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)

Annual Report 2006

Contents

Financial Highlights

Comparison of Key Financial Figures for Two Years

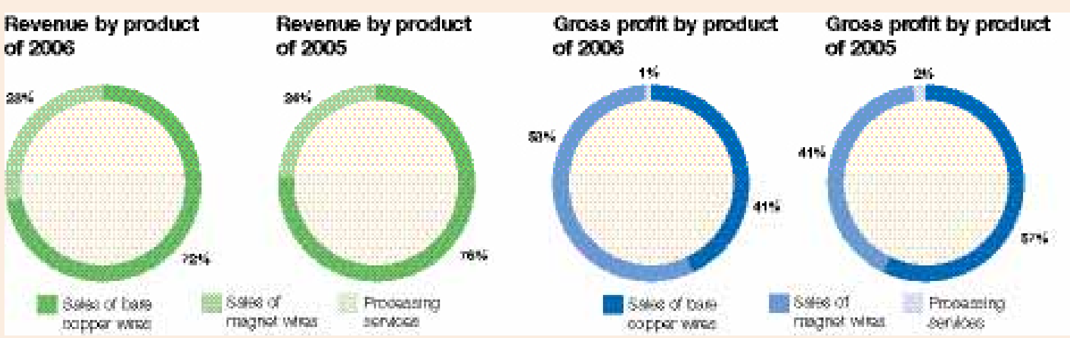
Unit: RMB'000	**2006**	2005	Percent increase
	For the year ended 31 December		
Revenue	**7,077,910**	3,979,619	77.85%
Gross profit	**221,571**	142,567	55.42%
Profit before taxation	**127,054**	67,457	88.35%
Profit for the year	**120,798**	67,457	79.07%
Profit attributable to minority interests	**41,318**	31,722	30.25%
Profit attributable to equity holders of the Company	**79,480**	35,735	122.41%
Basic and diluted earnings per share (RMB)	**0.18**	0.08	125.00%

Turnover by Product

	For the year ended 31 December					
	2006		2005		Percent increase (decrease)	
Unit: RMB'000	**Amount**	**%**	Amount	%	Amount	%
Sales of bare copper wires	**5,101,350**	**72.07**	3,003,087	75.46	2,098,263	69.87
Sales of magnet wires	**1,971,482**	**27.85**	964,393	24.23	1,007,089	104.43
Processing services	**5,078**	**0.08**	12,139	0.31	(7,061)	(58.17)
Total	**7,077,910**	**100.00**	3,979,619	100.00	3,098,291	77.85

Gross Profit by Product

	For the year ended 31 December					
	2006		2005		Percent increase (decrease)	
Unit: RMB'000	**Amount**	**%**	Amount	%	Amount	%
Sales of bare copper wires	**92,488**	**41.74**	80,379	56.38	12,109	15.06
Sales of magnet wires	**127,820**	**57.69**	58,739	41.20	69,081	117.61
Processing services	**1,263**	**0.57**	3,449	2.42	(2,186)	(63.38)
Total	**221,571**	**100.00**	142,567	100.00	79,004	55.42



Huang Cheng-Roang *Chairman*

I hereby present on behalf of the board (the "Board") of directors (the "Directors") to the shareholders the first annual report of Tai-I International Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2006.

Successful Listing

The Company was incorporated in the Cayman Islands on 20 April 2006 and its shares were successfully listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 January 2007. 150,000,000 new shares were successfully issued at an offer price of HK$1.66 per share, the gross proceeds raised being HK$249,000,000 for the expansion of production capacity, repayment of short-term bank loans, and as general working capital.

Financial Performance

For the year ended 31 December 2006, the Group recorded a revenue of approximately RMB7,077.91 million with profit for the year attributable to equity holders of the Company of approximately RMB79.48 million.

Final Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

Business Review

2006 was a memorable year. After a whole year's hard work, listing of the Company's shares on the main board of the Stock Exchange was successfully completed in January 2007. In terms of operations, the Group achieved better than expected growth in revenue and net profit in 2006. Revenue grew by approximately 77.85% as compared with the same period last year, while gross profit increased by approximately 55.42%. Profit for the year also grew significantly by approximately 79.07% over last year. The major products of the Group are bare copper wire and magnet wire. Our current market share of bare copper wire and magnet wire in the Pearl River Delta region is 40% and 18% respectively, which made us the largest manufacturer of such products in Southern China. With the help of our economy of scale, the Group maintained good and stable business relationship with upstream and downstream suppliers and customers, which is the most important driving force for the Group to maintain its competitiveness in the industry.

Prospects and Appreciation

Looking forward to the future, the Group has embarked on, and will go on with, the plans laid down at the time of listing to raise its capacity utilisation rate, increase sales and adjust the proportion of high value added products, and ensure the competitiveness of its products. We will also further solidify our leading position in the sector and capture business opportunities. Leveraging on our edge in vertical integration, we will continue in optimising our product mix and develop sales channels in order to capitalise on the expected rapid growth of business and sales in the coming year. To sum up, the Group is committed to improving its revenue and growth of earnings to cope with competition in the market and to bring a spectacular return to the shareholders.

Last but not least, I would like to take this opportunity to thank the Company's shareholders, the Group's customers and suppliers for their continual support for and trust in the Group. I would also like to thank all the management and the whole staff for their efforts and contributions to the Group over the last year.

The Group will continue to follow a prudent but enterprising strategy, and be ready to capture any opportunity to further expand its businesses, so as to bring the best return to the shareholders.

By order of the Board
Huang Cheng-Roang
Chairman

Hong Kong, 18 April 2007

Dear Shareholders,

I am delighted to report that the Group's operational results reached new heights this year, which started to reflect the benefits of our economies of scale, product optimisation and professional management.

The long term development objectives of the Group are: to continue in optimizing the advantage of vertical integration of upstream and downstream industry, to maintain our position as the leading manufacturer in the bare copper wire product industry, to become a leading magnet wire enterprise in the PRC, and to earn even more profit. In 2006, the Group has formulated and implemented practical strategies for production and sales, which enhanced our profitability and earned a higher return for the shareholders.

During 2006, copper price in the world and in the PRC as well rose sharply, which has driven the raw material cost of the copper wire and cable industry higher. With the PRC's economy maintaining a rapid growth rate of 10.7%, there was a strong domestic demand for consumer electronic products. Being the major manufacturing center for electrical equipment and appliances, the Pearl River Delta region needs to import a large volume of bare copper wire and magnet wire product. The Group has captured such opportunity proactively and secured its leading position in the market through expanding market share by means of making further investment and installing additional production lines.

The Group adopted the following strategies and measures to develop our business operation.

- **Increase production capacity and output in order to benefit from the economy of scale**

  The Group's newly added second phase of magnet wire production plant commenced production in 2005, and our annual capacity of magnet wire has reached 50,000 tonnes by the second half of 2006. As our capacity increased, our output also increased. Our magnet wire production in 2006 increased about 35.12% over 2005, while our bare copper wire production in 2006 increased about 10.60% from 2005.

  Leveraging on the valuable experience and expertise of the management, the Group will continue in modifying its facilities, increasing production capacity of its facilities, enhancing production efficiency and saving production cost to achieve a high standard of efficiency in its production and operation.

  With a promising prospect of the bare copper wire and magnet wire market, the Group is confident in capturing such huge opportunity, and aims at a capacity utilisation rate of 100% and sale of all volume produced in order to benefit from the economy of scale.

- **Optimize product mix and increase the proportion of high value added products to earn higher profit**
  In recent years, the Group has focused on increasing the business of its high value added products. Our production technology and product quality of such products has matured and its proportion in our total production gradually increased. The high value added products of magnet wire has accounted for about 30% of our production in recent years. They are hi-tech products mainly used in products with promising market potential such as vehicle motors and air con compressors. It has secured many renowned customers in and outside the PRC for such products. Focusing on high value added products is the main contributor to the Group's profit growth in 2006.

- **Consider and satisfy the need for environmental friendly products and environmental certification for products, and thus expand our customer base**
  Basically, all our magnet wire products have passed the UL certification and SSGS test. We also obtained Sony's Green Partner certificate in 2006. Through the above measures, our products meet the need for environmental protection and this has great effect in securing and expanding our customer base.

Major Plan for 2007

2007 is the second year in the "11th Five-Year Plan" for the development of the PRC's economy, and industries and products which would use bare copper wire and magnet wire will have good development. Such industries and products include electrical equipment and machineries and electronic information products, and heavy industries, automobile industry and precise industry astronautic industry. On this background, the Group will further adopt production and sales strategies, continue to raise its utilization rate to achieve full use of capacity and full sale of output, further adjust the proportion of domestic and overseas sales and processing services, and also further optimizing product mix to increase its income.

In order to further solidify the Group's position in the copper wire industry and to capture the expected business opportunities, the directors currently intend to implement the following future plans:

- **Continue to take the advantage in vertical integration and expand into other products in the industry**
  Over the years, the vertical integration of the Group's business structure has proven its benefits to the Group - it allows the Group to secure a stable supply of the requisite high quality principal raw material for its magnet wire production. The proximity of the two production plants also allows the Group to save transportation and storage cost and to improve the Group's overall production efficiency. Such vertical integration will continue to be the Group's focus in its future plans. With its experience gained in the bare copper wire and magnet wire industries, the Group is well equipped to capture other business opportunities in relation to other products in the industry.

- **Strengthen the Group's research and development**
  One of the major tasks that the Group's research and development team needs to accomplish is to formulate plans or strategies whereby the Group can increase its production capability with its present resources and develop new production technique to improve the quality of the products. During the past few years, the team has successfully increased the annual production capacity of the Group. Currently, the Group's annual production capacity reaches 150,000 tonnes of bare copper wire and 50,000 tonnes magnet wire. The Group plans, with the enhanced production technology, to increase further its production capacity and to improve the quality of its products.

- **Expand through upgrading of existing production facilities, acquisition of new production facilities and/or merger and acquisitions**
  In order to capture the expected growth of the demand for bare copper wire and magnet wire as a result of the expected growth of the manufacturing sector in the PRC, it is the intention of the management of the Group in the medium term to expand further the production capacity of the Group through upgrading of existing production facilities, acquisition of new production facilities related businesses.

The management of the Group has full confident in the prospect of the Group, and will continue to adopt an active expansion strategy in order to increase the Group's market share and solidify its leading role in the world and the PRC market. The Group is committed to become one of the top copper manufacturers in the PRC and create remarkable return for its shareholders.

Appreciation

On behalf of the management, I would like to express my sincere gratitude to the government authorities, clients, suppliers and business associates for their support, and to our management team and staff for their loyalty, which form a sound foundation for our steady growth and outstanding results. I would also like to express my immense appreciation to our shareholders and friends from the financial sector for their unreserved support, which allowed us to become a new star in the investment market. The management hereby commit ourselves to maintaining our efforts to live up to the high expectations of our shareholders and business associates for even better results and returns.

By order of the Board
Lin Chi-Ta
Chief Executive Officer

Hong Kong, 18 April 2007

Corporate Information

Board of Directors

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

Company Secretary

Choi Kai Ming, Raymond ICAEQ, HKICPA

Qualified Accountant

Choi Kai Ming, Raymond ICAEQ, HKICPA

Authorised Representatives

Lin Chi-Ta
Choi Kai Ming, Raymond ICAEQ, HKICPA

Compliance Adviser

Polaris Securities (Hong Kong) Limited

Audit Committee

Tsay Yang-Tzong *(Chairman)*
Cheng Yang-Yi
Kang Jung-Pao
Atsushi Kanayama
Yan Minghe

Remuneration Committee

Lin Chi-Ta *(Chairman)*
Cheng Yang-Yi
Tsay Yang-Tzong
Atsushi Kanayama
Kang Jung-Pao
Yan Minghe

Nomination Committee

Lin Chi-Ta *(Chairman)*
Kang Jung-Pao
Atsushi Kanayama
Tsay Yang-Tzong
Cheng Yang-Yi
Yan Minghe

Auditor

KPMG

Registered Office

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

Principal Place of Business in Hong Kong

Room 6405, 64th Floor
Central Plaza
18 Harbour Road
Wanchai
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

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Shenzhen Development Bank Co., Ltd., Guangzhou Branch, Yuexiu Sub-branch

Industrial and Commercial Bank of China, Huangpu Sub-branch

Stock Code

1808

Company Website Address

www.tai-i-int.com

Board of Directors and Senior Management

Biographies of Directors and Senior Management

Executive Directors

Mr. Huang Cheng-Roang, alias Vincent Huang（黃正朗）, aged 47, is the Chairman of the Company and an executive Director. Mr. Huang graduated from the Tunghai University and Jinan University with a bachelor's degree in law and a master degree in Business Administration respectively. He is also a research student of the Corporate Management Department of Jinan University. He worked in the legal field in the early years of his career. He worked in the internal legal department of Taiwan Tai-I from 1995 to 1997. He joined the Group in 1997. Mr. Huang is the head of the Strategic Planning Unit of both Tai-I Jiang Corp and Tai-I Copper. He was appointed as an executive Director on 31 August 2006.

Mr. Lin Chi-Ta（林其達）, aged 50, is an executive Director and the Chief Executive Officer of the Company. Mr. Lin graduated from the Southern Taiwan University of Technology specialising in Industrial Management. Mr. Lin had worked in ceramic products manufacturing factories before he joined Taiwan Tai-I in 1990. Mr. Lin was the head of the Yangmei Factory of Taiwan Tai-I, a factory principally engaged in the bare copper wire production, from 1990 to 1998. He joined the Group in 1999. Mr. Lin is currently the Chairman and General Manager of both Tai-I Jiang Corp and Tai-I Copper and is responsible for overseeing the production division of the Group. He was appointed as an executive Director on 20 April 2006.

Mr. Huang Kuo-Feng（黃國峰）, aged 33, is an executive Director. Mr. Huang graduated from the Taipei College of Business specialising in Finance and Taxation. He worked in the Accounting Department of Taiwan Tai-I from 1997 to 1999. He then joined the Group in 1999 and worked in the Finance Department of Tai-I Jiang Corp. In 2003, Mr. Huang was promoted to the Manager of the Assets Management Team of the Finance Department of Tai-I Jiang Corp. and Tai-I Copper. He was appointed as an executive Director on 31 August 2006.

Mr. Du Chi-Ting（杜季庭）, aged 54, is an executive Director. Mr. Du graduated from the Chungyu Institute of Technology specialising in Corporate Management. Before joining the Group in 2003, Mr. Du had worked in Taiwan Tai-I for over 25 years and gained extensive experience in production, domestic sales and marketing of cable and wire. Mr. Du is the Executive Deputy General Manager and the head of the Management Department of both Tai-I Jiang Corp and Tai-I Copper. He was appointed as an executive Director on 31 August 2006.

Independent Non-Executive Directors

Mr. Kang Jung-Pao (康榮寶), aged 54, is an independent non-executive Director. Mr. Kang graduated from Leonard N. Stern School of Business of the New York University with a degree of Doctor of Philosophy. He joined the Group in 2006. Mr. Kang is experienced in accounting and finance as he took up important positions in various financial organisations and listed companies in Taiwan before. He is an independent director of Shun On Electronic Co., Ltd., a GTSM (OTC) listed company in Taiwan and Go-In Engineering Co., Ltd., an emerging stock company in Taiwan. He is also an independent supervisor of Simplo Technology Co., Ltd., a GTSM (OTC) listed company in Taiwan and Monterey International Corp., a public company in Taiwan and a supervisor of Gintech Energy Corporation, a public company in Taiwan. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Cheng Yang-Yi (鄭洋一), aged 64, is an independent non-executive Director. Mr. Cheng graduated from the Taiwan University and the Meijo University (名城大學) with a bachelor's degree and a doctorial degree in law respectively. He is a qualified lawyer in Taiwan and had been a professor in the law department of Fu Jen University and the Chinese Culture University. He joined the Group in 2006. Mr. Cheng is currently an independent director of each of Key Mouse Electronic Enterprise Co., Ltd, an emerging stock company, and Top High Image Corp., a GTSM (OTC) listed company in Taiwan. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Tsay Yang-Tzong (蔡揚宗), aged 53, is an independent non-executive Director. Mr. Tsay graduated from the Taiwan University and the Cheng-Chi University with a bachelor's degree in Business Administration and a master degree in commerce respectively. He also obtained a degree of Doctor of Philosophy from the University of Maryland. He has been a professor of the department of accounting in the Taiwan University since 1993 and was the chairman of such department from 1997 to 2000. Mr. Tsay had also been a visiting scholar at the University of Toronto and the Tohoku University in Japan. He is a qualified government accountant and auditor in Taiwan, a Certified Public Accountant in Taiwan and a Certified Internal Auditor in the US. He joined the Group in 2006. Mr. Tsay is a director of Bank of Taiwan, a supervisor of Taiwan Tobacco and Liquor Corporation and Chinese Television System Corp., all being public companies in Taiwan, a supervisor of Chang Hwa Commercial Bank Ltd. and an independent supervisor of Cyberlink Co., both being listed companies in Taiwan, an independent supervisor of Speed Tech Corp. and Shin Zu Shing Co., Ltd., all being GTSM (OTC) listed companies in Taiwan and an independent director of Kingpak Technology Inc., an emerging stock company in Taiwan. Mr. Tsay was an independent non-executive director of Asia Pacific Wire and Cable Corporation Limited, a company quoted on the Pink Sheets and engaged in the cable and wire industry, from March 2005 to June 2006. He was appointed as an independent non-executive Director on 12 December 2006.

Board of Directors and Senior Management

Mr. Yan Minghe（顏鳴鶴）, aged 79, is an independent non-executive Director. Mr. Yan graduated from Wuhan University majoring in Electrical Engineering and has been a power production technology senior engineer in the PRC since 1990. He worked in the Guangdong Power Bureau from 1952 to 1994. He was the vice president of the Guangdong Power Bureau before his retirement. He is experienced in domestic and international power and cable technologies. He joined the Group in 2006. Currently, he is the Honourable Officer of the Gas Turbine Power Generation Special Committee in the PRC and the Guangdong Society for Electrical Engineering. He is also the consultant to China Huaneng Group which is a central-government-administered state-owned enterprise. The major businesses of China Huaneng Group include, but not limited to, the investment, construction, operation and management of power generation assets and the production and sale of power and heat; and the investment, construction and operation of business in information technology, transportation, renewable energy, environment protection, trade and fuel. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Atsushi Kanayama（金山敦）, aged 48, is an independent non-executive Director. Mr. Kanayama obtained a bachelor's degree in Veterinary Medicine from Kitasato University in Japan and a Certificate in Chinese language from Zhengzhou University in the PRC. He worked in Mitsubishi Cable Industries, Ltd., a listed company in Japan principally engaged in the wire and cable and wiring system business and Dai 1 Denko Co., Ltd., both being companies in the cable and wire industry, from 1998 to 1998. Since 1999, he has been working in Akashi Seisen Co., Ltd., a Japanese company principally engaged in the manufacture of copper wire. He is currently the manager of the manufacturing department of Akashi Seisen Co., Ltd.. Mr. Kanayama has gained extensive experience in the management and production technology of bare copper wire and the business planning and sales management of magnet wire through his years working in the cable and wire industry. He joined the Group in 2006. He was appointed as an independent non-executive Director on 12 December 2006.

Senior Management

Ms. Wang Hsueh-Hua（王雪花）, aged 57, graduated from the Taiwan University with a master degree in Accounting. She joined the Group in 2003 and she is the Vice General Manager of the Finance Department of both Tai-I Jiang Corp and Tai-I Copper. Ms. Wang is experienced in the field of finance and accounting.

Mr. Tai Wen-Lu（戴文錄）, aged 49, graduated from the Ta Hwa Institute of Technology specialising in Food Production Engineering. He joined the Group in 2004 and he is the Vice General Manager of the Sales and Marketing Department of Tai-I Copper. Mr. Tai has extensive experience in management.

Mr. Lin Chun-Jung（林春榮）, aged 54, is the Assistant Manager of the Production Department of Tai-I Copper. Mr. Lin joined the Group in 2000. He is experienced in the production of wire and cable.

Mr. Chiu Sheng-Jung (邱盛榮), aged 46, graduated from the Nanya Institute of Technology specialising in Textile Engineering. During the period from 1980 to 2002, Mr. Chiu worked in Taiwan Tai-I and obtained experience in various different departments, including the Production Department, the Quality Control Department and the Sales Department. He joined the Group in 2002 and he is the Vice General Manager of the Sales and Marketing Department of Tai-I Jiang Corp.

Mr. Lin Yu-Chau (林于超), aged 43, graduated from the Taitung Institute of Technology with a master degree in Materials Engineering. Before joining the Group in 1998, Mr. Lin was employed by Taiwan Tai-I as the supervisor of the Production Technology Department of Taiwan Tai-I. He is the Assistant Manager of the Production Department of Tai-I Jiang Corp. He had worked as an engineer for a number of years.

Mr. Sadahiko Kawashima (革島貞彥), aged 62, graduated from the Kyoto University, Japan, in 1968, with a bachelor's degree in Jurisprudence. Mr. Kawashima had worked in the non-ferrous metal business field for more than 35 years. He was seconded to join the Group from Sumitomo Corporation in 2001 as a special adviser of the Group on the procurement of copper cathodes and copper-related matters. Since 2003, Mr. Kawashima became the Adviser of the Copper Committee and has taken charge of the procurement and hedging divisions of the Copper Committee.

Mr. Choi Kai Ming, Raymond (蔡繼明), aged 58, was appointed as the company secretary in November 2006 and the qualified accountant of the Company in December 2006. Mr. Choi has more than 30 years of extensive professional and commercial experience, in PRC affairs in particular. He started his accounting profession as a Management Consultant at Price Waterhouse. He was the Chief Auditor of CLP Holdings Limited, a listed company on the Main Board of the Stock Exchange. Mr. Choi began his own practice in 1993. He was a partner of Profectus & Co., an accounting firm established in Hong Kong.

Overview

Due to the supply and demand situation and operation of funds, international and domestic copper price rose sharply in 2006, together with our successful expansion in production capacity and significant growth in sales volume, both of our revenue and profit reached new heights, of which revenue and gross profit from bare copper wire increased 69.87% and 15.06% respectively over 2005, while revenue and gross profit from magnet wire increased 104.43% and 117.61% respectively over 2005.

Besides mainly relying on increasing capacity and output through installing new facilities and reforming existing facilities to achieve economy of scale, the growth in revenue and profit is also attributable to our considerable effort in raising the proportion of our high value added magnet wire; improving features of our products by R&D carried out by a well experienced and dedicated technology team; and liaising closely with our clients and jointly develop new products to replace imported ones. These efforts are the key to maintain the Group's competitiveness continually.

Industry Overview

According to the International Copper Study Group, the PRC became a leading consumer of copper in the world, and its share of the total world usage has increased to 23% in 2005 from only 9% in 1995. Copper consumption is an important indicator for measuring a country's status of economy development, and such consumption is in line with the trend of its GDP. The PRC's copper consumption increased one million tonnes in just a short period of 2000 to 2005, representing an average annual growth of more than 70%. The PRC has a large population and its copper consumption per capita is under 3 kg, which is a low consumption level, in comparison, the copper consumption per capita of US and Japan has been 8 – 10 kg. Therefore, as long as the growth in economy is sustaining, copper usage will be on the rise.

Magnet wire is a major component of transformers, motors and coils. According to the CRU Report, the market of magnet wire in the PRC has grown rapidly driven by a strong growth in the production of household appliances (which was estimated to be in the range of 7-15% per annum). The growth of both the production and consumption of magnet wire in the PRC are quite stable over the last five years, and the total consumption volume has been higher than its total production volume throughout these years. This shows that demand for magnet wire in the PRC has consistently exceeded its supply. Therefore, the PRC has to rely on import to satisfy its demand, especially in the Pearl River Delta region which is a major importing area and accounted for about 50% of the nation's total import. It is recognized that currently, the copper-manufacturing centre of the world is shifting to the PRC. International Copper Association Ltd., an international organization for promoting the use of copper worldwide, took the view that the PRC had taken the leadership role among copper centres worldwide in the home appliance arena and in the research and development of copper rotor electric motor. The PRC would play a larger and more significant role in copper industry and worldwide copper market.

Market Position

Bare copper wire

In the Pearl River Delta region, there are a number of bare copper wire manufacturers. However, according to the SECRI Report, in 2005, in terms of production output, Tai-I Jiang Corp was the third largest manufacturer of bare copper wire in the PRC and the largest manufacturer of bare copper wire in the Pearl River Delta region. The Group's production of bare copper wire in 2005 accounted for 40% of the market share in the Pearl River Delta region.

According to the SECRI Report, in 2005, among the major bare copper wire manufacturers in the PRC which utilise the continuous casting and rolling production line, only five of them had the production capacity of 150,000 tonnes of bare copper wire, and only three of these manufacturers had an annual production output of bare copper wire of more than 130,000 tonnes. The SECRI report states that Tai-I Jiang Corp, in 2005, had an average monthly output of bare copper wire of 12,000 tonnes. Apart from the major bare copper wire manufacturers mentioned above, the rest of the industry is fragmented and consists of various manufacturers with smaller production-scale. According to the report of "銅加工雜誌", the scale of Tai-I Jiang Corp. ranked the third in the PRC in 2006.

Magnet wire

According to the data collected by SECRI, in 2004, among the manufacturers of magnet wire in the PRC, more than 18 of them had an annual production capacity of more than 5,000 tonnes of magnet wire, eight of them had an annual production capacity of more than 20,000 tonnes and only three of them had an annual production capacity of more than 25,000 tonnes. In 2004, Tai-I Copper was one of the top 10 largest magnet wire manufacturers (in terms of sales amount) in the PRC. In 2004, Tai-I Copper recorded RMB625,037,000 sales for magnet wire. At present, the production capacity of Tai-I Copper reached 50,000 tonnes of magnet wire per annum, which nearly doubles its production capacity of 26,000 tonnes of magnet wire in 2004.

All in all, according to all the information stated above, the Group is currently at a highly competitive position in its industry in the PRC.

Strengthen Competitiveness of Operation

The Group has maintained good relationships with prominent and other customers

The Group's management focuses on maintaining good relationships with the Group's customers. The Group's bare copper wire customers, include Dongguan Jeton Cable Works Limited (東莞澤龍線纜有限公司), Dongguan Well Shin Electronic Products Co., Limited (東莞維升電子製品有限公司), Guangzhou Panyu Tianshun Electrical Co., Ltd. (廣州番禺天順電工器材有限公司), Shenzhen Baohing Electric Wire & Cable Manufacture Co., Ltd. (深圳寶興電線電纜制造有限公司) and Shenzhen Chengwei Industrial Co., Ltd. (深圳市成威實業有限公司), which are prominent players in their respective industries. The Group also supplies magnet wire to prominent customers which include Mabuchi Industry Company Limited (萬寶至實業有限公司), Panasonic Motor Zhuhai Co., Ltd. (珠海松下馬達有限公司), Panasonic Ecology Systems Guangdong Co., Ltd, (廣東松下環境系統有限公司, formerly known as 順德松下精工有限公司), and Guangdong Galanz Enterprise Group Co., Ltd.). The Group has maintained established relationship with these customers, most of which have had more than three years of business relationship with the Group.

As most of the major customers of the Group are situated in the Pearl River Delta region and the Group's production facilities are situated at the Eastern District of the Guangzhou Economic and Technological Development Zone, the PRC, the Group can easily and quickly access its customers in the vicinity which enables it to maintain a closer relationship with those customers and to achieve speedy and responsive delivery of products to its customers within the region.

The management of the Group believes that it has successfully maintained strong relationships with the above named customers over a period of years. Through such customer relationships, the Group is able to gain insights into industry developments and future product plans and emphasis, which can help the Group more effectively to manage its own production and expansion planning.

The Group has established stable and good working relationship with numerous suppliers in the world

The main raw material in the our production of bare copper wire is copper cathode, and raw materials for the production of magnet wire include bare copper wire (produced by the Group itself) and varnish.

The copper cathodes used in our production have been supplied by various major and renowned copper cathode suppliers such as Sempra Metals Concentrates Corp. (LME base metal member), Corporacion National del Cobrede Chile, CODELCO (the world's largest copper mining enterprise in Chile), GLENCORE (the world's largest mining and raw material supplier for industrial consumption), BHP (Australia), TRAFIGURA (the world's largest independent trading company), PPC (Japan), Sumitomo Metal Mining (住礦) (Japan), 金隆銅業有限公司 and 滬海明暉.

The Group has established working relationships with the above renowned copper cathode suppliers for many years, and thus our source of supply was adequately diversified.

Human Resources: Investment in Human Resources

The Group has a dedicated management team with extensive experience. Most of the senior management members have joined the Group since its establishment, and have been serving the Group or its subsidiaries. In addition, we also invited international talents with professional qualification from overseas to join our senior management team. Under the leadership, vision and drive of the Group's management, we have become one of the market leaders in the PRC within a relatively short period and assumed a leading role in the Pearl River Delta market. The Group has also built up a highly respected brand name.

As at 31 December 2006, the Group had about 1,250 full time employees in the PRC. For the year ended 31 December 2006, staff cost was approximately RMB40,859,000 (2005: RMB28,050,000), of which contributions to defined contribution retirement schemes were approximately RMB2,814,000 (2005: RMB2,117,000). The Group ensured its remuneration to remain at a competitive level, and distributed bonus to its employees in accordance with the Group's general remuneration policy in line with their performance. In addition, the Group also tried to retain and provide incentive to its technical and management talents through providing internal training and development programs.

The employees of the Company's subsidiaries in the PRC are members of a state-managed social welfare scheme operated by the local government of the PRC. Under the scheme, the Group provides retirement, medical, employment injury, unemployment and maternity benefits to its employees in the PRC in accordance with the relevant PRC rules and regulations. The Group is required to contribute a specified percentage of the payroll of its staff to the social welfare scheme to fund the benefits. The only obligation of the Group with respect to the social welfare scheme is to make the specified contributions.

The executive Directors and certain members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is a change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

Use of Proceeds from the Share Offer

The proceeds from the Company's share offer, after deduction of related expenses, amounted to approximately HK$220.76 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds from the Share Offer" in the prospectus of the Company dated 28 December 2006. Up to the date of this report and in accordance with the plans as set out in the prospectus, approximately HK$44 million were utilized to repay short-term borrowings for trade financing purpose and approximately HK$22 million were utilized for general working capital of the Group. The remaining net proceeds of HK$154.76 million is temporarily placed as short-term deposits with licensed banks in Hong Kong and the PRC.

Business Outlook

Moving forward, the Group will continue to deploy management expertise to develop high value added products. We shall optimize our product mix and expand our markets. We intend to establish our business operation covering other regions in the PRC as and when opportunities arise. With our expertise in the manufacture of cable and wire, we believe that we are well positioned to implement our development plans on new products so as to enhance the Group's profitability for the benefit of our shareholders.

Turnover

For the year ended 31 December 2006, the revenue of the Group amounted to approximately RMB7,077,910,000 (2005: 3,979,619,000), an increase of approximately 77.85% as compared to the previous year. The revenue of bare copper wires increased by approximately RMB2,098,263,000 or 69.87%, while the revenue of magnet wires increased by approximately RMB1,007,089,000 or 104.43%.

Growth in revenue is due to the increase in copper price. The average copper price quoted by London Metal Exchange increased greatly from approximately US$3,679 per tonne in 2005 to approximately US$6,722 per tonne in 2006. In addition, the sales volume of magnet wire also rose from 25,646 tonnes in 2005 to 33,230 tonnes in 2006. Boosted by the strong uplift of price and sales volume, the revenue of the Group increased significantly.

Gross Profit

For the year ended 31 December 2006, gross profit increased dramatically by 55.42% from approximately RMB142,567,000 in 2005 to approximately RMB221,571,000 in 2006. Gross profit of bare copper wires increased by approximately RMB12,109,000 or 15.06%, while that of magnet wires increased by approximately RMB69,081,000 or 117.61%. Even though overall gross profit margin dropped slightly due to the significant increase in revenue resulted from substantial uplift of copper price, the average gross profit per tonne recorded a drastic growth despite copper price increase. Average gross profit of bare copper wires increased by 15.29% from approximately RMB850 per tonne in 2005 to approximately RMB980 per tonne in 2006, while average gross profit of magnet wires increased significantly by 68.12% from approximately RMB2,290 per tonne is to approximately RMB3,850 per tonne in 2006..

The improvement in gross profit and average gross profit per tonne was primarily attributable to the long term effort of cost control by the Group and the optimization of the product mix.

Other Net Income/(Loss)

The Group recorded other net income of approximately RMB36,975,000 in 2006, compared with the other net loss of approximately RMB1,859,000 in 2005. The other net income was primarily due to a gain of approximately RMB17,989,000 (2005: a loss of approximately RMB6,078,000) on derivative financial instruments and an exchange gain of approximately RMB17,164,000 (2005: RMB4,374,000).

Finance Costs

Finance costs increased by approximately RMB55,521,000 from approximately RMB41,448,000 in 2005 to approximately RMB96,969,000 in 2006. The increase was due to (i) an increase of approximately RMB51,328,000 in interest expenses for discounting bills receivable or letter of credit and commercial bills issued and subsequently converted to short-term trust receipt loans, which was in line with the increase in revenue and purchase of copper cathodes, and (ii) an increase of approximately RMB3,726,000 in bank charges for the issuance of letters of credit, which was in line with the purchases of copper cathodes and the resulting higher level of bills and accounts payable.

Profit for the Year

Profit for the year increased by 79.07% from approximately RMB67,457,000 in 2005 to approximately RMB120,798,000 in 2006. Profit attributable to equity holders of the Company increased by 122.41% from approximately RMB35,735,000 in 2005 to approximately RMB79,480,000 in 2006. Upon completion of the reorganisation on 16 August 2006, the Company became the direct or indirect owner of 100% equity interests in TIC (BVI), Tai-I Jiang Corp and Tai-I Copper and accordingly, no portion of the Group's results and net assets were required to be allocated or presented as attributable to minority interests in the Group's consolidated financial statements since that date.

Dividend

For the year ended 31 December 2006, earnings per share amounted to RMB0.18 (2005: RMB0.08), an increase of RMB0.10 or 125% from the corresponding period last year. As at 31 December 2006, the Company did not declare any dividend. Any distributable profit that has not been distributed in any specific year will be retained by the Company.

Return on Shareholders' Equity

For the year ended 31 December 2006, the Group achieved a total shareholder's return of RMB120,798,000 (2005: RMB67,457,000) and a yield on shareholders' equity of 27.26% (2005: 19.97%), shareholder's return on equity increased by 7.29 basic points from last year.

Foreign Exchange

Revenue of the Group is primarily denominated in US dollar, HK dollar and Renminbi while in purchase of the Group is primarily denominated in are US dollar and Renminbi. In 2006, approximately 65.81%, 6.86% and 27.33% of the Group's revenue was denominated in US dollar, HK dollar and Renminbi respectively, while approximately 75.72% and 24.28% of the Group's purchase was denominated in US dollar and Renminbi respectively. In 2006, the Group recorded net exchange gains of approximately RMB17,164,000 (2005: RMB4,374,000) due to the appreciation of Renminbi.

Liquidity and Financial Resources

As at 31 December 2006, total equity attributable to equity holders of the Company amounted to approximately RMB503,556,000, increased by approximately 157.89% from approximately RMB195,263,000 as at 31 December 2005. Net asset value per share as at 31 December 2006 was approximately RMB1.12, calculated based on 450,000,000 shares, increased by 160.47% from RMB0.43 as at 31 December 2005. Net cash generated from operating activities for 2006 amounted to approximately RMB214,180,000, increased significantly by 54.57 times as compared to that for 2005. The strong current cash flow generated by the activities of the Group ensures a stable financial position for the Group.

Short-term borrowings increased from approximately RMB970,173,000 as at 31 December 2005 to approximately RMB1,790,727,000 as at 31 December 2006, representing an increase of 84.58%. It was due to the relatively higher copper price in 2006 as compared to 2005 and the resulting greater demand for working capital of the Group. Pledged deposits placed for the issuance of letters of credit in relation to the overseas purchases of copper cathodes amounted to approximately RMB1,127,218,000 as at 31 December 2006, increased by approximately 30.96% as compared to those as at 31 December 2005. In 2006, deposits amounting to 30% or 35% of the amount covered by the relevant letters of credit were required by the banks for the issuance of letters of credit.

Pledge of Assets

The carrying amount of assets pledged to secure bank loans and certain letters of credit and commercial bills is summarized as follows:

	As at 31 December		
Assets	**2006**	**2005**	**Purpose**
	RMB'000	*RMB'000*	
Buildings	93,761	106,968	Bank loans, letters of credit and commercial bills
Land use rights	33,858	29,109	Bank loans, letters of credit and commercial bills
Inventories	218,010	38,444	Bank loans, letters of credit and commercial bills
Bank deposits	1,127,218	860,712	Letters of credit and commercial bills
Machinery, equipment and tools	197,831	211,650	Letters of credit and commercial bills
Total	1,670,878	1,246,883	

Capital Structure

The Group adopts a prudent treasury policy, and its net gearing ratio (calculated as total borrowings less pledged deposits and cash then divided by total assets) as at 31 December 2006 was 14.38% (2005: 3.06%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2006 was 100.94% (2005: 95.25%). The Group continued to monitor stringent debt collection policy so as to minimize the risks of sales on credit and to ensure that funds are timely collected.

Capital Expenditures

The Group's main capital expenditures were for the acquisition of properties, plant and equipment. The following table shows the Group's capital expenditures for 2006 and 2005:

	For the year ended 31 December	
	2006	2005
	RMB'000	RMB'000
Buildings	**1,415**	4,560
Machinery, equipment and tools	**17,247**	43,384
Dies and moulds	**4,931**	3,904
Motor vehicles and other fixed assets	**2,575**	2,981
Construction in progress	**2,322**	45,843
	28,490	100,672

In 2005, capital expenditures were primarily incurred for the construction of an additional factory premise for the production of magnet wire. Construction of the additional factory premises was completed in November 2005, and the production capacity of magnet wire increased to 40,000 tonnes per annum. In 2006, production equipment and technology was upgraded, and the production capacity of magnet wire increased to 50,000 tonnes per annum.

Significant investment

The Group had no significant investment held for the year ended 31 December 2006.

Material Acquisitions and Disposals of Subsidiaries

Save for the undertaking of the reorganisation in preparation for the listing of the Company's shares on the Stock Exchange as more particularly described in the prospectus of the Company dated 28 December 2006 ("Prospectus"), the Group did not have any material acquisition of subsidiaries or disposal of subsidiaries or associates during the year ended 31 December 2006.

Future Plans for Material Investments or Capital Assets

The Group is committed to become a leading wire supplier in the PRC and intends to expand its production capacity. It is expected that approximately HK$154.76 million of the net proceeds from the share offer will be used to upgrade the existing production facilities, acquire the new production facilities or related businesses to expand the production capacity of the Group (as described in the section headed "Reasons for the share offer and use of proceeds" of the Prospectus).

Capital and Other Commitments

(a) Capital commitments outstanding at 31 December 2006 not provided for in the consolidated financial statements were as follows:

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Contracted for	**–**	18,266
Authorised but not contracted for	**–**	–
	–	18,266

(b) At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

	2006	2005
	RMB'000	RMB'000
Less than one year	**1,310**	752
Between one are two years	**–**	4
	1,310	756

The Group leased a number of properties under operating lease during the year. None of the lease includes contingent rentals.

Property Valuation

For the purpose of the listing of the Company's shares on the Main Board of Stock Exchange, the properties of the Group were revalued as at 30 September 2006 by DTZ Debenham Tie Leung Limited. The valuation gave rise to a revaluation surplus of approximately RMB9.1 million from the carrying amount of the relevant assets at that date. According to the Group's accounting policy, the revaluation surplus will not be recorded in the Group's consolidated financial statements. If the revaluation surplus were to be included in the Group's consolidated financial statements, additional depreciation charge would be approximately RMB0.2 million per annum.

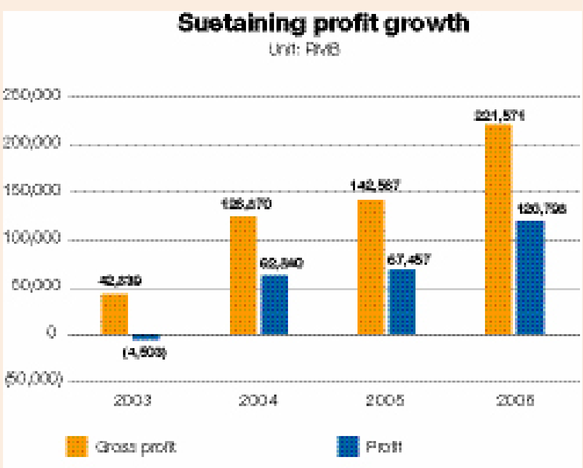
Contingent Liabilities

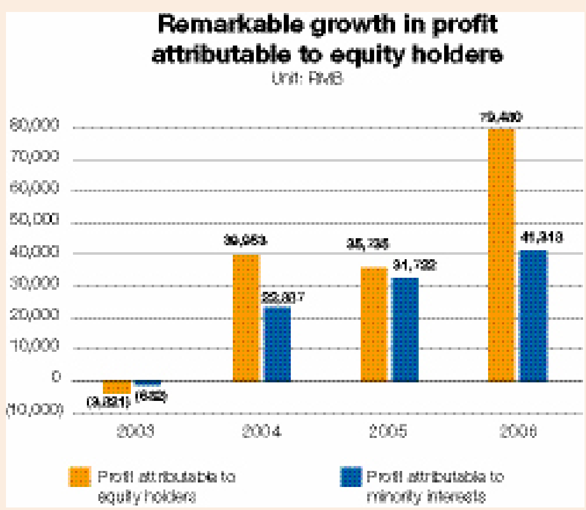
The Group had no significant contingent liabilities as at 31 December 2006 (2005: nil).

Summary of Consolidated Income Statement Data

	For the year ended 31 December			
	2006	2005	2004	2003
	RMB '000	RMB '000	RMB '000	RMB '000
Revenue	**7,077,910**	3,979,619	2,754,139	1,099,041
Costs	**(6,856,339)**	(3,837,052)	(2,627,269)	(1,056,202)
Gross profit	**221,571**	142,567	126,870	42,839
Profit from operation	**224,023**	108,905	100,647	24,404
Finance costs	**(96,969)**	(41,448)	(37,807)	(28,907)
Profit before taxation	**127,054**	67,457	62,840	(4,503)
Income tax expense	**(6,256)**	–	–	–
Profit (loss) for the year	**120,798**	67,457	62,840	(4,503)
Profit (loss) attributable to minority interests	**41,318**	31,722	22,887	(682)
Profit (loss) attributable to equity holder of the Company	**79,480**	35,735	39,953	(3,821)
Basic and diluted earnings per share	**0.18**	0.08	N/A (Note)	N/A (Note)

Note: No earnings per share information is presented as its inclusion would be hypothetical due to the reorganisation and the net assets of the merger of each company is accounted aggregately at the current carrying value of each company.





Four-Year Summary and Key Financial Ratios

Summary of Consolidated Balance Sheet Data

	At 31 December			
	2006	2005	2004	2003
	RMB '000	RMB '000	RMB '000	RMB '000
Non-current assets	**514,551**	519,819	447,409	421,002
Current assets	**3,110,353**	1,945,251	1,370,661	844,052
Current liabilities	**(3,081,348)**	(2,042,312)	(1,525,115)	(1,161,574)
Net current assets (liabilities)	**29,005**	(97,061)	(154,454)	(317,522)
Total assets less current liabilities	**543,556**	422,758	292,955	103,480
Non-current liabilities	**(40,000)**	(40,000)	–	–
Net assets	**503,556**	382,758	292,955	103,480
Total equity attributable to equity holders of the Company	**503,556**	195,263	158,285	87,953
Minority interests	**–**	187,495	134,670	15,527
Total equity	**503,556**	382,758	292,955	103,480

Key Financial Ratios

	2006	2005	2004	2003
	RMB '000	RMB '000	RMB '000	RMB '000
Profitability ratios				
Return on shareholder's equity (note 1)	**27.26%**	19.97%	31.70%	(4.26%)
Return on assets (note 2)	**3.97%**	3.15%	4.08%	(0.36%)
Liquidity ratios				
Current ratio (note 3)	**100.94%**	95.25%	89.87%	72.66%
Receivables turnover days (note 4)	**45.61**	43.86	35.41	45.53
Inventory turnover days (note 5)	**12.01**	11.18	12.30	18.05
Payables turnover days (note 6)	**57.35**	81.77	91.34	141.31
Capital adequacy ratios				
Net gearing ratio (note 7)	**14.38%**	3.06%	(2.56%)	(3.85%)

(Note 1) Profit (loss) for the year divided by year end average total equity and multiplied by 100%.

(Note 2) Profit (loss) for the year divided by year end average total assets and multiplied by 100%.

(Note 3) Current assets divided by current liabilities and multiplied by 100%.

(Note 4) Balance of average trade receivables and bills divided by revenue of the current year and multiplied by 365 days.

(Note 5) Average inventory balance divided by cost of goods sold of the year and multiplied by 365 days.

(Note 6) Balance of average trade payable and bills divided by merchandise sold of the year and multiplied by 365 days.

(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total assets and multiplied by 100%.

Report on Corporate Governance Practices

The Company is committed to maintaining good corporate governance principles to enhance the transparency and independency of the corporate operation, and to establish an effective shareholder communication mechanism which are beneficial to the steady growth of the Company and maximization of shareholders' value.

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 Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") on the Stock Exchange which came into effect on 1 January 2005. In the opinion of the Directors, the Company has met the code provisions set out in the CG Code.

Corporate Governance Framework

The Board is at the core of the Company's corporate governance framework, and there is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of the management while the management is responsible for implementing strategies that have been approved. Generally, the Board is responsible for:

- formulating the Group's long term strategy and monitoring the implementation thereof;
- reviewing and approving business plans and financial budgets;
- approving the respective annual and interim results;
- reviewing and monitoring risk management and internal control;
- ensuring good corporate governance and compliance; and
- monitoring the performance of the management.

The Board authorizes the management to carry out strategies that have been approved. The management reports to the Board and is responsible for the day-to-day operation of the Group. As such, the Board has formulated clear written guidelines, which stipulate the circumstances under which the management should report to and obtain approval from the Board.

Compliance with Model Code set out in Appendix 10 of Listing Rules

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code.

Board of Directors

The Board currently has nine members, comprising four executive Directors and five independent non-executive Directors:

Executive Directors
Mr Huang Cheng-Roang, alias Vincent Huang
Mr Lin Chi-Ta
Mr Du Chi-Ting
Mr Huang Kuo-Feng

Independent Non-executive Directors
Mr Tsay Yang-Tzong
Mr Kang Jung-Pao
Mr Cheng Yang-Yi
Mr Atsushi Kanayama
Mr Yan Minghe

Members of the Board have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition ensuring a strong independence exists across the Board and has met the recommended practice under the Corporate Governance Code for the Board to have at least one-third in number of its members comprising independent non-executive Directors. The biographical information of each Director is set out in the section headed "Board of Directors and Senior Management" in this annual report and relevant information has been also posted on the Company's website.

Board Meetings

The Company was incorporated in the Cayman Islands on 20 April 2006. During the financial year ended 31 December 2006, the Board held three meetings:

Directors	No. of meetings held	Number of attendance	Attendance rate
Executive Directors			
Mr Lin Chi-Ta	3	3	100%
Mr Huang Cheng-Roang, alias Vincent Huang	2	2	100%
Mr Du Chi-Ting	2	2	100%
Mr Huang Kuo-Feng	2	2	100%
Independent Non-Executive Directors			
Mr Tsay Yang-Tzong	1	1	100%
Mr Kang Jung-Pao	1	0	–
Mr Cheng Yang-Yi	1	1	100%
Mr Atsushi Kanayama	1	1	100%
Mr Yan Minghe	1	1	100%

Mr Lin Chi-Ta, an executive Director, was appointed on 20 April 2006 and three board meetings were held during his tenure of service. Mr Huang Cheng-Roang, Mr Du Chi-Ting and Mr Huang Kuo-Feng were appointed on 31 August 2006 and two board meetings were held during their tenure of service. All of the five independent non-executive Directors were appointed on 12 December 2006 and one board meeting was held during his tenure of service.

The Company planned in advance four scheduled board meetings a year at approximately quarterly intervals in order to make sure all directors could plan in advance their availability to attend the scheduled board meetings.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every member of the Board is entitled to have access to documents and related information of the Board and has unrestricted access to the advice and services of the Company Secretary.

Appropriate insurance cover has been arranged by the Company in respect of relevant actions against its Directors.

Chairman and Chief Executive Officer

The posts of the Chairman and the Chief Executive Officer are separately held by two persons with a clear division of responsibilities.

Mr Huang Cheng-Roang, alias Vincent Huang, Chairman of the Company, is responsible for leading the Board and ensuring the Board's efficient operation and that all major and relevant issues are discussed by the Board in a prompt and constructive manner. Mr Lin Chi-Ta, Chief Executive Officer of the Company, is authorized to oversee the Group's business operation and implement its strategies that have been approved to attain overall commercial goals.

Independent Non-executive Directors

The five independent non-executive Directors have obtained academic and professional qualifications in respective fields such as accounting, finance and magnet wires and electric cables. With their experience gained from various sectors, they provide strong support towards effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules. The five independent non-executive Directors are appointed for a term of two years and are subject to retirement by rotation in accordance with the Articles of Association of the Company.

Remuneration Committee

The Remuneration Committee has been established mainly for the purpose of ensuring that the Company can recruit, retain and motivate high-caliber staff in order to reinforce the success of the Company and create value for the shareholders. The Remuneration Committee is responsible for overseeing the determination of directors' remuneration and benefits and establishing formal and transparent procedures for developing policy on remuneration.

Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the Corporate Governance Code.

Members of the Remuneration Committee include:

Lin Chi-Ta *(Chairman)*
Tsay Yang-Tzong
Kang Jung-Pao
Cheng Yang-Yi
Atsushi Kanayama
Yan Minghe

During the financial year ended 31 December 2006, the Remuneration Committee did not hold any meeting as its members were appointed on 18 December 2006.

Nomination Committee

The Nomination Committee has been established mainly for reviewing and supervising the structure, size and composition of the Board, identifying qualified individuals to become members of the Board, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors.

Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the Corporate Governance Code.

Members of the Nomination Committee include:

Lin Chi-Ta *(Chairman)*
Tsay Yang-Tzong
Kang Jung-Pao
Cheng Yang-Yi
Atsushi Kanayama
Yan Minghe

During the financial year ended 31 December 2006, the Nomination Committee did not hold any meeting as its members were appointed on 18 December 2006.

Audit Committee

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the Corporate Governance Code.

Members of the Audit Committee include:

Tsay Yang-Tzong *(Chairman)*
Kang Jung-Pao
Cheng Yang-Yi
Atsushi Kanayama
Yan Minghe

During the financial year ended 31 December 2006, the Audit Committee did not hold any meeting as its members were appointed on 18 December 2006.

Directors' Securities Transactions

The Company has adopted the code of conduct regarding Directors' securities transactions as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") of the Listing Rules. Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code since the listing of the shares of the Company on 11 January 2007.

Deed of Non-competition

In order to protect the Group's interest in its current business activities, the Company has signed a deed of non-competition with Taiwan Tai-I and Tai-I (BVI). Pursuant to the deed, after the Company was listed on the Stock Exchange on 11 January 2007 and for so long as Taiwan Tai-I and Tai-I (BVI) and/or their respective associates, directly or indirectly, whether individually or taken together, remain the controlling shareholders of the Company, they will not, and will procure that their associates will not directly or indirectly engage or otherwise be interested in the manufacture and/or the sale of bare copper wire and magnet wire in any part of the world other than Taiwan. For the purpose of the deed of non-competition, "sale of bare copper wire and magnet wire in the restricted region" includes any sale contracted with customers in Taiwan for delivery to persons within the restricted region. Directors of Taiwan Tai-I and Tai-I (BVI) have agreed to sign a non-competition certificate within two months after the end of each year to state that the terms of the deed of non-competition have been complied during the respective year. The Company will include in its annual report a statement as to whether or not it has received such certificate in respect of the financial year to which the annual report relates, and a summary of the content of such certificate.

The deed of non-competition has come into effective since the Company was listed on the Stock Exchange on 11 January 2007. Therefore, no such certificate is included in this report.

Internal Control

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions and have implemented all the procedures as recommended under such review during the year.

Auditors' Remuneration

The remuneration paid/payable to the Company's and its subsidiaries' auditors is set out below:

	RMB'000
Audit services	904
Non-audit services	–

Investors' Relations

The Company actively develops investors' relations and communicates with the investment community throughout the year, particularly after announcement of its interim and annual results. It also addresses the enquiries of investors (including institutional shareholders, analysts and the media) by way of regular corporate presentations, telephone conferences and forums.

The Board is committed to providing shareholders with a clear and complete picture of the financial information of the Group by way of publication of interim and annual reports. Apart from receiving circulars, notices and financial reports, shareholders may also choose to log onto our website (www.tai-i-int.com) for access to more information.

Directors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2006, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors, having made appropriate enquiries, consider the Group has adopted appropriate basis in preparing the financial statements.

Directors' Report

The Board of Directors of the Company is pleased to submit their first report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

Principal Activities

The Company's principal business is investment holding. Its subsidiaries are principally engaged in the production and sale of bare copper wire and magnet wire.

The Group's revenue is derived solely from business activities of its investments in subsidiaries in the PRC. An analysis of the Group's revenue for the year ended 31 December 2006 is set out in note 3 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 40. The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

Distributable Reserves

Details of the Company's distributable reserves are set out in note 24 to the consolidated financial statements.

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the past four financial years is set out on page 23 to 24.

Share Capital

Details of the movements in the share capital during the year are set out in note 22 to the consolidated financial statements.

Substantial Shareholders

As at 11 January 2007 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange), the interests or short positions of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, are set out below:

1. Aggregate long position in the shares and underlying shares of the Company

Name of shareholder	Number of ordinary shares held	Percentage of the Company's issued share capital
Tai-I (BVI) (Note 1)	229,905,000	38.32%
First Sense International Limited (Note 2)	102,015,000	17.00%
Green Island Industries Limited (Note 3)	67,500,000	11.25%
Citigroup Financial Products Inc. (Note 4)	50,580,000	8.43%

Notes:

1. The ultimate holding company of Tai-I (BVI) is Tai-I Electric Wire & Cable Co., Ltd. (collectively referred as "Taiwan Tai-I"). Taiwan Tai-I is a company incorporated in Taiwan on 11 September 1979 and became a listed company on the Taiwan Stock Exchange Corporation on 20 October 1995. Taiwan Tai-I is principally engaged in the manufacture and sale of wire and cable products (such as magnet wire, bare copper wire and power cable) and polymer raw materials (such as varnish) for the production of wire and cable products.

2. First Sense International Limited is a wholly owned subsidiary of AIF Capital Asia III, L.P.. Other than being a substantial shareholder of the Company, each of First Sense International Limited and AIF Capital Asia III, L.P., is not connected with any of the directors, chief executive, other substantial shareholders of the Company or any of its subsidiaries.

3. Green Island Industries Limited, a company incorporated in the British Virgin Islands and which is beneficially owned by Liu Tianni. Other than by virtue of his share holding in Green Island, being a substantial shareholder of the Company. Liu Tianni is not connected with any of the directors, chief executive, other substantial shareholders of the Company or any of its subsidiaries.

4. Citigroup Financial Products Inc. is an independent third party.

2. Aggregate short position in the shares and underlying shares of the Company

As at 11 January 2007 (being the date on which the shares of the Company first commenced dealings on the Stock Exchange), the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 11 January 2007.

Closure of Register of Members

For the purpose of determining the identity of the shareholders entitled to attend and vote at the 2006 annual general meeting of the Company to be held on Tuesday, 22 May 2007, the register of members of the Company will be closed from Thursday, 17 May 2007 to Tuesday, 22 May 2007, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's transfer office and share register in Hong Kong, Computershare Hong Kong Investor Services Limited at shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 pm on Wednesday, 16 May 2007.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association ("Articles") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders of the Company.

Subsidiaries

Particulars of the subsidiaries of the Company as at 31 December 2006 are set out in note 26 to the consolidated financial statements.

Directors

The list of Directors of the Company during the year and up to the date of this Annual Report is set out below:

Executive Directors

Mr Huang Cheng-Roang *(Chairman)*	(appointed on 31 August 2006)
Mr Lin Chi-Ta *(Chief Executive Officer)*	(appointed on 20 April 2006)
Mr Huang Kuo-Feng	(appointed on 31 August 2006)
Mr Du Chi-Ting	(appointed on 31 August 2006)

Independent Non-Executive Directors

Mr Tsay Yang-Tzong	(appointed on 12 December 2006)
Mr Kang Jung-Pao	(appointed on 12 December 2006)
Mr Cheng Yang-Yi	(appointed on 12 December 2006)
Mr Yan Minghe	(appointed on 12 December 2006)
Mr Atsushi Kanayama	(appointed on 12 December 2006)

In accordance with the Articles, one third of the above Directors will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Independence Confirmation

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange. The Company considers all of the independent non-executive Directors are independent.

Directors' Service Contracts

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

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

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Emoluments

Details of the remuneration of the Directors for year 2006 are set out in note 9 to the consolidated financial statements.

Directors' Interests in Contracts

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the year.

Directors' Interests in Shares

As at 31 December 2006, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company, which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has approved the adoption of the Share Option Scheme. Pursuant to the Scheme, the Board may, at its discretion, grant options to any directors or eligible parties (as defined in the Scheme) for subscription of the Company's shares as a reward or feedback. The Company has not granted any option since adoption of the Scheme.

Apart from the Scheme mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors to acquire such right in any other body corporate.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, since the listing of its shares on the Stock Exchange on 11 January 2007 and as at the date of this report, the Company has maintained a sufficient public float as required under the Listing Rules.

Major Customers and Suppliers

Contracts with the Group's five largest suppliers combined by value, accounted for 77.21 per cent in value of total purchases during the year ended 31 December 2006, while contracts with the Group's largest supplier by value, accounted for 19.29 per cent in value of total purchases during the year ended 31 December 2006. Contracts with the Group's five largest customers combined by value accounted for 14.87 per cent in value of the turnover during the year ended 31 December 2006 and accounted for less than 30 per cent of the turnover. Contracts with the Group's largest customer by value accounted for 4.48 per cent in value of the turnover during the year ended 31 December 2006.

Save as disclosed above, none of the Directors, their associates or any other shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

Connected Transactions

Apart from the following continuing connected transaction, no other connected transactions will be continued after listing of the Company's shares on the Stock Exchange.

Exempted Continuing Connected Transaction:
The following continuing connected transaction of the Company is exempt from the reporting, announcement and independent shareholders' approval requirements under Rule 14A.33(3)(b) of the Listing Rules.

On 27 December 2006, the Company, Tai-I Copper and Tai-I Jiang Corp. entered into a trademark licence agreement with Tai-I Electric Wire & Cable Co., Ltd. ("Taiwan Tai-I") whereby Taiwan Tai-I would continue to grant to the Company, Tai-I Copper and Tai-I Jiang the licence to use the certain trademarks, being the trademarks the Group is using currently, at no consideration. The licence is exclusive (including as against Taiwan Tai-I) insofar as any use outside Taiwan in connection with bare copper wire and magnet wire is concerned. The term of the trademark licence agreement commenced from the date of it and would continue thereafter for so long as, among other terms set out in the trademark licence agreement, Taiwan Tai-I remains as the owner of such trademarks and a controlling shareholder.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2006.

Auditors

The financial statements for the year ended 31 December 2006 have been audited by the Group's auditors, KPMG and an unqualified opinion report was issued. KPMG shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Huang Cheng-Roang
Chairman

Hong Kong, 18 April 2007

To the Shareholders of Tai-I International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai-I International Holdings Limited (the "Company") set out on pages 40 to 84, which comprise the consolidated and Company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

18 April 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Turnover	3	**7,077,910**	3,979,619
Cost of sales		**(6,856,339)**	(3,837,052)
Gross profit		**221,571**	142,567
Other revenue	4	**13,506**	7,265
Other net income/(loss)	5	**36,975**	(1,859)
Distribution expenses		**(19,781)**	(18,838)
General and administrative expenses		**(23,210)**	(17,414)
Other operating expenses	6	**(5,038)**	(2,816)
Profit from operations		**224,023**	108,905
Finance costs	7(i)	**(96,969)**	(41,448)
Profit before taxation	7	**127,054**	67,457
Income tax expenses	8(i)	**(6,256)**	–
Profit for the year		**120,798**	67,457
Attributable to:			
- Equity holders of the Company		**79,480**	35,735
- Minority interests	25	**41,318**	31,722
Profit for the year		**120,798**	67,457
Basic and diluted earnings per share (RMB)	12	**0.18**	0.08

The notes on pages 47 to 84 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment	13	**480,693**	485,124
Lease prepayments	14	**33,858**	34,695
		514,551	519,819
Current assets			
Inventories	15	**326,045**	125,195
Trade and other receivables	17	**1,474,691**	621,410
Amounts due from related companies	29(b)	**–**	263,828
Pledged deposits	18	**1,127,218**	860,712
Cash and cash equivalents	19	**182,399**	74,106
		3,110,353	1,945,251
Current liabilities			
Bank loans	20	**1,790,727**	970,173
Trade and other payables	21	**1,288,076**	985,975
Amounts due to related companies	29(c)	**–**	86,164
Derivative financial instruments	16	**1,202**	–
Income tax payable	8(iii)	**1,343**	–
		3,081,348	2,042,312
Net current assets/(liabilities)		**29,005**	(97,061)
Total assets less current liabilities		**543,556**	422,758
Non-current liabilities			
Bank loans	20	**40,000**	40,000
NET ASSETS		**503,556**	382,758

The notes on pages 47 to 84 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2006

	Note	**2006 RMB'000**	2005 RMB'000
Capital and reserves			
Share capital	22	**–**	190,125
Reserves	23	**503,556**	5,138
Total equity - attributable to equity holders of the Company		**503,556**	195,263
Minority interests	25	**–**	187,495
Total equity		**503,556**	382,758

Approved and authorised for issue by the board of directors on 18 April 2007.

On behalf of the Board of Directors

LIN, Chi-Ta
Director

HUANG Cheng-Roang
Director

The notes on pages 47 to 84 form part of these financial statements.

Balance Sheet

At 31 December 2006

(Expressed in Renminbi Yuan)

	Note	2006 RMB'000
Non-current assets		
Investments in subsidiaries	26	**464,996**
		464,996
Current assets		
Trade and other receivables	17	**22,772**
		22,772
Current liabilities		
Trade and other payables	21	**22,772**
		22,772
Net current assets		**–**
NET ASSETS		**464,996**
Capital and reserves		
Share capital	22	**–**
Reserves	24	**464,996**
Total equity		**464,996**

Approved and authorised for issue by the board of directors on 18 April 2007.

On behalf of the Board of Directors

LIN, Chi-Ta
Director

HUANG Cheng-Roang
Director

The notes on pages 47 to 84 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2006

(Expressed in Renminbi Yuan)

	Attributable to equity holders of the Company						
	Share capital RMB'000	Merger reserve RMB'000	PRC statutory reserve RMB'000	(Accumulated losses)/ retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2005	190,125	–	–	(31,840)	158,285	134,670	292,955
Capital injection	–	–	–	–	–	22,346	22,346
Dilution gains	–	–	–	1,243	1,243	(1,243)	–
Profit for the year	–	–	–	35,735	35,735	31,722	67,457
At 31 December 2005	190,125	–	–	5,138	195,263	187,495	382,758
At 1 January 2006	190,125	–	–	5,138	195,263	187,495	382,758
Deemed appropriations to equity holders (note 25)	–	228,813	–	–	228,813	(228,813)	–
Arising from the Reorganisation	(190,125)	190,125	–	–	–	–	–
Profit for the year	–	–	–	79,480	79,480	41,318	120,798
Transfer to reserve	–	–	18,701	(18,701)	–	–	–
At 31 December 2006	–	418,938	18,701	65,917	503,556	–	503,556

The notes on pages 47 to 84 form part of these financial statements.

Consolidated Cash Flow Statement

For the Year Ended 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Operating activities			
Profit before tax		**127,054**	67,457
Adjustments for:			
– Depreciation		**30,483**	23,536
– Amortisation of lease prepayments		**837**	837
– Interest income		**(13,457)**	(7,165)
– Loss on disposal of property, plant and equipment		**1,448**	1,717
– Finance costs		**96,969**	41,448
– Unrealised loss of derivative financial instruments		**1,202**	–
– Unrealised foreign exchange (gain)/loss		**(11,389)**	74
Operating profit before changes in working capital		**233,147**	127,904
Increase in inventories		**(200,850)**	(15,385)
Increase in trade and other receivables		**(851,109)**	(224,740)
Decrease/(Increase) in amounts due from/to related companies		**177,664**	(75,005)
Decrease in derivative financial instruments		**–**	684
Increase in trade and other payables		**313,274**	165,127
Increase in bank advances under discounted bills		**546,967**	25,269
Cash generated from operating activities		**219,093**	3,854
PRC income tax paid		**(4,913)**	–
Net cash generated from operating activities		**214,180**	3,854
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(29,474)**	(88,297)
Proceeds from disposal of property, plant and equipment		**990**	1,612
Interest received		**12,047**	5,532
Decrease in time deposits		**–**	10,000

The notes on pages 47 to 84 form part of these financial statements.

Consolidated Cash Flow Statements

For the Year Ended 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Net cash used in investing activities		**(16,437)**	(71,153)
Cash flow from financing activities			
Proceeds from capital injection from minority interests		**–**	22,346
Proceeds from interest–bearing loans and borrowings		**2,918,411**	1,064,110
Repayment of interest–bearing loans and borrowings		**(2,644,824)**	(657,699)
Finance costs paid		**(85,767)**	(41,581)
Increase in pledged deposits		**(266,506)**	(392,780)
Share issue expenses paid		**(10,651)**	–
Net cash used in financing activities		**(89,337)**	(5,604)
Effect of foreign exchange rate changes on cash		**(113)**	(35)
Net increase/(decrease) in cash and cash equivalents		**108,293**	(72,938)
Cash and cash equivalents at beginning of year		**74,106**	147,044
Cash and cash equivalents at end of year	19	**182,399**	74,106

The notes on pages 47 to 84 form part of these financial statements.

1. Company background and basis of presentation

(a) The Company and the reorganisation

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 Island.

Pursuant to a reorganisation ("the Reorganisation") of the Company and its subsidiaries (the "Group") which was completed on 16 August 2006 to rationalise the Group's structure in preparation for the public listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited ("the Stock Exchange"), the Company became the holding company of the subsidiaries comprising the Group.

The shares of the Company were listed on the Stock Exchange on 11 January 2007.

(b) Basis of presentation

The Group is regarded as a continuing entity resulting from the Reorganisation since all of the entities which took part in the Reorganisation were controlled by the same group of ultimate equity holders, through their interests in Tai-I International Development Pte. Ltd., Tai-I International (Singapore) Pte. Ltd. and Tai-I International (BVI) Limited (referred to as "the controlling equity holders") before and after the Reorganisation and, consequently, there was a continuation of the risks and benefits to the controlling equity holders, the consolidated financial statements have been prepared on the basis of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combination" issued by the Hong Kong Institute of Certified Public Accountants as if the Group had always been in existence.

A business combination involving entities or businesses under common control is a business combination in which all the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. For business combinations involving entities under common control, merger accounting is adopted. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative period disclosed, are included in the consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties.

The net assets of the combining companies are consolidated using the existing book values from the controlling equity holders' perspective. Accordingly, the interests of equity holders other than the controlling equity holders in the combining companies, Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") and Tai-I Copper (Guangzhou) Co., Ltd., ("Tai-I Copper ") prior to the Reorganisation, have been presented as minority interests in the Group's financial statements.

(Expressed in Renminbi Yuan)

1. Company background and basis of presentation (continued)

(b) Basis of presentation (continued)

The results of the Group for the two years ended 31 December 2006 include results of the Company and its subsidiaries with effect from their respective dates of incorporation, whichever is a shorter period as if the current group structure had been in existence throughout the two years presented. The consolidated balance sheet as at 31 December 2005 is a combination of the balance sheets of the companies now comprising the Group at 31 December 2005. All material intra-group transactions and balances have been eliminated on consolidation. In the opinion of the directors, the consolidated financial statements prepared on this basis present fairly the results of operations and state of affairs of the Group as a whole.

As the Company was incorporated on 20 April 2006, no comparative figure is presented in respect of the Company's balance sheet.

2. Significant accounting policies

(a) Statement of compliance

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

The IASB has issued a number of new and revised IFRSs that are first effective or available for early adoption for accounting periods beginning on or after 1 January 2006. these new and revised IFRSs have been early adopted at the beginning of the year ended 31 December 2003.

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

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the derivative financial instruments which are stated at their fair value as explained in the accounting policies set out below.

2. Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group 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 or convertible are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

For the purpose of preparing financial statements using the merger basis of accounting, minority interests represent portion of the net assets of the Group attributable to equity interests that are not owned by the Company's controlling equity holders for both years presented, whether directly or indirectly, and are presented in the consolidated balance sheets and consolidated statements of changes in equity within equity, separately from controlling equity attributable to the equity holders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the Company's controlling equity holders and minority interests.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statement. Unrealised losses resulting 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) Derivative financial instruments

The Group uses copper futures contracts and to hedge its exposure against copper price. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. The Group's policy with respect to hedging the risk of copper is to designate it as fair value hedge.

2. Significant accounting policies (continued)

(d) Derivative financial instruments (continued)

The use of derivative financial instruments is governed by the Group's policies, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy.

Derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. Changes in the fair value of the hedging instrument are recognised in the income statement. The gain or loss relating to the effective portion of hedging is recognised in the income statement under "cost of sales." The gain or loss relating to the ineffective portion is recognised in the income statement under "other net income/ (loss)."

Derivative financial instruments that do not qualify for hedge accounting are deemed as financial assets or liabilities held for trading. Changes in fair values of such derivatives are recognised directly in the income statement under "other net income/ (loss)" as they arise.

(e) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)(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 2(f)); 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 production overheads and borrowing costs (see note 2(r)).

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.

2. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

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

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

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

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 2(h)(ii)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the construction period.

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

No depreciation is provided in respect of construction in progress.

(f) 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 as cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Amortisation is charged to the consolidated income statements on a straight-line basis over the terms of the respective leases.

(g) Operating lease charges

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

2. Significant accounting policies (continued)

(g) Operating lease charges (continued)

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Current receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

– For current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases.

(ii) Impairment of other assets

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

– property, plant and equipment;
– pre-paid interests in leasehold land classified as being held under an operating lease; and
– investments in subsidiaries

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 net selling price 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

2. Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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.

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

(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 selling expenses.

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.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 2(h)(i)).

(k) Cash and cash equivalents

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

(l) Trade and other payables

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

2. Significant accounting policies (continued)

(m) Income tax

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

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

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

All deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

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

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

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

(n) Provisions and contingent liabilities

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

2. Significant accounting policies (continued)

(n) Provisions and contingent liabilities (continued)

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

(o) Revenue recognition

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

(i) Sale of goods

Revenue is recognised in the consolidated income statement 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.

(p) Employee benefits

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

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

(q) Translation of foreign currencies

These consolidated financial statements are presented in Renminbi ("RMB") which is the Group's functional and presentation currency. Foreign currency transactions during the year are translated into RMB at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(r) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of 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.

(s) Related parties

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

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

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

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

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

(v) the party is a close family member of a party referred to in 2(s)(i) or is an entity under the control, joint control or significant influence of such individuals; or

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

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

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(t) Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacturing and sale of bare copper wires and magnet wires and providing processing services. In addition, 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.

3. Turnover

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

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

	2006	2005
	RMB'000	RMB'000
Sales of bare copper wires	**5,101,350**	3,003,087
Sales of magnet wires	**1,971,482**	964,393
Processing services	**5,078**	12,139
	7,077,910	3,979,619

The Group's operations are mostly located in the PRC. During the year, a substantial proportion of the Group's products were sold to its customers for further processing, which were eventually exported to overseas countries.

(Expressed in Renminbi Yuan)

4. Other revenue

	2006 RMB'000	2005 RMB'000
Interest income	13,457	7,165
Others	49	100
	13,506	7,265

5. Other net income/(loss)

	2006 RMB'000	2005 RMB'000
Exchange gain	17,164	4,374
Gain on sales of scrap materials	3,270	1,690
Loss on disposal of property, plant and equipment	(1,448)	(1,717)
Net gain/(loss) on derivative financial instruments	17,989	(6,078)
Others	–	(128)
	36,975	(1,859)

(Expressed in Renminbi Yuan)

6. Other operating expenses

	2006 RMB'000	2005 RMB'000
Bank charges	**3,060**	2,102
Others	**1,978**	714
	5,038	2,816

7. Profit before taxation

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

	2006 RMB'000	2005 RMB'000
(i) Finance cost		
Interest expense	**84,735**	33,407
Letter of credit charges	**10,764**	7,038
Interest paid and payable to related parties (note 29)	**1,470**	1,768
Total borrowing costs	**96,969**	42,213
Less: Capitalisation of borrowing costs	**–**	(765)
	96,969	41,448

	2006 RMB'000	2005 RMB'000
(ii) Staff cost		
Salaries, wages and other benefits	**38,045**	25,933
Contributions to defined contribution retirement schemes (note 29(e))	**2,814**	2,117
	40,859	28,050

7. Profit before taxation (continued)

	2006 RMB'000	2005 RMB'000
(iii) Other items		
Cost of inventories# (note 15)	**6,856,339**	3,825,414
Auditors' remuneration - audit services	**904**	323
Depreciation#	**30,483**	23,536
Amortisation of lease prepayments#	**837**	837
Operating leases charges in respect of properties	**1,310**	737

\# Cost of inventories includes RMB 63,165,000 for the year ended 31 December 2006 (2005: RMB 44,952,000), relating to staff costs, depreciation and amortisation of lease prepayments, which amount is also included in the respective total amounts disclosed separately above and in note 7(ii) for each of these types of expenses.

8. Income tax expense

(i) Income tax expense represents:

	2006 RMB'000	2005 RMB'000
Current tax – PRC		
Provision for the year	**6,256**	–

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

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.

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 its first profit-making year, followed by a 50% reduction in PRC income tax for the next three years.

The first profit-making year of Tai-I Jiang Corp is 2005 and Tai-I Jiang Corp is exempted from PRC tax for the period from 1 January 2005 to 31 December 2006. Tai-I Jiang Corp is entitled to a 50% income tax reduction for the next three years and hence subject to PRC income tax at 7.5% for the period from 1 January 2007 to 31 December 2009.

(Expressed in Renminbi Yuan)

8. Income tax expense (continued)

(i) Income tax expense represents: (continued)

The first profit-making year of Tai-I Copper is 2004 and Tai-I Copper is exempted from PRC tax for the period from 1 January 2004 to 31 December 2005. Tai-I Copper is entitled to a 50% income tax reduction for the next three years and hence subject to PRC income tax at 7.5% for the period from 1 January 2006 to 31 December 2008.

(ii) The following is a reconciliation of income tax calculated at the Group's PRC applicable tax rate with income tax expense.

	2006 RMB'000	2005 RMB'000
Profit from ordinary activities before taxation	**127,054**	67,457
Notional tax on profit before tax, calculated at the rate applicable to the Company's profits in the tax jurisdiction concerned (15%)	**(19,058)**	(10,119)
Effect of tax concessions	**12,802**	10,119
	(6,256)	–

There were no significant unrecognised deferred tax assets and liabilities as at 31 December 2006 (2005: Nil).

(iii) Taxation in the consolidated balance sheet represents:

	2006 RMB'000	2005 RMB'000
Provision for income tax for the year	**6,256**	–
Amounts paid	**(4,913)**	–
	1,343	–

9. Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31 December 2006			
Name of directors	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Total RMB'000
Executive directors				
Mr. Huang Cheng Roang	**12**	**180**	**44**	**236**
Mr. Lin Chi Ta	**28**	**220**	**64**	**312**
Mr. Huang Kuo Feng	**21**	**129**	**34**	**184**
Mr. Du Chi Ting	**–**	**180**	**37**	**217**
Total	**61**	**709**	**179**	**949**

	Year ended 31 December 2005			
Name of directors	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Total RMB'000
Executive directors				
Mr. Huang Cheng Roang	–	184	34	218
Mr. Lin Chi Ta	29	209	41	279
Mr. Huang Kuo Feng	14	133	22	169
Mr. Du Chi Ting	–	183	29	212
Total	43	709	126	878

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

	2006	2005
Nil to RMB1,000,000	**4**	4

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

10. Individuals with highest emoluments

The five highest paid individuals of the Group include 2 directors of the Company during the year ended 31 December 2006 (2005: 3), whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2006 **RMB'000**	2005 RMB'000
Basic salaries, allowances and other benefits	**802**	625
Bonus	**134**	64
	936	689
Number of senior management	**3**	2

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

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

11. Dividends

No dividends were declared by the Group during the year (2005: Nil).

12. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2006 is based on the profit attributable to equity shareholders of the Company of RMB 79,480,000 (2005: RMB 35,735,000) and the weighted average of 450,000,000 (2005: 450,000,000) shares in issue during the year, calculated as follows:

	2006 **No. of shares**
Ordinary shares issued at 1 January (note 22(i))	**1**
Issuance of shares upon the Reorganisation (note 22(ii))	**9,999**
Capitalisation issue (note 22(iv))	**449,990,000**
Weighted average number of shares at 31 December	**450,000,000**

The weighted average number of shares in issue during the years ended 31 December 2006 and 2005 represents the 450,000,000 shares in issue before the listing of the Company's shares on the Stock Exchange on 11 January 2007, as if such shares had been outstanding during the above entire years.

There were no dilutive potential ordinary shares in issue as at 31 December 2006 (2005: Nil).

(Expressed in Renminbi Yuan)

13. Property, plant and equipment

The Group

	Buildings RMB'000	Machinery, equipment and tools RMB'000	Dies and moulds RMB'000	Motor vehicles and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2005	158,068	354,861	17,569	11,819	–	542,317
Additions	4,560	43,384	3,904	2,981	45,843	100,672
Transfer from Construction in progress	23,957	19,719	–	–	(43,676)	–
Disposals	(923)	(1,439)	(10,787)	(2,043)	–	(15,192)
At 31 December 2005	185,662	416,525	10,686	12,757	2,167	627,797
Additions	1,415	17,247	4,931	2,575	2,322	28,490
Transfer from construction in progress	21	4,231	–	–	(4,252)	–
Disposals	(936)	(2,238)	(3,740)	(1,562)	–	(8,476)
At 31 December 2006	**186,162**	**435,765**	**11,877**	**13,770**	**237**	**647,811**
Accumulated depreciation:						
At 1 January 2005	(20,140)	(88,828)	(12,219)	(9,253)	–	(130,440)
Charge for the year	(3,721)	(17,223)	(1,988)	(604)	–	(23,536)
Written back on disposal	138	561	8,737	1,867	–	11,303
At 31 December 2005	(23,723)	(105,490)	(5,470)	(7,990)	–	(142,673)
Charge for the year	(4,211)	(19,631)	(5,577)	(1,064)	–	(30,483)
Written back on disposal	5	938	3,689	1,406	–	6,038
At 31 December 2006	**(27,929)**	**(124,183)**	**(7,358)**	**(7,648)**	**–**	**(167,118)**
Net book value:						
At 31 December 2006	**158,233**	**311,582**	**4,519**	**6,122**	**237**	**480,693**
At 31 December 2005	161,939	311,035	5,216	4,767	2,167	485,124

13. Property, plant and equipment (continued)

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

(ii) As at 31 December 2006, buildings with a carrying amount of RMB 93,761,000 (2005: RMB 106,968,000), were pledged to a bank for certain banking facilities and bank loans (see note 20).

(iii) As at 31 December 2006, machinery, equipment and tools with carrying amounts of RMB 197,831,000 (2005: RMB 211,650,000), were pledged to a bank for letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans (see note 20 and 21).

14. Lease prepayments

	The Group	
	2006	2005
	RMB'000	RMB'000
At 1 January	**34,695**	35,532
Less: Amortisation	**(837)**	(837)
At end of year	**33,858**	34,695

Lease prepayments represent payments for land use rights of two pieces of land situated in the PRC on which the Group's buildings are erected. The two leases run for an initial period of 50 years commencing on 23 May 1997. The leases do not include contingent rentals.

As at 31 December 2006, land use rights with a carrying amount of RMB 33,858,000 (2005: RMB 29,109,000) were pledged to a bank for certain banking facilities and bank loans (see note 20).

15. Inventories

Inventories comprise:

	The Group	
	2006	2005
	RMB'000	RMB'000
Raw materials	**70,113**	54,295
Work in progress	**54,765**	8,574
Finished goods	**195,386**	56,066
Low value consumables	**5,781**	6,260
	326,045	125,195

As at 31 December 2006, inventories with a carrying amount of RMB 218,010,000 (2005: 38,444,000) were pledged to a bank for certain banking facilities and bank loans (see note 20).

15. Inventories (continued)

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

	The Group	
	2006	2005
	RMB'000	RMB'000
Carrying amount of inventories sold	**6,969,057**	3,825,501
Realised gain on derivative instruments	**(112,718)**	(87)
	6,856,339	3,825,414

16. Derivative financial instruments

The Group uses commodity futures contracts to hedge its exposure against copper price fluctuations. The Group's policy with respect to hedging the risk of fluctuations in copper prices is to designate the related derivative as a fair value hedge. The notional contract value and the related terms are summarized as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Sales contracts		
Volume (tonne)	**–**	–
Purchase contracts		
Volume (tonne)	**285**	–
Notional contract value	**18,313**	–
Market value	**17,111**	–
Fair value	**(1,202)**	–
Contract maturity date	**February, March and April 2007**	–

The market value of futures contracts is based on quoted market price at the balance sheet date. The unrealised holding losses on the futures contracts remeasured at fair value were RMB 1,202,000 as at 31 December 2006 (2005: nil), and the changes in the fair value were recognised in the consolidated income statement.

17. Trade and other receivables

		The Group		The Company
		2006	2005	**2006**
		RMB'000	RMB'000	**RMB'000**
Trade receivables	(i)	**935,073**	513,818	**–**
Bills receivable (note 20(ii))	(i)	**237,937**	82,196	**–**
		1,173,010	596,014	**–**
Deposits and prepayments made to suppliers		**195,487**	8,709	**–**
Other receivables		**54,167**	7,511	**22,772**
Deposits for derivative financial instruments	(ii)	**52,027**	348	**–**
Other tax recoverable		**–**	8,828	**–**
		1,474,691	621,410	**22,772**

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 bad and doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2006	2005
	RMB'000	RMB'000
Within 1 month	**695,798**	326,106
Over 1 month but less than 2 months	**196,854**	108,603
Over 2 month but less than 3 months	**146,392**	81,281
Over 3 months but less than 6 months	**122,681**	79,058
Over 6 months but less than 12 month	**7,019**	682
Over 1 year but less than 2 years	**4,263**	16
Over 2 years	**3**	268
	1,173,010	596,014

During the year, credit terms granted to customers of bare copper wire were different from those granted to customers of magnet wire. Customers of bare copper wire were usually required to settle the payment in full prior to delivery or at each month end. For customers of magnet wire, credit terms granted ranged from 30 days to 60 days. The credit terms granted to each customer vary depending on the customers' relationship with the Group, its creditworthiness and settlement record.

(Expressed in Renminbi Yuan)

17. Trade and other receivables (continued)

Included in trade receivables and bills receivable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	'000	'000
US$	**56,857**	33,303
HK$	**167,554**	91,395

(ii) The Group has placed deposits with futures agents for commodity futures contracts entered into in the normal course of business primarily to protect the Group from the impact of price fluctuations in copper commodities.

18. Pledged deposits

Pledged deposits can be analysed as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Cash at bank and on hand	**1,015,158**	829,036
Time deposits with banks	**112,060**	31,676
	1,127,218	860,712

Pledged deposits earn interest at a floating rate ranging from 0.72% to 2.25% per annum.

(Expressed in Renminbi Yuan)

19. Cash and cash equivalents

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

	The Group	
	2006	2005
	RMB'000	RMB'000
Cash at bank and on hand	**182,399**	74,106
Cash and cash equivalents are denominated in:	**'000**	'000
RMB	**144,852**	58,055
US$	**4,342**	1,429
HK$	**3,561**	4,380

RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange restriction imposed by the PRC government.

20. Bank loans

		The Group	
		2006	2005
		RMB'000	RMB'000
Current			
Bank loans and borrowings			
– Secured	(i)	**1,091,123**	115,100
– Unsecured		**590,591**	792,436
– Bank advances under discounted bills	(ii)	**109,013**	62,637
		1,790,727	970,173
Non-current			
– Secured bank loans	(iii)	**40,000**	40,000
		1,830,727	1,010,173

All bank loans during the year are interest-bearing, with rates that ranged from 5.85% to 7.05% during the year ended 31 December 2006 (2005: 3.38% to 6.14%).

(Expressed in Renminbi Yuan)

20. Bank loans (continued)

Included in bank loans are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2006	2005
	'000	'000
US$	**133,352**	12,091

(i) Current secured bank loans as at 31 December 2006 were secured by the Group's buildings with a carrying amount of RMB 93,761,000 (2005: RMB 106,968,000), land use rights with carrying amounts of RMB 33,858,000 (2005: RMB 29,109,000), and certain inventories with a carrying amount of RMB 218,010,000 (2005: RMB 38,444,000).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2006 were secured by the Group's pledged deposits (see note 18)) and certain machinery, equipment and tools with carrying amounts of RMB 197,831,000 (2005: RMB 211,650,000).

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

(iii) Non-current secured bank loans as at 31 December 2006 were secured by the Group's buildings with a carrying amount of RMB 93,761,000 (2005: RMB 106,968,000), as well as land use rights with carrying amounts of RMB 33,858,000 (2005: RMB 29,109,000).

The Group's non-current bank loans were repayable as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Within 1 year	**–**	–
Over 1 year but less than 2 years	**40,000**	20,000
Over 2 years but less than 5 years	**–**	20,000
	40,000	40,000
	40,000	40,000

21. Trade and other payables

		The Group		The Company
		2006	2005	**2006**
		RMB'000	RMB'000	**RMB'000**
Trade creditors	(i)	**1,031,913**	732,916	**–**
Bills payable	(ii)	**178,778**	210,988	**–**
		1,210,691	943,904	**–**
Non-trade payables and accrued expenses		**70,280**	38,017	**12,121**
Amounts due to subsidiaries		**–**	–	**10,651**
Other taxes payable		**7,105**	4,054	**–**
		1,288,076	985,975	**22,772**

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 date:

	The Group	
	2006	2005
	RMB'000	RMB'000
Due within 3 months or on demand	**1,030,816**	733,607
Due after 3 months but within 6 months	**179,792**	210,297
Due after 6 months but within 1 year	**–**	–
Due after 1 year but within 2 years	**11**	–
	1,210,619	943,904

Included in trade creditors and bills payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2006	2005
	'000	'000
US$	**116,638**	89,557

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 18). As at 31 December 2006, outstanding letters of credit included in trade creditors amounted to RMB 961,316,000 (2005: RMB 675,669,000).

(ii) Certain bills payable outstanding as at 31 December 2006 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB 197,831,000 (2005: RMB 211,650,000).

22. Share capital

Ordinary share of HK$0.01 each

		The Group and the Company	
		No. of share	Amount HK$
Authorised:			
Incorporation of the Company	(i)	1,000,000	10,000
Increase during the year	(iii)	999,000,000	9,990,000
At 31 December 2006		**1,000,000,000**	**10,000,000**
Issued and fully paid:			
Issuance of shares upon formation of the Company	(i)	1	–
Issuance of shares upon the Reorganisation	(ii)	9,999	100
At 31 December 2006		**10,000**	**100**
Capitalisation issue	Note 34(i)(a)	449,990,000	4,499,900
Issuance of shares for placing and public offering	Note 34(i)(b)	150,000,000	1,500,000
At listing date		600,000,000	6,000,000

(i) Issuance of shares upon formation of the Company
The Company was incorporated on 20 April 2006 with an authorised share capital of HK$10,000 divided into 1,000,000 ordinary shares of HK$0.01 each.

The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

On the formation of the Company, one nil paid ordinary share was issued to Codan Trust Company (Cayman) Limited and was subsequently transferred to Mr. Shou Hsin Hsu on 20 April 2006, its then sole shareholder.

On 16 August 2006, Mr. Shou Hsin Hsu transferred the share to Tai-I International (BVI) Limited, such nil paid share was paid up.

22. Share capital (continued)

(ii) Issuance of shares upon the Reorganisation

As part of Reorganisation and as consideration for the acquisition of the entire share capital of Tai-I Copper (BVI) Limited ("TIC (BVI)"), which owns and controls all the operating subsidiaries, the Company issued and allotted a total of 9,999 ordinary shares of HK$0.01 each, credited as fully paid, to TIC (BVI)'s shareholders on 16 August 2006.

(iii) Increase in authorised share capital

Pursuant to the resolution of the shareholders of the Company on 18 December 2006, the authorised share capital of the Company was increased to HK$10,000,000 by the creation of an additional 999,000,000 ordinary shares of HK$0.01 each, ranking pari passu with the existing ordinary shares of the Company in all respects.

(iv) Share capital as at 31 December 2005

Share capital as at 31 December 2005 represented the aggregate amount of the paid up capital of Tai-I Jiang Corp and Tai-I Copper.

23. Reserves

Merger reserves

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

PRC statutory reserve

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

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 their registered capital.

23. Reserves (continued)

PRC statutory reserve (continued)

The Company's subsidiaries in the PRC are required to transfer a minimum of 10% of their net profits, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of the registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

Pursuant to resolutions of the directors of Tai-I Jiang Corp and Tai-I Copper on 18 April 2007, 10% of their respective net profits for the years ended 31 December 2006 and 2005 as determined in accordance with the PRC accounting rules and regulations have been transferred to the general reserve fund accounts of the Group.

24. Distributable reserves of the Company

	2006 Contributed surplus RMB'000
Arising from the Reorganisation (note 22(ii))	464,996

The excess of the consolidated net assets represented by the shares of the subsidiaries acquired over the nominal value of the shares issued by the Company in exchange under the Reorganisation was transferred to the contributed surplus account in the Company's financial statements.

The Company has no revenue earned or expense incurred during the year ended 31 December 2006.

25. Deemed appropriations to equity holders

Following the completion of the Reorganisation as of 16 August 2006, the equity interests of the Group's assets and liabilities held by the minority interests, representing the minority interests in the subsidiaries now comprising the Group, was exchanged into the equity shares of the holding companies.

26. Investments in subsidiaries

	The Company 2006 RMB'000
Unlisted shares, at cost	**464,996**

Details of the principal subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Issued and fully paid up/ registered capital (in thousands)	Principal activities
TIC (BVI)	BVI	100%	–	US$50	Investment holding
Tai-I Jiang Corp	PRC	–	100%	US$19,000	Manufacture and sale of bare copper wires
Tai-I Copper	PRC	–	100%	US$26,000	Manufacture and sale of magnet wires

Note:

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

27. Commitments

(a) Capital commitments outstanding at 31 December 2006 not provided for in the consolidated financial statements were as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Contracted for	**–**	18,266
Authorised but not contracted for	**–**	–
	–	18,266

(b) At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Less than one year	**1,310**	752
Between one and two years	**–**	4
	1,310	756

The Group leased a number of properties under operating lease during the year. None of the lease includes contingent rentals.

28. Retirement benefits

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

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

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

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

29. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 2006 and 2005.

Name of party	Relationship
Tai-I Electric Wire & Cable Co., Ltd. ("Taiwan Tai-I")	Ultimate holding company of the Company
Tai-I International (Singapore) Pte. Ltd. ("TIIS")	Wholly-owned subsidiary of Taiwan Tai-I
Tai-I International Development Pte. Ltd. ("TIID")	Wholly-owned subsidiary of Taiwan Tai-I
Tai-I International Overseas Company Limited ("Tai-I Overseas")	Wholly-owned subsidiary of Taiwan Tai-I
Shenzhen Jiangtong Southern Company ("Shenzhen Southern ")	Former minority equity holder of Tai-I Jiang Corp and Tai-I Copper
Getdd Rich Wealth Enterprises Ltd. (" Getdd Rich")	Wholly-owned subsidiary of Taiwan Tai-I
Getdd Global Earn Enterprises Ltd. ("Getdd Global")	Wholly-owned subsidiary of Taiwan Tai-I

(a) Transactions

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

	The Group	
	2006	2005
	RMB'000	RMB'000
Recurring:		
Processing service income received and receivable from		
Shenzhen Southern	**3,091**	10,288
Non-recurring:		
Purchases of raw materials from		
Taiwan Tai-I	**1,620**	8,507
TIIS	**–**	260
TIID	**–**	266
	1,620	9,033

29. Related party transactions (continued)

(a) Transactions (continued)

	The Group	
	2006	2005
	RMB'000	RMB'000
Non-recurring:		
Technical supporting fees charged by		
Taiwan Tai-I	**2,191**	7,905
Trademark usage fees charged by		
Taiwan Tai-I	**–**	4,211
Interest paid and payable to		
Getdd Rich	**728**	884
Getdd Global	**742**	884
	1,470	1,768
Foreign currency trade debts collected on behalf of the Group		
Tai-I Overseas	**1,126,519**	1,691,957
Foreign currency payments on behalf of the Group in respect of purchase of imported raw materials		
Tai-I Overseas	**(76,095)**	(44,247)

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

(b) Amounts due from related companies

	The Group	
	2006	2005
	RMB'000	RMB'000
Minority equity holder		
– Shenzhen Southern	**–**	1,408
Fellow subsidiaries		
– Tai-I Overseas	**–**	262,420
	–	263,828

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

29. Related party transactions (continued)

(c) Amounts due to related companies

	The Group	
	2006	2005
	RMB'000	RMB'000
Ultimate holding company		
– Taiwan Tai-I	**–**	15,235
Intermediate holding companies		
– TIIS	**–**	9,022
– TIID	**–**	3,088
Minority equity holders		
– Shenzhen Jiangtong	**–**	247
Fellow subsidiaries		
– Tai-I Overseas	**–**	33,800
– Getdd Rich	**–**	11,554
– Getdd Global	**–**	13,218
	–	86,164

The amounts due to Getdd Rich and Getdd Global as at 31 December 2005 were interest-bearing. Starting from 1 January 2005, Getdd Rich and Getdd Global borrowed bank loans on behalf of the Group and the relevant interest was borne by the Group. The interest rates were 5.68% for the year ended 31 December 2006 (2005: 5.68%).

Except for the amounts described in the preceding paragraph, the amounts due to other related companies are unsecured, interest free and have no fixed repayment terms.

(d) Remuneration to key management personnel

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

	The Group	
	2006	2005
	RMB'000	RMB'000
Short-term employee benefits	**2,617**	2,636

29. Related party transactions (continued)

(e) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plan organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 28. As at 31 December 2006, there was no material outstanding contribution to post-employment benefit plans.

30. Contingent liabilities

At 31 December 2006, there were no significant contingent liabilities.

31. Financial instruments

Financial assets of the Group include cash and cash equivalents, deposits with banks, and trade and other receivables. Financial liabilities of the Group include trade and other payables. The Group does not hold or issue financial instruments for trading purposes. Exposure to credit and currency risk arises in the normal course of the Group's business.

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

At the balance sheet dates the Group had no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Group uses its futures contracts traded on the Shanghai Futures Exchange to hedge against fluctuations in copper price. The futures contracts are marked to market at balance sheet date and corresponding unrealised holding (losses)/gains are recorded in the income statement for the years.

(b) Interest rate risk

The interest rates and term of repayment of the Group's borrowings are disclosed in note 20.

(c) 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 that are determined largely by supply and demand.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States Dollars, and Hong Kong Dollars.

31. Financial instruments (continued)

(d) Fair value

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values as at 31 December 2006.

The following methods and assumptions were used to estimate the fair value for each class of financial instruments:

(i) *Bank deposits, cash and cash equivalents, trade and other receivables, trade and other payables, and amounts due from/(to) related companies*
The carrying values approximate fair value because of the short maturities of these instruments.

(ii) *Bank loans and derivative financial instruments*
The carrying amounts of short-term bank loans approximate their fair value based on the nature or short-term maturity of these instruments.

The following table presents the carrying amount and fair value of the Group's long-term bank loans at the balance sheet dates:

	The Group			
	2006		2005	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Long-term bank loans	**40,000**	**38,073**	40,000	36,281

The derivative financial instruments are stated at their fair value based on quoted market price.

(e) Commodity price risk

The Group uses some of its futures contracts traded on the Shanghai Futures Exchange to hedge against fluctuations in copper price. The futures contracts are marked to market at balance sheet date and corresponding unrealized holding gains/losses are recorded in the income statements for the years. For details of the exposure of futures contracts, please refer to note 16.

32. Accounting estimates and judgements

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

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of distributing and selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles or other changes in market condition. Management will reassess the estimations at each balance sheet date.

(b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews periodically the useful life of an asset and its residual value. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates.

(c) Impairment losses on trade and other receivables

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

33. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2006

Up to the date of issue of the financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2006 and which have not been adopted in the financial statement:

	Effective for accounting periods beginning on or after
IFRS 7, Financial instruments: disclosures	1 January 2007
Amendment to IAS 1, Presentation of financial statements: capital disclosures	1 January 2007
IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies	1 March 2006
IFRIC 8, Scope of IFRS 2	1 May 2006
IFRIC 9, Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10, Interim Financial Reporting and Impairment	1 November 2006
IFRIC 11, IFRS 2 – Group and treasury share transactions	1 March 2007
IFRIC 12, Service concession arrangements	1 January 2008

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of IFRIC 7, IFRIC 8, IFRIC 9, IFRIC 11, IFRIC 12 and the amendments to IAS 1 are not applicable to any of the Group's operations and that the adoption of the rest of the above amendments, new standards and new interpretations is unlikely to have a significant impact on the Group's results of operations and financial position.

34. Subsequent events

The following significant events took place subsequent to 31 December 2006:

(i) On 11 January 2007, the Company's shares were listed on the Main Board of the Stock Exchange following the completion of the public offer and placing of 150,000,000 shares as described in the prospectus of the Company dated 28 December 2006.

(a) Capitalisation issue
On 11 January 2007, an amount of HK$ 4,499,900 standing to the credit of the share premium account was applied in paying up in full 449,990,000 ordinary shares of HK$0.01 each which were allotted and distributed as fully paid to the holders of shares whose names appear on the register of members of the Company at close of business on 18 December 2006.

(b) Issuance of shares for placing and public offering
On 11 January 2007, an aggregate of 150,000,000 ordinary shares of HK$0.01 each were issued and offered for subscription at a price of HK$1.66 per share upon the listing of the Company's shares on the Stock Exchange. The Group raised approximately HK$220,762,000 net of related expenses from the share offer.

(ii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("new tax law") which will take effect on 1 January 2008. Tai-I Jiang Corp and Tai-I Copper are registered in an Economic and Technological Zone and hence enjoys a preferential income tax rate of 15% according to relevant approvals from PRC tax authorities. From 1 January 2008, the income tax rate is expected to gradually increase to the standard rate of 25% over a five-year transition period. However, the new tax law has not set out the details as to how the existing preferential tax rate will gradually increase to the standard rate of 25%. Consequently, the Group is not able to make an estimate of the expected financial effect of the new tax law on its deferred tax assets and liabilities. The expected financial effect of the new tax law, if any, will be reflected in the Group's 2007 financial statements. The enactment of the new tax law is not expected to have any financial effect on the amounts accrued in the balance sheet in respect of current tax payable.

35. Approval of accounts

The accounts were approved by board of directors on 18 April 2007.