing Rules. The Transactions, which will be carried out in the ordinary and usual course of business of the Group and expected to continue and extend over a period of three years, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Given that all the applicable percentage ratios in respect of the Proposed Caps for the Transactions exceed 2.5% and the annual consideration exceeds HK\$10 million, the Framework Agreement, the Transactions and the Proposed Caps will be subject to reporting, announcement and the Independent Shareholders' vote requirements under Chapter 14A of the Listing Rules.

Taiwan Tai-I and/or its associates will abstain from voting in relation to the ordinary resolution approving the Framework Agreement, the Transactions and the Proposed Caps at the EGM.

#### **GENERAL**

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the terms of the Framework Agreement, the Transactions and the Proposed Caps. An IFA will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect.

A circular containing details on (i) the terms of the Framework Agreement and the Transactions; (ii) the Proposed Caps; (iii) the respective letters of advice from the Independent Board Committee and the IFA; and (iv) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

# THE FRAMEWORK AGREEMENT

**Date:** 16 April 2009

## **Parties:**

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

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

## **Summary of the principal terms:**

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

### **(i) Condition precedent**

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

### **(ii) Period of the Framework Agreement**

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

### **(iii) The Transactions**

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

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

### **(iv) Delivery and payment arrangement**

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

For the avoidance of doubt, the Purchaser shall have the right not to confirm any purchase order in the event it could obtain from independent third parties the same Products on more favorable terms.

The Purchaser will refuse to confirm any purchase order in respect of a Transaction if the terms of which are less favorable to the terms which would otherwise be available to or obtainable by the Group from any independent third parties.

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

### **The Proposed Caps**

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

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

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

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE NON-EXCLUSIVE FRAMEWORK AGREEMENT**

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

#### **(i) Business diversification**

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

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

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

(iii) Industry insight and product sourcing

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

(iv) Nature of the Transactions

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

## **IMPLICATIONS OF LISTING RULES**

The Transactions, which are to be carried out in the ordinary and usual course of business of the Group and expected to continue and extend over a period of time, will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Given that all the applicable percentage ratios in respect of the Proposed Caps for the Transactions exceed 2.5% and the annual consideration exceeds HK\$10 million, the Framework Agreement, the Transactions and the Proposed Caps will be subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders in relation to the terms of the Framework Agreement and the Proposed Caps. An IFA will be appointed to advise the Independent Board Committee and the Independent Shareholders in this respect. The Directors (except for the independent non-executive Directors, who will express their views in the circular after considering the opinion of the IFA) are of the view that the Framework Agreement is entered into in the ordinary and usual course of business of the Company and terms of the Framework Agreement, as arrived at after arm's length negotiation between the Company and Taiwan Tai-I, are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Given that Taiwan Tai-I and its associates are interested in approximately 38.56% of the issued share capital of the Company, Taiwan Tai-I is a connected person (as defined in the Listing Rules) of the Company. Taiwan Tai-I and/or its associates will abstain from voting in the EGM in relation to the Framework Agreement.

## **INFORMATION ON THE GROUP AND TAIWAN TAI-I**

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

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

## GENERAL

A circular containing details on (i) the terms of the Framework Agreement and the Transactions; (ii) the Proposed Caps; (iii) the respective letters of advice from the Independent Board Committee and IFA; and (iv) a notice convening the EGM will be dispatched to the Shareholders as soon as practicable.

## DEFINITIONS

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

“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Commencement Date”	the day on which the condition precedent of the Framework Agreement is completed
“Company”	Tai-I International Holdings Limited, a company incorporated in the Cayman Islands and whose Shares are listed on the main board of the Stock Exchange
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Independent Shareholders to be held to consider and, if thought fit, approve the Framework Agreement, the Transactions and the Proposed Caps
“Framework Agreement”	the conditional framework agreement entered into between the Company and Taiwan Tai-I on 16 April 2009 in relation to the purchase of the Products by the Company from Taiwan Tai-I or the Supplier
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFA”	An independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders in connection with the Framework Agreement, the Transactions and the Proposed Caps
“Independent Board Committee”	the independent board committee of the Company comprising of the five independent non-executive Directors, namely, Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe and Atsushi Kanayama
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM approving the Framework Agreement, the Transactions and the Proposed Caps and the transactions contemplated thereunder under the Listing Rules

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“%”	per cent
“PRC”	the People’s Republic of China (for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region and Taiwan)
“Products”	high voltage power wires and cables
“Proposed Caps”	the proposed caps of the Transactions of HK\$380 million from the Commencement Date to 31 December 2009 and of HK\$760 million for each of the two financial years ending 31 December 2011
“Purchaser”	the Company and/or any party designated by the Company as purchaser in a Transaction
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplier”	Taiwan Tai-I and/or the party designated by Taiwan Tai-I as supplier in the Transaction
“Taiwan Tai-I”	台一國際股份有限公司 (Tai-I Electric Wire & Cable Co. Ltd.), a company established under Taiwan laws on 11 September 1979 and has become a listed company on the Taiwan Stock Exchange Corporation since 20 October 1995
“Transaction(s)”	the supply of the Products to the Company by Taiwan Tai-I or the Supplier as contemplated under the Framework Agreement

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

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

Hong Kong, 20 April 2009

*As at the date of this announcement, (a) the executive Directors are Huang Cheng-Roang, Lin Chi-Ta, Huang Kuo-Feng and Du Chi-Ting; and (b) the independent non-executive Directors are Kang Jung-Pao, Cheng Yang-Yi, Tsay Yang-Tzong, Yan Minghe and Atsushi Kanayama.*