THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Listco Offer, this Listco Offer Document and/or the Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Shares, you should at once hand this Listco Offer Document and the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Listco Offer Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms of the Listco Offer contained therein.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this Listco Offer Document and the Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Listco Offer Document and the Form of Acceptance.

AFFLUENT START HOLDINGS INVESTMENT LIMITED

(Incorporated in the BVI with limited liability)

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)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED ON BEHALF OF AFFLUENT START HOLDINGS INVESTMENT LIMITED TO ACQUIRE ALL THE SHARES IN TAI-I INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY AFFLUENT START HOLDINGS INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Affluent Start Holdings Investment Limited

海通國際
HAITONG

Financial adviser to Tai-I International Holdings Limited

SOMERLEY LIMITED

Independent financial adviser to the Independent Board Committee

Beijing
Securities

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Listco Offer Document.

A letter from the Board is set out on pages 8 to 13 of this Listco Offer Document.

A letter from Haitong Securities containing, among other things, details of the terms of the Listco Offer is set out on pages 14 to 20 of this Listco Offer Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Listco Offer to the Independent Shareholders is set out on pages 21 to 22 of this Listco Offer Document.

A letter from the independent financial adviser, Beijing Securities, containing its advice in respect of the Listco Offer to the Independent Board Committee is set out on pages 23 to 37 of this Listco Offer Document.

The procedures for acceptance of the Listco Offer and other related information are set out on pages I-1 to I-3 in Appendix I to this Listco Offer Document and in the accompanying Form of Acceptance. Acceptances of the Listco Offer should be received by the Registrar by no later than 4:00 p.m. on Friday, 11 March 2011 or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Listco Offer Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed "Overseas Shareholders" of Appendix I to this Listco Offer Document before taking any action. It is the responsibility of each overseas Shareholder wishing to accept the Listco Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Each overseas Shareholder is advised to seek professional advice on deciding whether to accept the Listco Offer.

18 February 2011

CONTENTS

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate.

Listco Offer opens for acceptance	Friday, 18 February 2011
Latest time and date for acceptance of the Listco Offer *(Notes 1 and 3)*	4:00 p.m. on Friday, 11 March 2011
Closing Date *(Note 1)*	Friday, 11 March 2011
Announcement of the results of the Listco Offer or as to whether the Listco Offer has been revised or extended, on the website of the Stock Exchange *(Note 1)*	by 7:00 p.m. on Friday, 11 March 2011
Latest date for posting of remittance for the amounts due under the Listco Offer in respect of valid acceptances received on or before the latest time for acceptance of the Listco Offer *(Note 2)*	Monday, 21 March 2011

Notes:

1. The latest time for acceptance of the Listco Offer is 4:00 p.m. on Friday, 11 March 2011. The Listco Offer, which is unconditional, will be closed on Friday, 11 March 2011. The Offeror will issue an announcement by 7:00 p.m. on Friday, 11 March 2011 as to whether the Listco Offer has been revised, extended or expired and, in relation to any revision or extension of the Listco Offer, to state either the next closing date or that the Listco Offer will remain open until further notice.

2. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty) payable for the Offer Shares under the Listco Offer will be posted to the accepting Independent Shareholders by ordinary post at their own risk as soon as possible, but in any event within 10 days of the date of receipt by the Registrar of all the relevant documents of title to render the acceptance by such Independent Shareholder under the Listco Offer complete and valid.

3. Acceptances of the Listco Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances as set out in paragraph 4 headed "Right of withdrawal" in Appendix I to this Listco Offer Document.

All time and date references contained in this Listco Offer Document refer to Hong Kong time and date.

In this Listco Offer Document, unless the context otherwise requires, the following expressions have the following meanings:

"acting in concert"	has the meaning given to it in the Takeovers Code
"associate(s)"	has the meaning defined in the Listing Rules
"Affluent Start" or "Offeror"	Affluent Start Holdings Investment Limited, a company incorporated in the BVI with limited liability and is 100% beneficially owned by Mr. King
"Agreement"	the agreement dated 8 November 2010 entered into amongst the Company, Tai-I BVI, Mr. Hsu, Affluent Start and Mr. King in respect of the Share Transfer and the Subscription
"Beijing Securities"	Beijing Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee in relation to the Listco Offer
"Board"	the board of Directors
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"Circular"	the circular dated 18 January 2011 issued by the Company in relation to, among other things, the Proposal and the Listco Offer
"Closing Date"	Friday, 11 March 2011, the closing date of the Listco Offer, which is 21 days after the date on which the Listco Offer Document is posted, or if the Listco Offer is extended, any subsequent closing date of the Listco Offer as extended and announced by the Offeror in accordance with the Takeovers Code
"Companies Ordinance"	Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended from time to time

"Company"	Tai-I International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the Agreement
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Distributed Businesses"	all businesses of the Former Group, other than the Remaining Business, carried on by the Privateco Group, including manufacturing and sales of bare copper wires and magnet wires and provision of processing services and investment holding
"Distribution In Specie"	the distribution in specie of the Privateco Shares by the Company to the Shareholders as described in section D headed "Distribution In Specie" of the Circular
"Domain Name"	the domain name of www.tai-i-int.com
"EGM"	the extraordinary general meeting of the Company held at 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong at 3:00 p.m. on Tuesday, 8 February 2011
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Announcement"	the announcement of the Company dated 22 September 2010 in relation to a non-binding MOU entered into between Tai-I BVI and Affluent Start, which may result in a possible change in control of the Company
"Form of Acceptance"	the form of acceptance and transfer of the Shares in respect of the Listco Offer accompanying this Listco Offer Document
"Former Group"	the Company and its subsidiaries prior to completion of the Group Restructuring and the Distribution In Specie
"Group" or "Remaining Group"	the Company and its subsidiaries immediately after completion of the Group Restructuring and Distribution In Specie

"Group Restructuring"	the reorganisation of the Former Group, details of which are set out in section B headed "Group Restructuring" in the Circular
"Haitong Capital"	Haitong International Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to Affluent Start
"Haitong Securities"	Haitong International Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO
"HKSCC"	Hong Kong Securities Clearing Company Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Board Committee"	an independent committee of the Board comprising all independent non-executive Directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama, established for the purpose of advising the Independent Shareholders in respect of, among other things, the Listco Offer
"Independent Shareholder(s)"	Shareholder(s) other than Affluent Start, its associates and parties acting in concert with it
"Joint Announcement"	the joint announcement issued by Affluent Start, the Company and Tai-I BVI dated 17 November 2010 in relation to, among other things, the Proposal
"Last Trading Day"	8 November 2010, being the last day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the Joint Announcement
"Latest Practicable Date"	16 February 2011, being the latest practicable date prior to the date of this Listco Offer Document for ascertaining certain information contained herein

"Listco Offer"	the unconditional mandatory cash offer made by Haitong Securities on behalf of Affluent Start to acquire all the issued Shares (other than those already owned or agreed to be acquired by Affluent Start and parties acting in concert with it)
"Listco Offer Document"	the composite offer and response document and the Form of Acceptance to be despatched to the Shareholders pursuant to the Listco Offer
"Listco Offer Price"	HK$0.3925 per Share payable in cash by the Offeror for each Share accepted under the Listco Offer
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the securities market operated by the Stock Exchange prior to the establishment of growth enterprise market ("GEM") (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
"Mr. King"	Mr. King Pak Fu, the controlling Shareholder
"Mr. Hsu"	Mr. Hsu Shou-Hsin, the sole director of Tai-I BVI and one of the shareholders of Taiwan Tai-I
"MOU"	a non-binding memorandum of understanding dated 20 September 2010 entered into between Tai-I BVI and Affluent Start in relation to, among other things, possible change in control of the Company, the group reorganisation and the distribution in specie
"Offer Shares"	all the issued Share(s) other than those already owned by the Offeror
"Overseas Shareholders"	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is (are) outside Hong Kong
"PRC"	the People's Republic of China, which for the purpose of this Listco Offer Document, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Privateco"	Tai-I International (Bermuda) Limited, a company incorporated in Bermuda with limited liability on 9 November 2010 pursuant to the Group Restructuring for the purpose of holding the Distributed Businesses and a wholly-owned subsidiary of the Company prior to the Distribution In Specie
"Privateco Group"	Privateco and its subsidiaries
"Privateco Share(s)"	ordinary share(s) in the capital of the Privateco
"Proposal"	the proposal put forward by the Board to the Shareholders including the Subscription, the Share Premium and Reserve Application, the Group Restructuring and the Distribution In Specie
"Registrar"	Computershare Hong Kong Investor Services Limited, the Company's branch registrar and transfer office in Hong Kong located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"Relevant Period"	the period beginning six months prior to 22 September 2010 (being the date of the First Announcement) and ended on and including the Latest Practicable Date
"Remaining Business"	the Group's business of development of computer software and related matters in the PRC after the Group Restructuring and Distribution In Specie
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share(s)"	the aggregate of 195,487,000 Shares acquired by the Offeror from Tai-I BVI pursuant to the Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Premium Account"	the share premium account of the Company from time to time
"Share Premium and Reserve Application"	the application of the entire amount standing to the credit of the Share Premium Account and the reserve accounts of the Company for the implementation of part of the Distribution In Specie

"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Share Transfer"	the acquisition by Affluent Start of the Sale Shares pursuant to the Agreement
"Shareholder(s)"	holder(s) of the Shares
"Somerley"	Somerley Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the subscription by Affluent Start of the Subscription Shares pursuant to the Agreement
"Subscription Shares"	an aggregate of 210,000,000 Shares, representing approximately 26.05% of the issued capital of the Company as enlarged by the Subscription, subscribed by Affluent Start under the Agreement
"subsidiary"	has the meaning given to it in section 2 of the Companies Ordinance
"Taiwan Tai-I"	Tai-I Electric Wire & Cable Co., Ltd, a company established under Taiwan laws on 11 September 1979 and has become a listed company on the Taiwan Stock Exchange Corporation since 20 October 1995
"Tai-I BVI"	Tai-I International (BVI) Limited, a company incorporated in the BVI with limited liability and beneficially wholly owned by Taiwan Tai-I
"Takeovers Code"	The Code on Takeovers and Mergers issued by the SFC as in force from time to time
"US$"	United States dollars, the lawful currency of United States of America
"%"	per cent

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

TAI-I INTERNATIONAL HOLDINGS LIMITED
台一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1808)

Executive Directors:
Huang Cheng-Roang *(Chairman)*
Lin Chi-Ta *(Chief Executive Officer)*
Huang Kuo-Feng
Du Chi-Ting

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

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

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

Principal place of business in the PRC:
No. 77 Dongpeng Avenue
Eastern District of Guangzhou Economic and Technological Development Zone
Guangzhou
Guangdong Province
The PRC

18 February 2011

To the Shareholders

Dear Sir or Madam,

UNCONDITIONAL MANDATORY CASH OFFER BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED ON BEHALF OF AFFLUENT START HOLDINGS INVESTMENT LIMITED TO ACQUIRE ALL THE SHARES IN TAI-I INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY AFFLUENT START HOLDINGS INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to the announcements of the Company dated 14 September 2010, 22 September 2010 and 21 October 2010, respectively, the joint announcements of Affluent Start, the Company and Tai-I BVI dated 17 November 2010 and 11 February 2011, the Circular of the Company dated 18 January 2011, and the joint announcement of the Company and Tai-I BVI dated 2 February 2011.

On 8 February 2011, the resolution in respect of the Proposal was duly approved at the EGM. On 8 February 2011, all the conditions precedent for the Agreement were fulfilled and Completion took place on 11 February 2011. Pursuant to the Agreement, the Offeror has subscribed for 210,000,000 Subscription Shares, representing approximately 26.05% of the issued Shares as enlarged by the Subscription, at an aggregate consideration of approximately HK$12.6 million (equivalent to HK$0.06 per Subscription Share).

Following Completion, the Offeror and parties acting in concert with it are interested in 405,487,000 Shares, representing approximately 50.30% of the entire issued Shares at the Latest Practicable Date. Accordingly, the Offeror is required to make a mandatory unconditional cash offer for all issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

The Independent Board Committee comprising all independent non-executive Directors (who have no direct or indirect interest in the Listco Offer), namely, Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama has been appointed to advise the Independent Shareholders in respect of the Listco Offer.

Beijing Securities has been appointed as the independent financial adviser to advise the Independent Board Committee on the fairness and reasonableness of the terms of the Listco Offer and as to acceptance, and such appointment has been approved by the Independent Board Committee.

The purpose of this Listco Offer Document is to provide you with, among other things, information relating to the Group, the Offeror and the Listco Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Listco Offer and the letter from Beijing Securities containing its advice to the Independent Board Committee in respect of the Listco Offer.

THE LISTCO OFFER

Principal terms of the Listco Offer

Haitong Securities is making, on behalf of the Offeror, the Listco Offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror or by parties acting in concert with it) on the following basis:

The Listco Offer

For each Offer Share . . . . HK$0.3925 in cash

The Listco Offer is not conditional upon any minimum level of acceptances of the Listco Offer and is unconditional. The Listco Offer will close on Friday, 11 March 2011.

As at the Latest Practicable Date, the Company had 806,158,000 Shares in issue. Save for the aforesaid Shares in issue, the Company did not have any outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it, were together beneficially interested in 405,487,000 Shares (representing approximately 50.30% of the entire issued share capital of the Company as at the Latest Practicable Date)

Comparisons of value

The Listco Offer Price is equal to the price paid by the Offeror for each Sale Share under the Agreement. The Listco Offer Price represents:

(a) a discount of approximately 1.88% to the closing price of HK$0.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) discount of approximately 17.71%, 39.98%, 44.87% and 47.88% to the average of the closing prices of approximately HK$0.477, HK$0.654, HK$0.712 and HK$0.753 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Latest Practicable Date;

(c) a discount of approximately 48.36% to the closing price of HK$0.76 per Share, as quoted on the Stock Exchange on the Last Trading Day;

(d) discount of approximately 48.63%, 48.49%, 48.56% and 42.78% to the average of the closing prices of approximately HK$0.764, HK$0.762, HK$0.763 and HK$0.686 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 48.36% to the closing price of HK$0.76 per Share, as quoted on the Stock Exchange on the last trading day on which the Shares were traded on the Stock Exchange prior to the suspension of trading in the Shares pending the release of the First Announcement;

(f) a premium of approximately 2,208.82% to the unaudited pro forma net asset value of the Group of approximately HK$0.017 per Share based on the unaudited pro forma financial information of the Group as at 31 December 2009 set out in Appendix III to this Listco Offer Document and 806,158,000 Shares in issue as at the Latest Practicable Date; and

(g) a premium of approximately 1,301.79% to the Estimated NAV per Share (as defined under section headed "Information on the Group" below) of approximately HK$0.028.

Further terms of the Listco Offer are set out in the letter from Haitong Securities, Appendix I to this Listco Offer Document and in the accompanying Form of Acceptance. If a Shareholder wishes to accept the Listco Offer in respect of one or all of his/her Share(s), he/she should complete the accompanying Form of Acceptance in accordance with the instructions set out therein.

SHAREHOLDING OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately before Completion; and (ii) as at the Latest Practicable Date:

	As at 10 February 2011, the day immediately before Completion		**As at the Latest Practicable Date**	
	Number of Shares	*%*	*Number of Shares*	*%*
Tai-I BVI *(Note 1)*	195,487,000	32.79%	–	0.00%
Mr. Hsu's close relatives *(Note 2)*	1,690,000	0.28%	1,690,000	0.21%
Subtotal of Tai-I BVI and parties acting in concert with it	197,177,000	33.07%	1,690,000	0.21%
Affluent Start and parties acting in concert with it	–	0.00%	405,487,000	50.30%
First Sense *(Note 3)*	102,015,000	17.11%	99,625,000 *(Note 5)*	12.36%
Green Island *(Note 4)*	67,500,000	11.32%	67,500,000	8.37%
Sumitomo Corporation	34,418,000	5.77%	34,418,000	4.27%
Public	195,048,000	32.73%	197,438,000	24.49%
Total	596,158,000	100.00%	806,158,000	100.00%

Notes:

1. Taiwan Tai-I directly owns approximately 87.04% and indirectly owns approximately 12.96% of the issued share capital of Tai-I BVI.

2. The close relatives are the mother, the spouse, a child and a sister of Mr. Hsu holding an aggregate of 1,690,000 Shares as at the Latest Practicable Date.

3. The entire issued share capital of First Sense is owned by AIF Capital Asia III, L.P.. Both First Sense and AIF Capital Asia III, L.P. are not acting in concert with Affluent Start and its concert parties.

4. The entire issued share capital of Green Island is owned by Mr. Liu Tianni. Both Green Island and Mr. Liu Tianni are not acting in concert with Affluent Start and its concert parties.

5. First Sense disposed a total of 2,390,000 Shares during the period from 11 February 2011 to the Latest Practicable Date and as at the Latest Practical Date, First Sense held a total of 99,625,000 Shares.

FURTHER INFORMATION OF THE LISTCO OFFER

Please also refer to the letter from Haitong Securities and Appendix I to this Listco Offer Document for further information in relation to the Listco Offer, the making of the Listco Offer to the Shareholders residing in overseas countries, taxation, acceptance and settlement procedures of the Listco Offer.

INFORMATION ON THE GROUP

Following Completion and the Distribution In Specie, the Group is principally engaged in the Remaining Business (the development of computer software and related matters in the PRC).

The unaudited pro forma consolidated financial information of the Group, which comprises mainly of the Remaining Business, was prepared on the assumption that the Group Restructuring and the Subscription had taken place on 31 December 2009 but without taking into account of the completion of the acquisition of Liang Hui Holdings Limited in September 2010 (the "**Acquisition**") and are set out in Appendix III to the Listco Offer Document. As stated in the letter from the Board set out in the Circular, the Directors estimated that the net asset value of the Group after taking into account of the combined effect of the completion of the Subscription, the Group Restructuring and the Acquisition (the "**Estimated NAV**") would be approximately RMB19.66 million. Accordingly, the net asset value per Share based on the Estimated NAV and the total number of issued Shares of the Company as enlarged by the Subscription of 806,158,000 would be HK$0.028 (the "**Estimated NAV per Share**").

Save for the entering into of the Agreement and the Proposal, as at the Latest Practicable Date, the Company (i) had no intention to make significant changes in the business of the Group; and (ii) had not entered into any other agreements, arrangements, understandings or negotiations about any acquisition and/or disposal of assets or businesses, or termination and/or scaling-down of any business of the Group, other than in its ordinary course of business.

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability. Please refer to the letter from Haitong Securities contained in this Listco Offer Document for more information about it.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the letter from Haitong Securities contained in this Listco Offer Document which sets out the intention of the Offeror regarding the business of the Group and the biographies of the proposed new Directors. The Board is aware of the Offeror's intention in respect of the Group and is willing to co-operate with the Offeror further which are of the interests of the Company and the Shareholders as a whole.

PROFIT ESTIMATE

On 1 November 2010, the Company has made an announcement reproduced certain unaudited financial information of the Company and its subsidiaries for the nine months period ended 30 September 2010 (the "Relevant Information") that had been disclosed by Taiwan Tai-I on the website designated by the Taiwan Stock Exchange Corporation pursuant to applicable laws and regulations of Taiwan (including the listing rules of the Taiwan Stock Exchange Corporation), in order to ensure timely disclosure of information in Hong Kong for prospective investors and shareholders of the Company. The Relevant Information released by Taiwan Tai-I has not been audited or reviewed and was prepared by Taiwan Tai-I in accordance with the generally accepted accounting principles in Taiwan, which is different from the financial reporting standards adopted by the Company and has not been verified by the Company. The Relevant Information therefore constitutes a profit forecast under Rule 10 of the Takeovers Code. In this regard, the Board presented in the announcement of the Company dated 18 January 2011 and in the Circular the Relevant Information based on the management accounts of the Former Group which is prepared in accordance with International Financial Reporting Standards (the same as the accounting policies adopted by the Company). On this basis the Former Group recorded an unaudited profit attributable to equity holders of the Company of approximately RMB43.0 million (equivalent to approximately HK$49.9 million) for the nine months ended 30 September 2010 (the "Profit Estimate"). Shareholders should note that the Profit Estimate should supersede the Relevant Information in its entirety and has been reported on by the Company's auditor, KPMG, and its financial adviser, Somerley, in accordance with the requirements under Rule 10 of the Takeovers Code. The respective letters from KPMG and Somerley in this regard are set out in Appendix IV to this Listco Offer Document.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Beijing Securities, respectively, which set out their recommendations and opinions in relation to the Listco Offer and the principal factors considered by them before arriving at their recommendations. You are also advised to read the remainder of this Listco Offer Document and the Form of Acceptance in respect of the acceptance and settlement procedures of the Listco Offer.

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

海通國際
HAITONG

25th Floor
New World Tower
16-18 Queen's Road Central
Hong Kong

18 February 2011

To the Independent Shareholders

Dear Sirs,

**UNCONDITIONAL MANDATORY CASH OFFER BY
HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED
ON BEHALF OF AFFLUENT START HOLDINGS INVESTMENT LIMITED
TO ACQUIRE ALL THE SHARES IN
TAI-I INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY
AFFLUENT START HOLDINGS INVESTMENT LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 11 February 2011, the Offeror, the Company and Tai-I BVI jointly announced that on 11 February 2011, the Offeror acquired 195,487,000 Sale Shares, representing approximately 32.79% of the issued share capital of the Company immediately prior to Completion, from Tai-I BVI at a consideration of HK$76,278,647.50. On the same day of the acquisition of the Sale Shares, the Offeror also subscribed for 210,000,000 Subscription Shares, representing approximately 26.05% of the existing issued share capital of the Company as enlarged by the Subscription, at a consideration of HK$12,600,000.00. Immediately after the Completion, the Offeror and parties acting in concert with it owned 405,487,000 Shares, representing approximately 50.30% of the issued share capital of the Company as at the Latest Practicable Date. Accordingly, the Offeror makes the unconditional mandatory general cash offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

This letter sets out, among other things, the details of the Listco Offer, information on the Offeror and the intention of the Offeror regarding the Group. The terms of the Listco Offer are set out in this letter, Appendix I to the Listco Offer Document of which this letter forms part, and the Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", "Letter from the Independent Board Committee" and "Letter from Beijing Securities" as set out in this Listco Offer Document.

THE LISTCO OFFER

Principal terms of the Listco Offer

Haitong Securities is making, on behalf of the Offeror, the Listco Offer to acquire all the issued Shares (other than those already owned or agreed to be acquired by the Offeror or by parties acting in concert with it) on the following basis:

The Listco Offer

For each Offer Share .... HK$0.3925 in cash

The Listco Offer is not conditional upon any minimum level of acceptances of the Listco Offer and is unconditional. The Listco Offer will close on Friday, 11 March 2011.

As at the Latest Practicable Date, the Company had 806,158,000 Shares in issue. Save for the aforesaid Shares in issue, the Company did not have any outstanding securities, options, derivatives or warrants which are convertible or exchangeable into Shares.

As at the Latest Practicable Date, the Offeror and parties acting in concert with it, were together beneficially interested in 405,487,000 Shares (representing approximately 50.30% of the entire issued share capital of the Company as at the Latest Practicable Date)

Comparisons of value

The Listco Offer Price is equal to the price paid by the Offeror for each Sale Share under the Agreement. The Listco Offer Price represents:

(a) a discount of approximately 1.88% to the closing price of HK$0.40 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) discount of approximately 17.71%, 39.98%, 44.87% and 47.88% to the average of the closing prices of approximately HK$0.477, HK$0.654, HK$0.712 and HK$0.753 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Latest Practicable Date;

(c) a discount of approximately 48.36% to the closing price of HK$0.76 per Share, as quoted on the Stock Exchange on the Last Trading Day; and

(d) discount of approximately 48.63%, 48.49%, 48.56% and 42.78% to the average of the closing prices of approximately HK$0.764, HK$0.762, HK$0.763 and HK$0.686 per Share respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day.

Total consideration

As at the Latest Practicable Date, the Company had a total of 806,158,000 Shares in issue. Based on the Listco Offer Price of HK$0.3925 per Share, the entire issued share capital of the Company is valued at approximately HK$316.4 million and the value of the Listco Offer is valued at approximately HK$157.3 million.

The Listco Offer is financed by a loan facility of HK$223,600,000 provided by Haitong Securities. Pursuant to the arrangement of such facility, amongst others, the Offeror has agreed to pledge all the Shares acquired pursuant to the Agreement and Shares to be acquired pursuant to the Listco Offer (if any), respectively and cash deposit of HK$123,600,000 to Haitong Securities as collateral. The Offeror confirms that it does not intend that the payment of interest on, repayment of or security for any liability (contingent or otherwise) arising from the aforesaid loan facility will depend to any significant extent on the business of the Group. Haitong Capital is satisfied that the Offeror has sufficient financial resources available to it to satisfy full acceptance of the Listco Offer as at the Latest Practicable Date.

Effect of accepting the Listco Offer

By accepting the Listco Offer, the Independent Shareholders will sell their Offer Shares to the Offeror or its nominee free from all liens, claims and encumbrances and with all rights attached to them, including the rights to receive all dividends and other distributions declared, made or paid on or after the Completion.

Overseas Shareholders

As the Listco Offer, to persons not resident in Hong Kong, may be affected by the laws of the relevant jurisdictions in which they are resident, the Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of the Overseas Shareholders who wish to accept the Listco Offer to satisfy themselves as to the full observance of the laws and regulations of all relevant jurisdictions in connection with the acceptance of the Listco Offer (including but not limited to the obtaining of any governmental, exchange control or other consent and any registration or filing which may be required or the compliance with other necessary formalities, regulatory and/or legal requirements and the payment of any transfer or other taxes due in respect of such jurisdictions). The Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties by whomsoever payable in respect of all relevant jurisdictions. Acceptances of the Listco Offer by any such person will be deemed to constitute a warranty by such person that such person is permitted under all applicable laws to receive and accept the Listco Offer, and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. The Overseas Shareholders are recommended to seek professional advice on deciding whether to accept the Listco Offer.

Stamp duty

The ad valorem stamp duty in connection with the Listco Offer amounting to HK$1.00 for every HK$1,000 or part thereof of the consideration (or of the market value of the Offer Shares, if such market value is higher than the consideration payable in respect of relevant acceptances) will be payable by the accepting Independent Shareholders and will be deducted by the Offeror from the consideration payable to them on acceptance of the Listco Offer. The Offeror will then pay the stamp duty on behalf of the accepting Independent Shareholders.

Settlement of the consideration

The amounts due to the Independent Shareholders who accept the Listco Offer should be paid by the Offeror to the Independent Shareholders as soon as possible but in any event within ten days of the date of receipt of a duly completed acceptance in accordance with the Takeovers Code. Settlement of the amounts due to the accepting Independent Shareholders will be implemented in full without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholders.

Dealings in securities of the Company

Save for the purchase of the Sale Shares and the subscription of the Subscription Shares, none of the Offeror and parties acting in concert with it dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.

Save for the pledging of the Sale Shares, the Subscription Shares and the Shares to be acquired from the Listco Offer to Haitong Securities as set out in the paragraph "Total consideration", there is no arrangements, whether by way of option, indemnity or otherwise, in relation to the Shares and which might be material to the Listco Offer.

Neither the Offeror nor any party acting in concert with it had received any irrevocable commitment from the Independent Shareholders to or not to accept the Listco Offer as at the Latest Practicable Date.

Compulsory acquisition

The Offeror does not avail itself of any power of compulsory acquisition.

INFORMATION ON THE OFFEROR

The Offeror is an investment holding company incorporated in the BVI with limited liability. As at the Latest Practicable Date, save for the acquisition of the Sale Shares and the subscription of the Subscription Shares pursuant to the Agreement and obtaining the loan facility from Haitong Securities for financing the transactions contemplated under the Agreement and the Listco Offer, the Offeror did not engage in any substantial business activities. As at the Latest Practicable Date, Mr. King was the sole beneficial owner and the sole director of the Offeror.

INTENTION OF THE OFFEROR REGARDING THE GROUP

The Offeror intends to continue the principal business of the Group, i.e. the development of computer software and related matters in the PRC. The Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for the future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, as the Latest Practicable Date, the Offeror has no intention to introduce any significant changes in the business of the Group, including any acquisitions, disposals and/or redeployment of assets and businesses of the Group, other than in its ordinary course of business. The Offeror also has no intention to redeploy or discontinue the employment of the employees of the Group other than in its ordinary course of business.

PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY

All existing executive Directors and independent non-executive Directors will resign from their office with effect from the earliest time permitted under the Takeovers Code. The Offeror intends to nominate Mr. King and Mr. Tsang To as executive Directors immediately after the posting of this Listco Offer Document.

The brief biographies of the new Directors nominated by the Offeror are set out below:

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

Advanced Investment, through its wholly owned subsidiary, is beneficially interested in approximately 20.36% of the entire issued share capital of Fujian Start Group Co., Ltd. ("Fujian Start"), a company listed on the Shanghai Stock Exchange. Based on the latest annual report of Fujian Start, it is engaged in property development, and computer equipment manufacturing and marketing business. Mr. King did not hold any directorship in any public listed companies in the last three years. As at the Latest Practicable Date, Mr. King was interested in 405,487,000 Shares through the Offeror, in which Mr. King is the sole beneficial owner and sole director of the Offeror.

Mr. Tsang To, aged 35, is a partner of a PRC law firm. Mr. Tsang holds a bachelor's degree in laws from Xiamen University（廈門大學）and a master's degree in laws from the University of London. He is admitted as a solicitor to the High Court of Hong Kong as well as a PRC qualified lawyer. Mr. Tsang is currently an independent director of THT Heat Transfer Technology. Inc. (Stock Code: THTI), a company listed on the NASDAQ Stock Market. Save as disclosed above, Mr. Tsang did not hold any directorship in any public listed companies in the last three years. As at the Latest Practicable Date Mr. Tsang did not have any interest in the Shares.

As at the Latest Practicable Date, Mr. King and Mr. Tsang did not hold any positions in the Company or any members of the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends that the Company remains listed on the Stock Exchange. The director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

The Stock Exchange has stated that if, at the close of the Listco Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the issued Shares, are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient issued Shares in public hands to maintain an orderly market, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares.

The Stock Exchange will also closely monitor all acquisitions or disposals of assets by the Company. Under the Listing Rules, the Stock Exchange has the power to aggregate a series of transactions and any such transactions may result in the Company being treated as if it were a new listing applicant and subject to the requirements for new applicants as set out in the Listing Rules.

TAX IMPLICATIONS

None of the Company, the Offeror, Haitong Capital, Haitong Securities, Somerley, the Registrar or any of their respective directors or any other parties involved in the Listco Offer is in a position to advise the Independent Shareholders on their individual tax implications. The Independent Shareholders are recommended to consult their own professional advisers as to the tax implications that may arise from accepting the Listco Offer. None of the Company, the Offeror, the professional advisers to the Company and the Offeror or any of their respective directors or any other parties involved in the Listco Offer accepts any responsibility for any tax effect on, or liabilities of, the Independent Shareholders.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Listco Offer Document and the Form of Acceptance.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Listco Offer.

The attention of the Overseas Shareholders is drawn to paragraph 6 in Appendix I to this Listco Offer Document.

All documents and remittances sent to the Independent Shareholders by ordinary post will be sent to them at their own risk. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members of the Company or in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members of the Company. None of the Company, the Offeror, Haitong Capital, Haitong Securities, Somerley, the Registrar, or any of their respective directors or professional advisers or any other parties involved in the Listco Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Listco Offer Document.

Yours faithfully,
For and on behalf of
Haitong International Securities Company Limited
William Lee
Managing Director

TAI-I INTERNATIONAL HOLDINGS LIMITED

台一國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1808)

18 February 2011

To the Independent Shareholders

Dear Sir or Madam,

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO UNCONDITIONAL MANDATORY CASH OFFER BY HAITONG INTERNATIONAL SECURITIES COMPANY LIMITED ON BEHALF OF AFFLUENT START HOLDINGS INVESTMENT LIMITED TO ACQUIRE ALL THE SHARES IN TAI-I INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY AFFLUENT START HOLDINGS INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to the composite offer and response document (the "Listco Offer Document") dated 18 February 2011 jointly issued by the Company and the Offeror, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Listco Offer Document unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Listco Offer and to advise you as to whether, in our opinion, the terms of the Listco Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to acceptances of the Listco Offer.

Beijing Securities has been appointed as the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Listco Offer. Details of its advice and principal factors taken into consideration in arriving at its recommendation are set out in the letter from Beijing Securities on pages 23 to 37 of the Listco Offer Document.

RECOMMENDATION

Having taken into account the terms of the Listco Offer and the advice and recommendation of Beijing Securities and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the terms of the Listco Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders to accept the Listco Offer.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Tai-I International Holdings Limited

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

Beijing Securities

BEIJING SECURITIES LIMITED

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

18 February 2011

To the Independent Board Committee

Dear Sirs,

UNCONDITIONAL MANDATORY GENERAL CASH OFFER BY HAITONG INTERNATONAL SECURITIES COMPANY LIMITED ON BEHALF OF ALLUENT START HOLDINGS INVESTMENT LIMITED TO ACQUIRE ALL THE SHARES IN TAI-I INTERNATIONAL HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY OR AGREED TO BE ACQUIRED BY ALLUENT START HOLDINGS INVESTMENT LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee in respect of the Listco Offer. The details of the Listco Offer, among other things, are set out in the in the composite offer and response document of the Company dated 18 February 2011 (the "**Listco Offer Document**"), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in the Listco Offer Document unless the context requires otherwise.

Following Completion took place on 11 February 2011, the Offeror and parties acting in concert are interested in 405,487,000 Shares, representing approximately 50.30% of the enlarged issued capital of the Company. Under Rule 26.1 of the Takeovers code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it).

Haitong Securities, on behalf of the Offeror and pursuant to the Takeovers Code, is making the Listco Offer, which is an unconditional mandatory cash offer to the Shareholders to acquire all the issued Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

for each Share held . . . . HK$0.3925 in cash

Further details of the terms of the Listco Offer, including the procedures for acceptance and settlement of the Listco Offer, are set out in the letter from the Board and Appendix I to this Listco Offer Document.

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

Beijing Securities is not associated with the directors, chief executive or substantial shareholders of the Company and the Offeror or any of their respective associates or respective party acting, or presumed to be acting, in concert with any of them and therefore is considered suitable to give independent advice to the Independent Board Committee. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Company or the Offeror or the directors, chief executive and substantial shareholders of the Company or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them.

Our role is to provide the Independent Board Committee with an independent opinion and recommendation as to whether the terms of the Listco Offer are fair and reasonable and whether or not the Independent Board Committee should recommend the Independent Shareholders to accept the Listco Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, we have relied on the statements, information, opinions and representations contained or referred to in the Listco Offer Document and the information and representations provided to us by the Company, the Offeror and their respective directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Listco Offer Document (other than information relating to the Offeror and parties acting in concert with it and terms and conditions of the Listco Offer) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Listco Offer Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in the Listco Offer Document, the omission of which would make any statement in the Listco Offer Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in the Listco Offer Document (other than information relating to the Group and its associates) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Listco Offer Document (other than opinions expressed by the Group and its associates) have been arrived at after due and careful consideration and there are no other facts not contained in the Listco Offer Document, the omission of which would make any statement in this Listco Offer Document misleading.

We have assumed that all information and representations that have been provided by the Directors and the sole director of the Offeror, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and the sole director of the Offeror in the Listco Offer Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Listco Offer Document, or the reasonableness of the opinions expressed by the Company, the Offeror and their respective directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification on the information included in the Listco Offer Document and provided to us by the Company, the Offeror and their respective directors nor have we conducted any form of in-depth investigation into the business, affairs, financial performance and positions or future prospects of the Group, the Offeror and their respective associates.

We have not considered the tax consequences on the Independent Shareholders of their acceptance or non-acceptance of the Listco Offer since these are particular to their own individual circumstances. In particular, Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to this Listco Offer and, if in any doubt, should consult their own professional advisers.

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

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

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

1. Background of the Listco Offer

On 8 November 2010, the Company, Tai-I BVI and the Offeror entered into the Agreement regarding the Share Transfer and the Subscription pursuant to which (i) the Offeror has conditionally agreed to acquire from Tai-I BVI approximately 32.79% of the issued share for a total consideration of approximately HK$76.73 million; and (ii) the Offeror has conditionally agreed to subscribe for 210,000,000 Subscription Shares, representing 26.05% of the enlarged issued Shares for a total consideration of approximately HK$12.6 million.

To facilitate the Completion, the Board put forward the Proposal for the Independent Shareholders' consideration at the EGM. The Proposal includes the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie. The resolution in respect of the Proposal was duly approved by the Independent Shareholders at the EGM on 8 February 2011. On 8 February 2011, all the conditions precedent for the Proposal and the Agreement were fulfilled or waived and Completion took place on 11 February 2011. Following Completion , the Offeror and parties acting in concert are interested in 405,487,000 Shares, representing approximately 50.30% of the enlarged issued capital of the Company. Under Rule 26.1 of the Takeovers code, the Offeror is required to make an unconditional mandatory cash offer for all the issued Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offeror intends to maintain the listing status of the Company and it will irrevocably undertake that it will be responsible for maintaining the 25% public float requirement of the Company upon the closing of the Listco Offer.

As at the Latest Practicable Date, the Company is an investment holding company and the Group is principally engaged in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC as well as customised development of applications as a value-added service to customers, and the sales of self-developed firewall and other software products.

2. Information on the Group

Following Completion and the Distribution In Specie was made on 11 February 2011, the Company has only one directly wholly owned subsidiary, Winsino Investments Limited and its subsidiaries including Liang Hui Holdings Limited, Oriental LegendMaker Technology Limited ("**OLM**"), 北京東方龍馬軟體發展有限公司 (Beijing Oriental LegendMaker Software Development Company Limited*) ("**Beijing OLM**") and 成都東方龍馬訊息產業有限公司 (Chengdu Oriental LegendMaker Information Industry Company Limited*) ("**Chengdu OLM**") and 上海東方龍馬軟件技術有限公司 (Shanghai Oriental LegendMaker Software Technique Company Limited*) ("**Shanghai OLM**") (collectively as the "**Winsino Group**"). The Winsino Group is principally engaged in the Remaining Business. The Remaining Business comprises the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC as well as customised development of applications as a value-added service to customers, and the sales of self-developed firewall and other software products. As at the Latest Practicable Date, the Group has branches in Beijing, Guangzhou, Shanghai and Chengdu.

(a) Financial information of the Group

The unaudited pro forma consolidated financial information of the Group, which comprises mainly of the Remaining Business, was prepared on the assumption that the Proposal had taken place on 31 December 2009 but without taking into account of the completion of the acquisition of Liang Hui Holdings Limited in September 2010 (the "**Acquisition**"). The details of which are set out in Appendix III to the Composite Offer Document. As stated in the letter from the Board set out in the circular of the Company dated 18 January 2010, the Directors estimated that the net asset value of the Group after taking into account of the combined effect of the completion of the Proposal and the Acquisition (the "**Estimated NAV**") would be approximately RMB19.66 million. Accordingly, the net asset value per Share based on the Estimated NAV would be HK$0.028 (the "**Estimated NAV per Share**"). The following is a summary of the net asset value per Share.

	As at 31 December 2009 *RMB'million*
Unaudited pro forma net asset value of the Group	11.54
Estimated NAV of the Group	19.66
Unaudited pro forma net asset value per Share (HK$)	0.017
Estimated NAV per Share (HK$)	0.028

Note: Amounts denominated in RMB, if any, have been translated into HK$ at an exchange rate of RMB1=HK$1.16 for comparison purpose only.

As the Acquisition, which comprises mainly the Remaining Business, was completed in September 2010, the financial results of the Remaining Business therefore were not consolidated in the annual report of the Company for the year ended 31 December 2009. As a result, the turnover of the Remaining Business was not recorded in the unaudited pro forma consolidated financial information of the Group for the year ended 31 December 2009. Therefore, for analysis purposes, we have not relied on the unaudited pro forma financial information of the Group as set out in Appendix III to this Listco Offer Document to analyse the financial performance of the Remaining Business.

However, based on the circular of the Company dated 2 June 2010 in relation to the Acquisition, the financial performance of the Remaining Business could be assessed by reference to the unaudited consolidated financial results of Beijing OLM and Chengdu OLM. As stated in the circular of the Company dated 2 June 2010 in relation to the Acquisition, Liang Hui Holdings Ltd and OLM both are investment holding companies and have no material activities since incorporation. Beijing OLM, Chengdu OLM and Shanghai OLM are considered to be the main operating companies of the Group. For the year ended 31 December 2009, Beijing OLM recorded an unaudited consolidated net profit after tax of approximately RMB2.08 million. For the period from 1 January 2009 to 19 October 2009, Chengdu OLM recorded unaudited consolidated net profit after tax of approximately RMB7.97 million. On 19 October 2009, the equity interests of Chengdu OLM were transferred to Beijing OLM and the financial results of Chengdu OLM were included in the Beijing OLM's consolidated financial statements since then. Shanghai OLM is a direct wholly-owned subsidiary of Chengdu OLM since 11 June 2010.

(b) Prospects of the Group

Following Completion and the completion of the Distribution In Specie, the Group will continue its principal business, i.e., the development of computer software and related matters in the PRC. It is the intention of the Group to focus on the development of software maintenance and value-added services in the next two to three years, and to set up offices in other big cities in the PRC, for example, Nanjing, Xian and Hangzhou. Moreover, the Group will continue to explore other markets that have significant need in data management, for example, health, education, energy and manufacturing industries.

Due to the continued and rapid development of the Chinese economy in recent years, it led to the increased size and overall strength of corporate clients of the information technology industry and therefore resulted in their increased demand for information technology system solutions and services. According to the information available on the website of the Ministry of Industry and Information Technology of the PRC, the total revenue for computer software and information technology industry in 2010 has grown by 31% year on year, while the industry has achieved a compounded annual growth rate of 38% over the past 10 years from 2001 to 2010 in terms of total revenue, evidencing the rapid growth of the industry in the PRC.

In recent years, a number of industrial policies in favour of the development of the information technology systems services industry were issued in the PRC, including the Certain Opinions on the Promotion of the Outsourcing of Financial Supporting Services (關於金融支持服務外包產業發展的若干意見) issued in September 2009, the Guiding Policies on Encouraging Outsourcing of Government and Enterprises for the Development of the Service Outsourcing Industry of the PRC (關於鼓勵政府和企業發包促進我國服務外包產業發展的指導政策) issued in June 2009, the Adjustment and Stimulus Plans for Electronics and Information Industry (電子信息產業調整振興規劃) issued in February 2009, etc.

We consider that the various positive factors described in the above paragraphs have created favourable conditions for the development of the information technology industry in the PRC and that the information technology industry in the PRC has a positive outlook in general.

However, we note that there remain various risk factors associated with the operation and the prospect of the Remaining Business of the Group, including principally (i) the ability of the Remaining Business to maintain its growth by effectively addressing the needs of existing and prospective customers given the nature of the information technology industry being traditionally characterized by constant changes in technological advancement and customer requirements; (ii) the ability of the Remaining Business to expand its operations which is dependent on the availability of management, operational and financial resources; (iii) potential service liability that may be incurred as a result of defective software, if any, developed by the Group and provided to its customers; (iv) the ability of the Group to attract and retain skilled employees and key executives; and (v) the potential adverse effects on the Remaining Business due to possible breakdown of or disruptions in the use of the hardware and software on which the Remaining Business depends to carry out its daily operation due to unforeseen circumstances such as computer virus and unauthorized access into the computer network and system of the Group.

Whilst the outlook of the information technology industry in the PRC is, as discussed above, positive in general, the Group may or may not benefit from such potential positive development of the industry. The extent to which the Group may benefit from the positive industry outlook depends on a lot of company-specific factors including, in particular, the various risk factors described in the preceding paragraph relating to the business operation of the Group. As such risk factors are specific to the Group while the industry trend affects only the business environment surrounding the information technology industry, we consider that the risk factors shall have more direct and relevant effects on the prospect of the Group.

Having considered the risk factors associated with the Remaining Business and that the Remaining Business was only newly acquired by the Group in September 2010, we consider that it would be imprudent to determine at the present moment whether the Group will or will not benefit from the positive outlook of the information technology industry in the PRC as well as the growth of the Chinese economy and therefore the future business outlook of the Group is uncertain.

3. Background of the Offeror and its intention regarding the future of the Group

(a) Information on the Offeror

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

(b) Intention of the Offeror regarding the Group

As stated in the paragraph headed "Intention of the Offeror regarding the Group" set out in the letter from Haitong Securities to this Listco Offer Documents, the Offeror intends to continue the principal business of the Group, i.e. the development of computer software and related matters in the PRC. The Offeror will conduct a review on the business operations and financial position of the Group for the purpose of formulating business plans and strategies for future business development of the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may consider diversifying the business of the Group with an objective to broaden its income source. However, as at the Latest Practicable Date, the Offeror has no intention to introduce any significant changes in the business of the Group, including any acquisitions, disposals and/or redeployment of assets and businesses of the Group, other than in its ordinary course of business. The Offeror intends to continue the employment of the employees of the Group in its ordinary course of business.

The Offeror intends to maintain the listing status of the Company and it will irrevocably undertake to the Stock Exchange to take appropriate steps to maintain the 25% public float requirement upon the closing of the Listco Offer.

(c) Proposed change of the Board composition of the Company

All existing executive Directors and independent non-executive Directors will resign from their office with effect from the earliest time permitted under the Takeover Code. The Offeror intends to nominate Mr. King and Mr. Tsang To as executive Directors immediately after the posting of the Listco Offer Document.

The biographical details of Mr. King and Mr. Tsang To are set out in the letter from Haitong Securities to this Listco Offer Document.

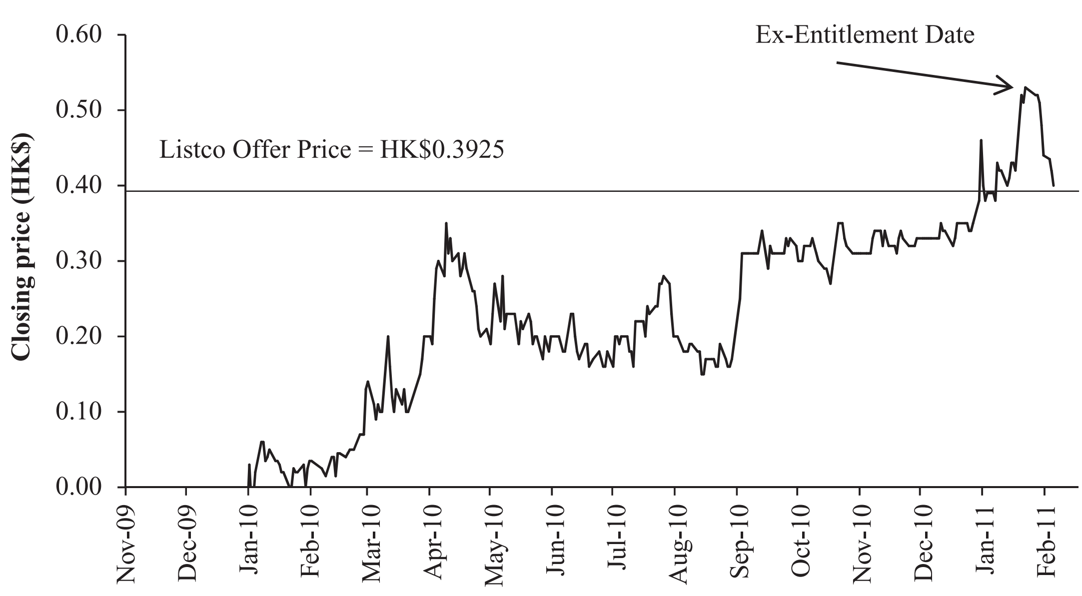
4. The Listco Offer Price

As the Company distributed all of its Privateco Shares in specie to the Shareholders whose names appear on the register of members of the Company on the record date, being 28 January 2011 (a date falling before the date of Completion), the rights to the Distribution In Specie were not attached to the Subscription Shares subscribed by the Offeror. Pursuant to the Distribution In Specie which was made on 11 February 2011, the Distributed Businesses were transferred to the Privateco Group and all the Privateco Shares held by the Company were distributed in specie to the Shareholders on the basis of one Privateco Share for every Share held. The Shares commenced trading on an ex-entitlement basis for the Distribution In Specie on 31 January 2011.

In making our analysis of the Listco Offer and for comparison purposes, we have made adjustments to the historical daily closing prices of the Shares prior to 31 January 2011, being the Ex-Entitlement Date (the "**Adjusted Prices**") by deducting the Privateco Offer Price of HK$0.45 per Privateco Share. We take the Privateco Offer Price as the value of the Privateco Shares for adjustment purpose as there is no open market value for the Privateco Shares which are unlisted and the Privateco Shares (other than those already owned or agreed to be acquired by Tai-I BVI and parties acting in concert with it) are subject to the Privateco Offer at the Privateco Offer Price.

(a) Adjusted Prices and the net asset

We have compared the Listco Offer Price to the Adjusted Prices of the Shares over the 12-month period prior to the date of the Joint Announcement up to the Latest Practicable Date. The following chart depicts the daily Adjusted Prices of the Shares from 12 November 2009 (approximately 12 months prior to the date of the Joint Announcement) to the date prior to the Ex-Entitlement Date and the daily closing prices of the Shares from the Ex-Entitlement Date up to the Latest Practicable Date (the "**Review Period**"):



The Listco Offer Price is equal to the price paid by the Offeror for each Sale Share under the Agreement. The Listco Offer Price of HK$0.3925 per Share represents:

(i) a premium of approximately 2,208.82% to the unaudited pro forma net asset value of the Group of approximately HK$0.017 per Share based on the unaudited pro forma financial information of the Group as at 31 December 2009 set out in Appendix III to this Listco Offer Document;

(ii) a premium of approximately 1,301.79% to the Estimated NAV per Share of approximately HK$0.028;

(iii) a premium of approximately 26.61% over the Adjusted Price of HK$0.31 per Share on the Last Trading Day;

(iv) a discount of approximately 1.9% to the closing price of HK$0.40 per Share on the Latest Practicable Day; and

(v) premiums of approximately 25.00%, 25.80%, 25.40% and 66.31% over the average of the Adjusted Prices of approximately HK$0.314, HK$0.312, HK$0.313 and HK$0.236 respectively for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day.

As illustrated in the chart above, the Listco Offer Price has a premium over the Adjusted Prices during the period from 12 November 2009 to the Last Trading Day, which was ranged from a negative value to HK$0.35. During the Review Period prior to the Ex-Entitlement Date, the Adjusted Prices ranged from a negative value to the highest of HK$0.46 per Share.

The average of the Adjusted Prices during the Review Period prior to the Ex-Entitlement Date was approximately HK$0.18. The Listco Offer Price represents a premium of approximately 118.06% over such average of the Adjusted Prices during the Review Period prior to the Ex-Entitlement Date.

The closing prices of the Shares during the period from the Ex-Entitlement Date to the Latest Practicable Date ranged from HK$0.42 to HK$0.52. The average of the closing price of the Shares during the period from the Ex-Entitlement Date to the Latest Practicable Date was approximately HK$0.48 which the Listco Offer Price represents a discount of approximately 18.23% to such average closing prices. On the other hand, the Listco Offer Price only represents a discount of approximately 1.9% to the closing price of HK$0.40 per Share as at the Latest Practicable Date.

We note that the Adjusted Prices were higher than the Listco Offer Share since 11 January 2011 (except for the four trading days on 13, 14, 17 and 18 January 2011) during the Review Period prior to the Ex-Entitlement Date and the closing prices of the Shares were higher than the Listco Offer during the period from the Ex-Entitlement Date to the Latest Practicable Date. For those Independent Shareholders who wish to realise their investment in the Shares are reminded that they should carefully and closely monitor the market price of the Shares during the offer period and consider selling their Shares in the open market during the offer period, rather than accepting the Listco Offer, if the net proceeds from the sales of such Shares in the open market would exceed the net amount receivable under the Listco Offer. Accordingly, we consider that the Listco Offer provides an alternative exit to the Independent Shareholders to realise their investment in the Company at the Listco Offer Price.

(b) Comparable Companies

For the purpose of assessing the fairness and reasonableness of the value of the Group implied by the Listco Offer Price, we have identified 8 companies listed on Main Board of the Stock Exchange (the "**Comparable Companies**") principally engaged in the businesses of software development and system development or other similar business of the Group. The list of the Comparable Companies is an exhaustive list and we consider that they are fair and representative comparables to the Group (i) as their relevant businesses are closely comparable to the business of the Group; (ii) no less than 80% of their revenues are generated from the PRC markets based on their relevant latest published audited financial statements; and (iii) no less than 90% of their revenues generated from software development and system development based on their relevant latest published audited financial statements.

Company (stock code)	**Principal activities**	**Approximate market capitalisation as at the Last Trading Day (being 8 November 2010)** *(HK$ million)*	**Closing price as at the Last Trading Day (being 8 November 2010)** *(HK$)*	**Net asset value per share based on the latest audited published financial statements** *(HK$)*	**Price to book multiples** *(approximate times) (Note 2)*
Beijing Development (Hong Kong) Limited (stock code: 154)	Provision of information technology related services	1,077.16	1.59	0.96	1.66
Kingdee International Software Group Co., Limited (stock code: 268)	Developing, manufacturing and selling of software products and provision of software-related technical services in the PRC	9,555.53	4.57	0.71	6.44

Company (stock code)	**Principal activities**	**Approximate market capitalisation as at the Last Trading Day (being 8 November 2010)** *(HK$ million)*	**Closing price as at the Last Trading Day (being 8 November 2010)** *(HK$)*	**Net asset value per share based on the latest audited published financial statements** *(HK$)*	**Price to book multiples** *(approximate times) (Note 2)*
Chinasoft International Ltd (stock code: 354)	Development and provision of information technology solutions, IT outsourcing services and training services	2,363.30	2.17	0.89	2.44
Founder Holdings Ltd (stock code: 418)	Software development and systems integration	621.66	0.55	0.43	1.28
Futong Technology Development Holdings Limited (stock code: 465)	Distribution of enterprise IT products and provision of services	572.70	1.84	1.34	1.37
Universal Technologies Holdings Limited (stock code: 1026)	Provision of internet payment solutions to enterprises, individuals and payment gateways, system integration and related consultancy services	405.79	0.26	0.16	1.63
Nanjing Sample Technology Co., Limited (stock code: 1708)	Provision of video security system solutions, sale of security system software and sales of related computer products	807.84	8.80	2.95	2.98
Kingsoft Corporation Limited (stock code: 3888)	Research, development, operation and distribution of online game, mobile game and casual game services; and the research, development, operation and distribution of internet security software, dictionary software and office application software products	5,095.86	4.55	1.70	2.68
Average					**2.56**
Maximum					**6.44**
Minimum					**1.28**
The Company	Development of computer software and related matters in the PRC	453.08/233.99 (based on the Listco Offer Price)	0.3925 (being the Listco Offer Price)	0.028	14.02 *(Note 3)*

Notes:

1. Amounts denominated in RMB, if any, have been translated into HK$ at an exchange rate of RMB1=HK$1.16 for comparison purpose only.

2. Price to book multiples of the Comparable Companies are calculated on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day and their consolidated net asset value as at the balance sheet date of their latest published audited financial statements, which is calculated by dividing the consolidated net asset value by the total number of ordinary shares in issue of the respective Comparable Companies.

3. Price to book multiples of the Company is calculated based on the Listco Offer Price divided by the Estimated NAV per Share.

Given that, the combined financial results of the Remaining Business are not available, the use of price / earnings multiples to provide a comparison to assess the Listco Offer Price may not provide a valid analysis and therefore we have not used this aspect for assessment.

We have, however, compared the price to book multiples implied by the Listco Offer Price with the price to book multiples of the Comparable Companies. The price to book multiples implied by the Listco Offer Price to the Estimated NAV per Share of approximately 14.02 times is higher than both the average price to book multiples of approximately 2.56 times and the highest price to book multiples of approximately 6.64 times for the Comparable Companies.

In light of the various analyses of the Listco Offer Price set out above and having considered the Listco Offer Price represents a reasonable premium in comparison with the average of the Adjusted Prices and a premium to the Estimated NAV per Share as compared to the Comparable Companies, we consider that the Privateco Offer Price is reasonable and acceptable.

5. Liquidity

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

	Total monthly trading volume *(in number of shares)*	**Approximate average daily trading volume** *(in number of shares)*	**Percentage of average daily trading volume to average total issued shares** *(Approximate %) (Note 1)*	**Percentage of average daily trading volume to average public float** *(Approximate %) (Note 2)*
2009				
November (from 12 November 2009)	7,440,000	572,308	0.10%	0.29%
December	21,078,000	958,091	0.16%	0.49%

	Total monthly trading volume *(in number of shares)*	Approximate average daily trading volume *(in number of shares)*	Percentage of average daily trading volume to average total issued shares *(Approximate %)* *(Note 1)*	Percentage of average daily trading volume to average public float *(Approximate %)* *(Note 2)*
2010				
January	23,006,000	1,150,300	0.19%	0.58%
February	4,334,000	240,778	0.04%	0.12%
March	29,602,000	1,287,043	0.22%	0.65%
April	18,186,000	957,158	0.16%	0.49%
May	11,396,000	569,800	0.10%	0.29%
June	2,538,000	120,857	0.02%	0.06%
July	2,478,000	118,000	0.02%	0.06%
August	7,410,000	336,818	0.06%	0.17%
September	43,366,000	2,065,048	0.35%	1.05%
October	8,270,000	413,500	0.07%	0.21%
November	44,206,000	2,009,364	0.34%	1.02%
December	9,804,000	576,706	0.10%	0.29%
2011				
January	34,960,000	1,664,762	0.28%	0.85%
February (up to and including the Latest Practicable Date)	9,188,000	918,800	0.15%	0.47%

Source: Bloomberg

Notes:

1. Calculated based on the average of the number of issued Shares in each month during the Review Period obtained from Bloomberg.

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

As illustrated above, during the Review Period, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from 0.02% to 0.35%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from 0.06% percentage to 1.05%. It should be noted that the average daily turnover of the Shares during the Review Period was below 0.50% of the average total issued Shares and far below 1% of the average public float except for the recent increase in the daily turnover for the months of September and November 2010, which is the month that the First Announcement and the Joint Announcement was published respectively.

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

RECOMMENDATIONS

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

(i) at most of time during the Review Period prior to the Ex-Entitlement Date, the Listco Offer Price was higher than the Adjusted Prices and has a premium over the average of the Adjusted Prices for that period;

(ii) the Listco Offer Price represents a premium of approximately 1,301.79% over the Estimated NAV per Share;

(iii) the Listco Offer Price represents a premium over the Adjusted Prices on the Last Trading Day as well as the respective average of the Adjusted Prices for the 10, 20, 30 and 90 consecutive trading days up to and including the Last Trading Day;

(iv) the price to book multiples as represented by the Listco Offer Price to the Estimated NAV per Share of approximately 14.02 times is higher than both the average and the highest price to book multiples of the Comparables Companies of approximately 2.56 times and 6.44 times respectively;

(v) the overall liquidity of the Shares was relatively low during the Review Period, and the Independent Shareholders who intend to dispose of a large number of the Shares may not able to do so without exerting a downward pressure on the price of the Shares while the Listco Offer will lead to an alternative exit to the Independent Shareholders to realise their investment; and

(vi) the business outlook of the Group is uncertain as the Remaining Business was newly acquired by the Group in September 2010 and the risks associated with the Remaining Business;

we consider that the terms of the Listco Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders should consider accepting the Listco Offer.

In the event that the market price of the Shares exceeds the Listco Offer Price during period while the Listco Offer is open and the sales proceeds (net of transaction costs) exceed the net amount receivable under the Listco Offer, Independent Shareholders should consider to sell their Shares in the open market if they are able to do so.

Independent Shareholders are advised that their decision to realise or to hold their investment in the Shares depends on their own individual circumstances and investment objectives. For those Independent Shareholders who wish to retain part or all of their shareholdings in the Company should note that the Group is principally engaged in the Remaining Business. Accordingly, those Independent Shareholders should carefully consider the future intentions of the Offeror regarding the Group after the close of the Listco Offer, details of which are set out in the sub-section headed "Intention of the Offeror regarding the Group" of this letter and in the letter from Haitong Securities as set out in the Listco Offer Document. In any event, Independent Shareholders should note that there is no certainty that the current trading volume and/or current trading price level of the Shares will be sustainable during or after the offer period of the Listco Offer.

Independent Shareholders are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting or rejecting the Listco Offer.

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

* *For identification purpose*

1. PROCEDURES FOR ACCEPTANCE

To accept the Listco Offer, you should complete and sign the Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Listco Offer.

(a) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Listco Offer, you must send the duly completed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) for not less than the number of Shares in respect of which you intend to accept the Listco Offer by post or by hand to the Registrar marked "**Tai-I International Holdings Limited Offer**" on the envelope by no later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may announce as a result of a revision or an extension of the Listco Offer, if any.

(b) If the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Listco Offer whether in full or in part of your Shares, you must either:

(i) instruct the nominee company to accept the Listco Offer on your behalf and request it to deliver the completed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and send the completed Form(s) of Acceptance together with the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar by no later than 4:00 p.m. on the Closing Date; or

(iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Listco Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or

(iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorize your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If the share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost and you wish to accept the Listco Offer, the Form(s) of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your share certificate(s), you should also write to the Registrar for a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your share certificate(s), and you wish to accept the Listco Offer in respect of your Shares, you should nevertheless complete the Form(s) of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Haitong Securities and/or the Offeror or their respective agent(s) to collect from the Registrar on your behalf the relevant share certificate(s) when issued and to deliver such certificate(s) to the Registrar as if it was/they were delivered to the Registrar with the Form(s) of Acceptance.

(e) Acceptance of the Listco Offer will be treated as valid only if the duly completed Form of Acceptance is received by the Registrar by not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine in compliance with the requirements of the Takeovers Code and announce, and is:

(i) accompanied by the relevant share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph (e)); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form(s) of Acceptance is executed by a person other than the registered Independent Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

(f) No acknowledgement of receipt of any Form(s) of Acceptance, share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

(g) The address of the Registrar is at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

Unless the Listco Offer has previously been revised with the consent of the Executive, all Forms of Acceptance must be received by the Registrar by 4:00 p.m. on the Closing Date in accordance with the instructions printed thereon.

If the Listco Offer is revised, the announcement of such revision will state the next Closing Date and the Listco Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification and/or announcement of the revision to the Independent Shareholders and, unless previously revised, shall close on the subsequent Closing Date. If the Offeror revises the terms of the Listco Offer, all Independent Shareholders whether or not they have already accepted the Listco Offer, will be entitled to accept the revised Listco Offer under the revised terms.

If the Closing Date is revised, any reference in the Listco Offer Document and in the Form(s) of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the Closing Date of the Listco Offer as so revised.

3. ANNOUNCEMENTS

(a) By 6:00 p.m. (or such later time and/or date as the Executive agrees) on the Closing Date, the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension or expiry of the Listco Offer. The Offeror must publish an announcement on the Stock Exchange's website no later than 7:00 p.m. on the Closing Date stating whether the Listco Offer has been revised, extended or has expired.

The announcement will state the following:

(i) the total number of Shares and rights over Shares (if any) for which acceptances of the Listco Offer have been received;

(ii) the total number of Shares and rights over Shares (if any) held, controlled or directed by the Offeror or parties acting in concert with it before the offer period (as defined under the Takeovers Code); and

(iii) the total number of Shares and rights over Shares (if any) acquired or agreed to be acquired during the offer period by the Offeror or parties acting in concert with it.

The announcement must include details of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement must also specify the percentages of the relevant classes of share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

(b) In computing the total number of Shares represented by acceptances, for announcement purposes, acceptances which are in all respects in complete and good order or that have been received by the Registrar no later than 4:00 p.m. on the Closing Date, being the latest time and date for acceptance of the Listco Offers, shall be included.

(c) As required under the Takeovers Code, all announcements in relation to the Listco Offer will be made in accordance with the requirements of the Listing Rules.

4. RIGHT OF WITHDRAWAL

(a) Acceptance of the Listco Offer tendered by the Independent Shareholders or by their agent(s) on their behalves shall be irrevocable and cannot be withdrawn, except in the circumstances set out in sub-paragraph (b) below.

(b) If the Offeror is unable to comply with the requirements set out in the paragraph headed "Announcements" above, the Executive may require that the Independent Shareholders who have tendered acceptances of the Listco Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

5. SETTLEMENT

(a) Provided that the Form(s) of Acceptance and/or the relevant share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date for the acceptance of the Listco Offer, a cheque for the amount representing the cash consideration due to each accepting Shareholder in respect of the Shares tendered by him/her or his/her agent(s) under the Listco Offer, less seller's ad valorem stamp duty payable by him/her in the case for tendered Shares, will be despatched to each accepting Shareholder by ordinary post at his/her own risk as soon as possible but in any event within 10 days from the date of receipt of duly completed acceptances by the Registrar.

(b) Settlement of the consideration to which any Shareholder is entitled under the Listco Offer will be implemented in full in accordance with the terms of the Listco Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder.

If the Listco Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form(s) of Acceptance to the relevant Independent Shareholders who have tendered acceptances to the Listco Offer.

6. OVERSEAS SHAREHOLDERS

The making of the Listco Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be prohibited or affected by the laws of the relevant jurisdictions. Independent Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions. It is the responsibility of any such persons who wish to accept the Listco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required or the compliance with other necessary formalities or legal requirements and the payment of any transfer or other taxes due by such accepting Independent Shareholders in respect of such jurisdiction. Any acceptance of the Listco Offer by any person will be deemed to constitute a representation and warranty from such person that the relevant local laws and requirements have been fully complied with by such person, and such acceptance shall be valid and binding in accordance with all applicable laws. Any such persons will be responsible for payment of any transfer and other applicable taxes or other governmental payments due by such persons. Independent Shareholders should consult their professional adviser if in doubt.

7. GENERAL

(a) All communications, notices, Form(s) of Acceptance, share certificate(s), transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Listco Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents through post at their own risk, and none of the Company, the Offeror, Haitong Capital, Haitong Securities, Somerley, Beijing Securities, the Registrar nor any of their respective directors or agents or other parties involved in the Listco Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(b) The provisions set out in the Form of Acceptance form part of the terms of the Listco Offer.

(c) The accidental omission to despatch the Listco Offer Document and/or the Form(s) of Acceptance or any of them to any person to whom the Listco Offer is made will not invalidate the Listco Offer in any way.

(d) The Listco Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong.

(e) Due execution of the Form of Acceptance will constitute an authority to any director of the Offeror, Haitong Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person accepting the Listco Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares, in respect of which such person has accepted the Listco Offer.

(f) Acceptance of the Listco Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror that the Shares acquired under the Listco Offer are sold by any such person or persons free from all liens, claims and encumbrances and together with all rights attaching thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the Shares on or after the date of the Completion.

(h) References to the Listco Offer in the Listco Offer Document and in the Form(s) of Acceptance shall include any extension and/or revision thereof.

(i) Acceptance to the Listco Offer by any nominee will be deemed to constitute a warranty by such nominee to the Offeror that the number of Shares in respect of which it is indicated in the Form(s) of Acceptance is the aggregate number of Shares held by such nominee for such beneficial owners who are accepting the Listco Offer.

(j) The English text of the Listco Offer Document and the Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

1. FINANCIAL SUMMARY

Set out below is a summary of the results of the Former Group for each of the years ended 31 December 2007, 2008 and 2009 and each of the six months ended 30 June 2009 and 2010 extracted from the annual reports and the interim reports of the Company of the respective years.

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	6,488,376	6,419,053	4,369,621	1,735,698	3,495,626
Profit/(loss) before taxation	124,342	(226,756)	33,708	(26,381)	47,966
Income tax credit/(expenses)	(12,837)	18,330	5,637	(1,767)	(440)
Profit/(loss) attributable to					
– equity holders of the Company	111,505	(208,426)	39,345	(28,148)	47,526
– minority interest	–	–	–	–	–
	111,505	(208,426)	39,345	(28,148)	47,526
Dividend payable to equity holders of the Company	32,400	–	–	–	–
Basic and diluted earnings/(loss) per share (RMB)	0.19	(0.35)	0.07	(0.05)	0.08
Dividend per share (RMB)	0.054	–	–	–	–

Notes:

(i) The auditors of the Company issued unqualified opinion in respect of the consolidated financial statements of the Company for each of the three years ended 31 December 2009 dated 11 April 2008, 16 April 2009 and 12 March 2010 respectively.

(ii) There were no extraordinary items or items which were exceptional because of its size, nature or incidence recorded on the consolidated financial statement of the Company during each of the three years ended 31 December 2009 and each of the six months ended 30 June 2009 and 2010.

2. FINANCIAL INFORMATION

The following financial information has been extracted from the annual report of the Company for the year ended 31 December 2009.

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

	Notes	2009 RMB'000	2008 RMB'000
Turnover	4	4,369,621	6,491,053
Cost of sales		(4,238,205)	(6,481,800)
Gross profit		131,416	9,253
Other revenue	5	17,541	42,786
Other net loss	6	(2,810)	(69,924)
Distribution expenses		(18,628)	(21,023)
General and administrative expenses		(40,666)	(60,402)
Other operating expenses	7	(5,725)	(15,015)
Profit/(loss) from operations		81,128	(114,325)
Finance costs	8(i)	(48,626)	(101,566)
Share of profit/(loss) of associate	18	1,206	(10,865)
Profit/(loss) before taxation		33,708	(226,756)
Income tax credit	9(i)	5,637	18,330
Profit/(loss) for the year attributable to equity holders of the Company	12	39,345	(208,426)
Other comprehensive income for the year (after tax)			
Foreign currency translation differences for foreign operations		110	1,623
Cash flow hedge: net movement in hedging reserve		35,496	(35,056)
Total comprehensive income for the year attributable to equity holders of the Company		74,951	(241,859)
Basic and diluted earnings/(loss) per share (RMB)	14	0.07	(0.35)

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

	Notes	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	428,014	437,767
Lease prepayments	16	31,346	32,183
Interest in an associate	18	18,750	17,544
Deferred tax assets	26	26,081	24,411
		504,191	511,905
Current assets			
Inventories	19	211,477	230,525
Trade and other receivables	20	1,085,762	977,698
Derivative financial instruments	21	5,712	16,171
Pledged deposits	22	284,494	788,258
Time deposits	23	245,780	289,100
Cash and cash equivalents	23	287,268	291,016
		2,120,493	2,592,768
Current liabilities			
Bank loans	24	1,000,977	1,422,303
Trade and other payables	25	986,302	1,019,727
Derivative financial instruments	21	6,387	107,971
Income tax recoverable	9(iii)	(1,284)	(2,757)
		1,992,382	2,547,244
Net current assets		128,111	45,524
Total assets less current liabilities		632,302	557,429
NET ASSETS		632,302	557,429
Capital and reserves			
Share capital	27(a)	5,962	5,966
Reserves	27(a)	626,340	551,463
Total equity		632,302	557,429

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

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(Expressed in Renminbi Yuan)

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

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

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit/(loss) before tax		33,708	(226,756)
Adjustments for:			
– Impairment losses for doubtful debts		–	22,769
– Depreciation		29,173	29,426
– Share of (gain)/loss of associate		(1,206)	10,865
– Impairment loss on interest in an associate		–	10,370
– Amortisation of lease prepayments		837	837
– Interest income		(13,291)	(34,667)
– Loss on disposal of property, plant and equipment		164	106
– Finance costs		48,626	101,566
– Unrealised loss on derivative financial instruments		675	91,800
– Foreign exchange loss		10,455	85,227
Operating profit before changes in working capital		109,141	91,543
Decrease in inventories		19,048	115,027
(Increase)/decrease in trade and other receivables		(80,680)	339,904
Decrease in trade and other payables		(149,699)	(434,126)
Decrease in bank advances under discounted bills		(54,736)	(48,481)
Cash (used in)/generated from operating activities		(156,926)	63,867
PRC income tax paid		(4,414)	(13,307)
PRC income tax refund received		5,887	7,109
Net cash (used in)/generated from operating activities		(155,453)	57,669
Cash flow from investing activities			
Acquisition of property, plant and equipment		(19,584)	(11,316)
Proceeds from disposal of property, plant and equipment		–	6
Proceeds from foreign exchange forward contracts		30,251	9,865
Payments in respect of foreign exchange forward contracts		(8,392)	(77,881)
Decrease/(increase) in time deposits		43,320	(79,193)
Interest received		24,950	33,285
Net cash generated from/(used in) investing activities		70,545	(125,234)

	Note	2009 RMB'000	2008 RMB'000
Cash flow from financing activities			
Proceeds from interest-bearing loans and borrowings		2,221,354	5,105,947
Repayment of interest-bearing loans and borrowings		(2,587,944)	(5,031,062)
Finance costs paid		(56,046)	(111,311)
Decrease in pledged deposits		503,764	86,920
Dividends paid		–	(32,338)
Payment for repurchase of shares		(78)	(1,719)
Net cash generated from financing activities		81,050	16,437
Effect of foreign exchange rate changes on cash		110	1,849
Net decrease in cash and cash equivalents		(3,748)	(49,279)
Cash and cash equivalents at the beginning of year		291,016	340,295
Cash and cash equivalents at the end of year	23	287,268	291,016

Notes to the Financial Statements

(Expressed in Renminbi Yuan)

1. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

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

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and major sources of estimation uncertainty is included in note 33.

(c) Subsidiaries

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

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

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

(d) Associate

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

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

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

(e) Goodwill

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

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

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

(f) Derivative financial instruments and hedging

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

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

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

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

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

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

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

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

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

(g) Property, plant and equipment

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

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

– other items of plant and equipment.

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

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

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

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

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

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

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

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

No depreciation is provided in respect of construction in progress.

(h) Lease prepayments

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

(i) Operating lease charges

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

(j) Impairment of assets

(i) Impairment of trade and other receivables

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

– significant financial difficulty of the debtor;

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

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

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment;

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

– investments in subsidiaries;

– interest in an associate; and

– goodwill

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(k) Inventories

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

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

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

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

(l) Trade and other receivables

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

(m) Cash and cash equivalents

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

(n) Trade and other payables

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

(o) Income tax

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

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

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

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

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

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

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

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Sale of goods

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

(ii) Service income

Service income is recognised when the related service is rendered.

(iii) Interest income

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

(iv) Government grants

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

(r) Employee benefits

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

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

(s) Translation of foreign currencies

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

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

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

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

(t) Borrowing costs

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

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

(u) Related parties

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

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

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

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

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

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

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

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

(v) Segment reporting

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

- IFRS 8, *Operating segments*
- Revised IAS 1, *Presentation of financial statements*
- Amendment to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to IFRSs (2008)
- Amendment to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly, controlled entity or associate*
- Amendment to IAS 39, *Financial instruments – Recognition and measurement*
- Amendment to IAS 32, *Financial instruments – Presentation*
- Revised IAS 23, *Borrowing costs*

The amendments to IAS 23, IAS 27, IAS 39 and IAS 32 have had no material impact on the Group's financial statements as the amendments and improvements were consistent with the policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Board (see note 3). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the annual report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

- As a result of the adoption of Revised IAS 1, details of changes in equity during the year arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this annual report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 31(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. Corresponding amounts have also been provided on the same basis.

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to IAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

3. SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

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

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

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

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

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Bare copper wires		Magnet wires		Total	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	3,191,245	4,456,578	1,178,376	2,034,475	4,369,621	6,491,053
Inter-segment revenue	989,092	1,655,091	–	–	989,092	1,655,091
Reportable segment revenue	4,180,337	6,111,669	1,178,376	2,034,475	5,358,713	8,146,144
Reportable segment profit/(loss) (adjusted profit/ (loss) before taxation)	23,755	(119,268)	23,550	(74,094)	47,305	(193,362)
Interest income from bank deposits	7,584	23,115	5,675	11,126	13,259	34,241
Interest expense	20,910	51,709	22,363	41,468	43,273	93,177
Depreciation and amortisation for the year	11,054	9,853	18,881	20,262	29,935	30,115
Reportable segment assets	2,068,623	2,453,823	932,914	1,353,303	3,001,537	3,807,126
Additions to non-current segment assets during the year	18,140	451	1,444	1,979	19,584	2,430
Reportable segment liabilities	1,840,456	2,235,318	608,992	1,071,846	2,449,448	3,307,164

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

	2009	**2008**
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	5,358,713	8,146,144
Elimination of inter-segment revenue	(989,092)	(1,655,091)
Total	4,369,621	6,491,053
Profit/(loss) before taxation		
Reportable segment profit/(loss) before taxation	47,305	(193,362)
Elimination of inter-segment profits	(1,910)	(4,416)
Reportable segment profit/(loss) derived from group's external customers	45,395	(197,778)
Share of profit/(loss) of associate	1,206	(10,865)
Unallocated head office and corporate expenses	(12,893)	(18,113)
Total	33,708	(226,756)
Assets		
Reportable segment assets	3,001,537	3,807,126
Elimination of inter-segment receivables	(457,104)	(764,271)
	2,544,433	3,042,855
Interests in associates	18,750	17,544
Deferred tax assets	26,081	24,411
Unallocated head office and corporate assets	35,420	19,863
Total	2,624,684	3,104,673
Liabilities		
Reportable segment liabilities	2,449,448	3,307,164
Elimination of inter-segment payables	(457,104)	(764,271)
	1,992,344	2,542,893
Unallocated head office and corporate liabilities	38	4,351
Total	1,992,382	2,547,244

4. TURNOVER

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

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

	2009	2008
	RMB'000	*RMB'000*
Sales of bare copper wires	3,166,888	4,438,671
Sales of magnet wires	1,178,376	2,034,475
Processing services	24,357	17,907
	4,369,621	6,491,053

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

5. OTHER REVENUE

	2009	2008
	RMB'000	*RMB'000*
Interest income	13,291	34,667
Government grants	4,008	–
Income tax refund	–	7,109
Others	242	1,010
	17,541	42,786

Government grants represent unconditional discretionary grants received from local Chinese government authorities in recognition of the Group's contribution to the development of the local economy during the year.

6. OTHER NET LOSS

	2009	2008
	RMB'000	*RMB'000*
Net exchange (loss)/gain	(8,266)	32,089
Gain on sales of scrap materials	1,730	1,228
Loss on disposal of property, plant and equipment	(164)	(106)
Net gain/(loss) on derivative financial instruments		
– copper futures contracts	589	(34,702)
– foreign exchange forward contracts	3,301	(68,619)
Others	–	186
	(2,810)	(69,924)

7. OTHER OPERATING EXPENSES

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

8. PROFIT/(LOSS) BEFORE TAXATION

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

(i) Finance costs

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

(ii) Staff costs

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

(iii) Other items

	2009 *RMB'000*	2008 *RMB'000*
Cost of inventories # (note 19)	4,238,205	6,481,800
Auditors' remuneration – audit services	1,814	2,212
Depreciation #	29,173	29,426
Amortisation of lease prepayments #	837	837
Impairment losses for doubtful debts	–	22,769
Impairment loss on associate	–	10,370
Operating leases charges in respect of properties	631	995

Cost of inventories includes RMB59,181,000 for the year ended 31 December 2009 (2008: RMB66,987,000), relating to staff costs, depreciation and amortisation of lease prepayments, which are included in the respective total amounts disclosed separately above and in note 8(ii) for each of these types of expenses.

9. INCOME TAX CREDIT

(i) Income tax credit in the consolidated statement of comprehensive income represents:

	2009	2008
	RMB'000	*RMB'000*
Current tax – PRC		
Provision for the year	–	(8,836)
Deferred tax		
Origination of temporary differences *(note 26)*	5,637	27,166
	5,637	18,330

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

No provision for Hong Kong profits tax has been made for the year as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

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

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

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

	2009 *RMB'000*	2008 *RMB'000*
Profit/(loss) before taxation	33,708	(226,756)
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (2009: 20%, 2008: 18%)	(6,742)	40,816
Effect of tax on profit/(loss) in holding companies	862	(5,244)
Effect of share of profit/(loss) of associate and impairment loss on interest in associate	241	(3,822)
Effect of non-deductible expenses	(639)	(67)
Effect of non-taxable income	–	640
Effect of change on tax rate	11,915	–
Others	–	104
Effect of PRC tax holidays granted to subsidiaries	–	(14,097)
	5,637	18,330

(iii) Taxation in the consolidated balance sheet represents:

	2009 *RMB'000*	2008 *RMB'000*
At 1 January	(2,757)	1,714
Provision for income tax for the year	–	8,836
Amounts received/(paid)	1,473	(13,307)
At 31 December	(1,284)	(2,757)

10. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

Year ended 31 December 2009

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

Year ended 31 December 2008

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

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

	2009	2008
Nil to RMB1,000,000	9	9

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

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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

12. PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

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

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

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

13. DIVIDENDS

	2009	2008
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year	–	32,338

No dividend has been declared or paid by the Company for the year ended 31 December 2009.

14. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the Company of RMB39,345,000 (2008: the loss of RMB208,426,000) and the weighted average of 596,246,806 (2008: 598,963,167) shares in issue during the year, calculated as follows:

	2009	2008
	Number of shares	*Number of shares*
Ordinary shares issued at 1 January	596,618,000	600,000,000
Effect of shares repurchased *(note 27(c)(i))*	(371,194)	(1,036,833)
Weighted average number of shares at 31 December	596,246,806	598,963,167

There were no dilutive potential ordinary shares in issue as at 31 December 2009 (2008: Nil).

15. PROPERTY, PLANT AND EQUIPMENT

The Group

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

The Company

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

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

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

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

16. LEASE PREPAYMENTS

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

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

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

17. INVESTMENTS IN SUBSIDIARIES

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

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

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

Note:

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

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

18. INTEREST IN AN ASSOCIATE

	The Group 2009	2008
	RMB'000	*RMB'000*
Share of net assets	18,750	17,544
Goodwill arising on acquisition	10,370	10,370
	29,120	27,914
Less: Impairment on goodwill	(10,370)	(10,370)
	18,750	17,544

Interest in an associate represents investment in the equity interest of JCC-Taiyi Special Electric Material Co., Ltd. ("JCC-Taiyi"), an entity established in the PRC. The principal activities of JCC-Taiyi are the manufacturing and sales of bare copper wires and magnet wires. The Group, through its wholly owned subsidiary, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 31 December 2009.

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

2009

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

2008

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

19. INVENTORIES

Inventories comprise:

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

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

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

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

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

20. TRADE AND OTHER RECEIVABLES

		The Group		The Company	
		2009	2008	2009	2008
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	*(i)*	525,526	325,732	–	–
Bills receivable *(note 24 (ii))*	*(i)*	120,849	151,384	–	–
		646,375	477,116	–	–
Deposits and prepayments made to suppliers	*(ii)*	373,488	376,681	–	–
Other receivables		33,565	61,343	202	494
Deposits for derivative financial instruments	*(iii)*	32,334	62,558	–	–
		1,085,762	977,698	202	494

All of the trade and other receivables are expected to be recovered within one year.

(i) Included in trade and other receivables are trade receivables and bills receivable with the following ageing analysis as of the balance sheet date:

	The Group	
	2009	2008
Invoice date:	*RMB'000*	*RMB'000*
Within 1 month	357,559	357,773
Over 1 month but less than 3 months	213,799	55,646
Over 3 months but less than 1 year	55,316	58,467
Over 1 year but less than 2 years	23,793	26,475
Over 2 years	33,162	16,009
	683,629	514,370
Less: Impairment losses for doubtful debts	(37,254)	(37,254)
	646,375	477,116

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

	The Group	
	2009	2008
	RMB'000	*RMB'000*
At 1 January	37,254	14,485
Impairment loss recognised during the year	3,624	27,024
Reversed during the year	(3,624)	(4,255)
At 31 December	37,254	37,254

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

(ii) According to the terms of purchase of copper plate entered into with the Group's suppliers, the Group is usually required to place certain deposits and/or make prepayment prior to delivery. Those deposits are generally refundable upon termination of the respective purchase contracts. The prepayments made are to offset with the invoiced amount of the copper plate delivered.

(iii) The Group has placed deposits with futures agents for copper futures contracts entered into in the normal course of business.

21. DERIVATIVE FINANCIAL INSTRUMENTS

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

(a) Copper futures contracts

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

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

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

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

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

(b) Foreign exchange forward contracts

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

At 31 December 2009

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

At 31 December 2008

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

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

22. PLEDGED DEPOSITS

Pledged deposits can be analysed as follows:

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

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

23. CASH AND CASH EQUIVALENTS

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

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

24. BANK LOANS

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

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

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

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

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

25. TRADE AND OTHER PAYABLES

		The Group		The Company	
		2009	**2008**	**2009**	**2008**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade creditors	*(i)*	542,603	621,772	–	–
Bills payable	*(ii)*	400,109	302,956	–	–
		942,712	924,728	–	–
Non-trade payables and accrued expenses		48,715	93,593	38	256
Other taxes (recoverable)/payable		(5,125)	1,406	–	–
		986,302	1,019,727	38	256

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

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

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Due within 3 months or on demand	796,643	692,118
Due after 3 months but within 6 months	145,225	231,996
Due after 6 months but within 1 year	111	219
Due after 1 year but within 2 years	127	229
Due after 2 years	606	166
	942,712	924,728

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 22). As at 31 December 2009, outstanding letters of credit included in trade creditors amounted to RMB676,358,000 (2008: RMB614,196,000).

(ii) Certain bills payable outstanding as at 31 December 2009 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000).

26. DEFERRED TAX ASSETS/(LIABILITIES)

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

The Group

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

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

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

27. SHARE CAPITAL AND RESERVES

(a) The Group

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

(b) The Company

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

(c) Share capital

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

(i) Purchase of own shares

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

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

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

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve

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

(iii) PRC statutory reserve

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

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

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

(iv) Exchange reserve

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

(v) Hedging reserve

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

(e) Capital management

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

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

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

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

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

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

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

28. COMMITMENTS

(i) Capital commitments

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

	The Group	
	As at 31.12.2009	**As at 31.12.2008**
	RMB'000	*RMB'000*
Contracted	–	16,582

(ii) Lease commitments

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

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Less than one year	620	858
Between one and two years	9	128
Between two and three years	2	9
	631	995

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

29. RETIREMENT BENEFITS

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

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

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

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

30. RELATED PARTY TRANSACTIONS

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

(b) Remuneration to key management personnel

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

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

(c) Contributions to defined contribution retirement plans

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

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

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

(a) Credit risk

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

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

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

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

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

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

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

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

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

(b) Liquidity risk

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

Contractual maturities of financial liabilities

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

The Group

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

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

The Company

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

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

Forecast cash flow

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

The Group

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

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

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

(c) Interest rate risk

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

(i) Interest rate profile

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

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

(ii) Sensitivity analysis

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

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

(d) Foreign currency risk

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

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

(i) Recognised assets and liabilities

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

(ii) Forecast transactions

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

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

(iii) Exposure to currency risk

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

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

(iv) Sensitivity analysis

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

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

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

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

(e) Commodity price risk

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

(i) Exposure to commodity price risk

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

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

(ii) Sensitivity analysis

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

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

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

(f) Fair values

(i) Financial instruments carried at fair value

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

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

2009

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

2008

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

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

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

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

32. IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

33. ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) Net realisable value of inventories

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

(b) Impairment of property, plant and equipment

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

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

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

(c) Impairment losses on trade and other receivables

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

(d) Deferred tax assets

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

34. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD ENDED 31 DECEMBER 2009

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

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

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

35. COMPARATIVE FIGURES

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

3. UNAUDITED INTERIM FINANCIAL REPORT FOR THE SIX MONTHS ENDER 30 JUNE 2010

The following information has been extracted from the interim report of the Company for the six months ended 30 June 2010:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010
(Expressed in Renminbi Yuan)

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

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

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

CONSOLIDATED BALANCE SHEET

At 30 June 2010
(Expressed in Renminbi Yuan)

	Notes	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Unaudited)
Non-current assets			
Property, plant and equipment	10	416,666	428,014
Lease prepayments	11	30,927	31,346
Interest in associate	12	18,944	18,750
Deferred tax assets	20	34,030	26,081
		500,567	504,191
Current assets			
Inventories	13	265,633	211,477
Trade and other receivables	14	1,396,083	1,085,762
Derivative financial instruments	15	17,289	5,712
Pledged deposits	16	279,483	284,494
Time deposits	17	429,583	245,780
Cash and cash equivalents	17	275,949	287,268
		2,664,020	2,120,493
Current liabilities			
Bank loans	18	1,282,112	1,000,977
Trade and other payables	19	1,184,828	986,302
Derivative financial instruments	15	6,744	6,387
Income tax payable/(recoverable)		2,530	(1,284)
		2,476,214	1,992,382
Net current assents		187,806	128,111
Total assets less current liabilities		688,373	632,302
Net assets		688,373	632,302
Capital and reserves			
Share capital	21(a)	5,962	5,962
Reserves	21(b)	682,411	626,340
Total equity		688,373	632,302

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
		(Unaudited)	*(Unaudited)*
Total equity at 1 January		632,302	557,429
Total comprehensive income for the period	*21(b)*	8,545	36,254
Net profit/(loss) for the period	*21(b)*	47,526	(28,148)
Total recognised income and expense for the period attributable to equity holders of the Company		56,071	8,106
Dividends declared and approved during the period		–	–
Movements in equity arising from capital transactions:			
Share repurchased			
– par value	*21(a)*	–	(4)
– premium paid	*21(a)*	–	(93)
		–	(97)
Total equity at 30 June		688,373	565,438

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2010	**2009**
	Note	*RMB'000*	*RMB'000*
		(Unaudited)	*(Unaudited)*
Cash used in operating activities		(30,896)	(92,808)
PRC income tax paid		(2,841)	(4,414)
Net cash used in operating activities		(33,737)	(97,222)
Net cash (used in)/generated from investing activities		(183,698)	9,353
Net cash generated/(used in) from financing activities		206,994	(35,659)
Effect of foreign exchange rate changes on cash		(878)	6
Net decrease in cash and cash equivalents		(11,319)	(123,522)
Cash and cash equivalents at 1 January		287,268	291,016
Cash and cash equivalents at 30 June	*17*	275,949	167,494

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi Yuan)

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

1. BASIC OF PREPARATION

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

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

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

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT REPORTING

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

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

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

(a) Segment results, assets and liabilities

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

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

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

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

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

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

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

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

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

	Six months ended 30 June 2010	2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Revenue		
Reportable segment revenue	4,368,650	2,118,544
Elimination of inter-segment revenue	(873,024)	(382,846)
Consolidated turnover	3,495,626	1,735,698
Profit/(loss) before taxation		
Reportable segment profit/(loss)	50,588	(24,377)
Elimination of inter-segment profits	350	1,278
Reportable segment profit derived from group's external customers and jointly controlled entity	50,938	(23,099)
Share of profits less losses of associates	194	(2,300)
Unallocated head office and corporate expenses	(3,166)	(982)
Consolidated profit/(loss) before taxation	47,966	(26,381)
Depreciation and amortisation	14,855	14,910
Finance costs	26,677	25,978

	At 30 June 2010	At 31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Assets		
Reportable segment assets	3,974,519	3,001,537
Elimination of inter-segment receivables	(958,364)	(457,104)
	3,016,155	2,544,433
Interests in associates	18,944	18,750
Deferred tax assets	34,030	26,081
Unallocated head office and corporate assets	95,458	35,420
Total	3,164,587	2,624,684
Liabilities		
Reportable segment liabilities	3,430,845	2,449,448
Elimination of inter-segment payable	(958,364)	(457,104)
	2,472,481	1,992,344
Unallocated head office and corporate liabilities	3,733	38
Total	2,476,214	1,992,382

4. TURNOVER

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

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

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

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

5. OTHER NET INCOME/(LOSS)

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

6. PROFIT/(LOSS) BEFORE TAXATION

Profit before taxation is arrived at after charging:

		Six months ended 30 June	
		2010	**2009**
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
(i)	**Finance cost**		
	Interest expenses	26,677	25,978
	Letter of credit charges	3,325	2,127
	Total borrowing costs	30,002	28,105
(ii)	**Staff cost**		
	Salaries, wages and other benefits	23,048	15,365
	Contributions to defined contribution retirement schemes	1,247	1,215
		24,295	16,580
(iii)	**Other items**		
	Cost of inventories	3,296,866	1,708,241
	Depreciation	14,449	14,540
	Amortisation of lease prepayments	419	418
	Operating leases charges in respect of properties	369	376

7. INCOME TAX EXPENSE

Income tax expense represents:

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

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

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

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

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

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

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

8. DIVIDENDS

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

9. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery, equipment and tools	Dies and moulds	Motor vehicles and other fixed assets	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*	*(unaudited)*
Cost:						
At 31 December 2009	186,621	461,998	2,224	16,063	100	667,006
Additions	–	902	857	238	1,126	3,123
Transfer from construction in progress	–	–	–	–	–	–
Disposals	–	(3)	(937)	(119)	–	(1,059)
At 30 June 2010	186,621	462,897	2,144	16,182	1,266	669,070
Accumulated depreciation:						
At 31 December 2009	(40,577)	(184,958)	(1,184)	(12,273)	–	(238,992)
Depreciation in the period	(2,088)	(11,090)	(596)	(675)	–	(14,449)
Written back on disposal	–	3	937	97	–	1,037
At 30 June 2010	(42,665)	(196,045)	(843)	(12,851)	–	(252,404)
Net book value:						
At 30 June 2010	143,956	266,852	1,301	3,331	1,226	416,666
At 31 December 2009	146,044	277,040	1,040	3,790	100	428,014

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

(ii) As at 30 June 2010 buildings with book value of approximately RMB 85,198,000 (31 December 2009: RMB 86,485,000) were pledged to banks for certain banking facilities and bank loans.

(iii) As at 30 June 2010, machinery, equipment and tools with book value of approximately RMB 151,046,000 (31 December 2009: RMB 157,977,000), were pledged to banks for letters of credit and commercial bills issued which were subsequently converted to short-term trust receipt loans.

11. LEASE PREPAYMENTS

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
At 1 January	31,346	32,183
Less: Amortisation	(419)	(837)
At 30 June/31 December	30,927	31,346

As at 30 June 2010, land use rights with a carrying amount of approximately RMB 30,927,000 (31 December 2009: RMB 31,346,000) were pledged to a bank for certain banking facilities and bank loans.

12. INTEREST IN ASSOCIATE

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Share of net assets	18,944	18,750
Goodwill arising on acquisition	10,370	10,370
	29,314	29,120
Less: Impairment on goodwill	(10,370)	(10,370)
	18,944	18,750

Interest in associate represents investment in the equity interest of JCC-Taiyi Special Electric Material Co., Ltd. ("JCC-Taiyi"), an entity established in the PRC. The principal activities of JCC-Taiyi are the manufacturing and sales of bare copper wires and magnet wires. The Group, through its wholly owned subsidiary, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 30 June 2010.

13. INVENTORIES

Inventories comprise:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Raw material	105,654	66,968
Work in progress	40,826	33,740
Finished goods	112,056	103,949
Low value consumables	7,097	6,820
	265,633	211,477

14. TRADE AND OTHER RECEIVABLES

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

All of the trade and other receivables are expected to be recovered within one year.

(i) Included in trade and other receivables are trade receivables and bills receivable (net of impairment loss for doubtful debts) with the following ageing analysis as of the balance sheet date:

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

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

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2010 (Unaudited)		31 December 2009 (Audited)	
	Assets	Liabilities	Assets	Liabilities
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Copper futures contracts	10,705	(6,744)	2,278	(6,387)
Copper option contracts	1,666	–	–	–
Foreign exchange forward contracts	4,918	–	3,434	–
	17,289	(6,744)	5,712	(6,387)

Copper futures contracts

For copper futures contracts that meet the requirements for hedge accounting, the Group's policy is to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Sales contracts		
Volume (tonne)	1,730	2,515
Notional contract value	88,864	125,690
Market value	78,159	132,077
Fair value	10,705	(6,387)
Purchase contracts		
Volume (tonne)	3,735	1,065
Notional contract value	179,413	61,155
Market value	172,669	63,433
Fair value	(6,744)	2,278
	3,961	(4,109)
Contract maturity months	August, September October, November, December 2010 and January 2011	January, February March, April and May 2010

As at 30 June 2010, copper futures contracts designated as fair value hedges to inventories with unrealised gains of RMB 10,705,000 (2009: RMB 6,387,000) arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the year.

As at 30 June 2010, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised gain of RMB 5,095,000 (31 December 2009: RMB 121,000) arising from the changes in fair value of these derivative instruments are included in equity. Such unrealised gains are expected to be transferred to profit or loss when the designated forecast transactions occur. The unrealised loss assessed as ineffective of RMB 1,649,000 (31 December 2009: a gain of RMB 2,157,000) is recognised in the profit or loss for the period.

Copper option contracts

For copper option contracts that meet the requirements for hedge accounting, the Group's policy to designate the related derivative as a fair value hedge.

Nominated principal and relative terms of copper option contracts:

	As at 30 June 2010			
	Nominated principal	**Exercise price**	**Premium**	**Fair value**
	USD'000	*USD'000*	*RMB'000*	*RMB'000*
Sell a call	$8,063	$8.27/tonne	2,003	1,666

Copper option contracts of the Group were designated as hedging to inventories and will be expired in September and October 2010.

Foreign exchange forward contracts

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

At 30 June 2010 (unaudited)

	Weighted average market *rate*	**Weighted average contracted** *rate*	**Notional amount** *US$'000*	**Fair value** *RMB'000*
Buy RMB/Sell US$				
Less than 3 months	6.7665	6.7747	(12,000)	(98)
3 to 6 months	6.7302	6.7514	(24,000)	(508)
6 months to 1 year	6.7390	6.7209	(12,000)	217
			(48,000)	(389)
Sell RMB/Buy US$				
Less than 3 months	6.7113	6.7852	12,000	888
3 to 6 months	6.6341	6.7649	24,000	3,138
6 months to 1 year	6.6315	6.7209	12,000	1,281
			48,000	5,307
			–	4,918

At 31 December 2009 (Audited)

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

The above derivatives are measured at fair value based on the valuation provided by banks at the balance sheet date. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting, the net (losses)/gains arising from changes in the fair value were all recognised in the profit or loss account for the period.

16. PLEDGED DEPOSITS

An analysis of the pledged deposits is set out below:

	30 June 2010 *RMB'000* *(Unaudited)*	**31 December 2009** *RMB'000* *(Audited)*
Pledged deposits		
– Guarantee deposits for issuance of commercial bills and letters of credit	279,483	284,494

17. CASH AND CASH EQUIVALENTS

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

	30 June 2010	31 December 2009
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Cash on hand	82	94
Deposits on demand	275,867	287,174
Time deposits	429,583	245,780
	705,532	533,048
Less: Time deposits with original maturity more than 3 months	429,583	245,780
Cash and cash equivalents in the consolidated cash flow statement	275,949	287,268

18. BANK LOANS

		30 June 2010	31 December 2009
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Current			
Bank loans and borrowings			
– Secured	*(i)*	1,146,619	914,615
– Bank advances under discounted bills		135,493	86,362
		1,282,112	1,000,977

All bank loans during the period, on which interest was payable at fixed rates that ranged from 1.28% to 5.31% per annum (for the year ended 31 December 2009: 0.24% to 5.31%) were repayable within one year.

(i) Current secured bank loans as at 30 June 2010 were secured by the Group's buildings with a carrying amount of RMB 85,198,000 (31 December 2009: RMB 86,485,000), and land use rights with carrying amounts of RMB30,927,000 (31 December 2009: RMB 31,346,000).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 30 June 2010 were secured by the Group's pledged deposits and certain machinery, equipment and tools with carrying amounts of RMB 151,046,000 (31 December 2009: RMB157,977,000).

19. TRADE AND OTHER PAYABLES

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

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

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

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

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

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

20. DEFERRED TAX

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the period are shown as follows:

	Unrealised (gain)/loss on derivative financial instruments	Impairment losses for doubtful debt	Unutilised tax losses	Cash flow hedge	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2010	(138)	8,196	15,461	(124)	2,686	26,081
Credited to profit or loss	219	–	8,211	–	(2,215)	6,215
Credited to reserves	1,483	–	–	251	–	1,734
At 30 June 2010 (unaudited)	1,564	8,196	23,672	(127)	471	34,030

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

21. SHARE CAPITAL AND RESERVES

(a) Share capital

	30 June 2010 (unaudited)		31 December 2009 (audited)	
	Number of shares	*Amount HK$*	*Number of shares*	*Amount HK$*
Authorised:				
Ordinary shares of HK$0.01 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued and fully paid:				
At 1 January	596,158,000	5,961,580	596,618,000	5,966,180
Shares repurchased	–	–	(460,000)	(4,600)
At 30 June/31 December	596,158,000	5,961,580	596,158,000	5,961,580
		RMB equivalent		RMB equivalent
		5,961,580		5,961,580

(b) **Reserves**

	Attributable to equity holders of the Company						
	Share premium	**Merger reserve**	**PRC Statutory reserve**	**Exchange reserve**	**Hedging reserve**	**Retained earnings/ (accumulated losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	213,077	386,600	26,259	(855)	(35,056)	(38,562)	551,463
Loss for the period	–	–	–	–	–	(28,148)	(28,148)
Total other comprehensive income	–	–	–	37	36,217	–	36,254
Share Repurchase	(93)	–	–	–	–	–	(93)
At 30 June 2009 (unaudited)	212,984	386,600	26,259	(818)	1,161	(66,710)	559,476
At 1 January 2010	213,003	386,600	26,259	(745)	440	783	626,340
Profit for the period	–	–	–	–	–	47,526	47,526
Total other comprehensive income	–	–	–	499	8,046	–	8,545
At 30 June 2010 (unaudited)	213,003	386,600	26,259	(246)	8,486	48,309	682,411

22. COMMITMENTS

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

	30 June 2010	**31 December 2009**
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Contracted	3,162	–

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

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

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

23. RELATED PARTY TRANSACTIONS

(a) No related party transactions were identified during the six months ended 30 June 2010 and 2009.

(b) Remuneration to key management personnel

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

	Six months ended 30 June	
	2010	**2009**
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Short-term employee benefits	2,495	2,495

(c) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plan organised by municipal government for its employees. As at 30 June 2010, there was no material outstanding contribution to post-employment benefit plans.

24. COMPARATIVE FIGURES

As a result of the application of IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation.

25. SUBSEQUENT EVENT

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

1. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The unaudited pro forma financial information of the Remaining Group and the accountants' report thereon which were prepared for the purpose of and set out in the Circular are reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

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

Introduction to the unaudited pro forma financial information

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

(i) Affluent Start has conditionally agreed to acquire and Tai-I BVI has conditionally agreed to sell an aggregate of 195,487,000 shares, representing approximately 32.79% of the issued shares of the Company; and

(ii) Affluent Start has conditionally agreed to subscribe for 210,000,000 new subscription shares of the Company in cash (the "Subscription"), representing approximately 26.05% of the issued shares of the Company as enlarged by the Subscription.

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

(i) the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnet wire businesses) to the Tai-I International (Bermuda) Limited (the "Privateco"), a wholly-owned subsidiary of the Company; and

(ii) the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited to the Privateco for a consideration of HK$1.00 with the consent of Tai-I Copper (BVI) Limited.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) Upon the completion of the Group Restructuring on 23 December 2010, the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnetic wire businesses) to the Privateco, a wholly-owned subsidiary of the Company. Upon the completion of the Group Restructuring and Agreement, the Company shall distribute all of its Privateco's shares to the shareholders of the Company on a pro rata basis. Tai-I BVI shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares.

(b) The financial figures presented in respect of the Group are extracted without adjustments from the published annual report of the Company for the year ended 31 December 2009.

(c) The adjustments reflect (i) the de-consolidation of the assets and liabilities of the Privateco Group from the Group and the transfer of the intercompany balance due to Tai-I Copper (BVI) limited as at 31 December 2009 from the Company to the Privateco upon the completion of the Group Restructuring. (ii) the de-consolidation of the results of the Privateco Group from the Group upon the completion of the Group Restructuring. (iii) the de-consolidation of the cash flows of the Privateco Group from the Group upon the completion of the Group Restructuring. The amounts have been extracted without adjustments from the Accountants' Report of the Privateco Group as set out in Appendix III to this circular.

(d) The adjustment reflects the issuance of 210,000,000 new ordinary shares of the Company to Affluent Start at a consideration HK$0.06 each in cash as described under "Subscription" as set out in the Part "Letter from the Board" of this circular as if the shares were issued on January 1, 2009. The net proceeds from the Subscription is HK$12,370,000 (equivalent to approximately RMB10,664,000).

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

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

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

(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

KPMG

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

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs,

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

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

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

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

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Company, and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong"

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 30 November 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Listco Offer Document, the Group did not have any outstanding bank and other borrowings.

Banking facilities

At the close of business on 30 November 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Listco Offer Document, the Group did not have any banking facilities.

Disclaimer

At the close of business on 30 November 2010, the Group did not have any outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

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

3. MATERIAL CHANGE

The Directors confirm that, save for the Group's involvement in the computer software development and related businesses pursuant to the completion of the acquisition of Liang Hui Holdings Limited (the "Acquisition") in September 2010 (details of the Acquisition are set out in the announcement and circular of the Company dated 7 June 2010 and 28 June 2010 respectively), the Subscription, the Group Restructuring, the Share Premium and Reserve Application and the Distribution In Specie, and that the Group has ceased to carry out the Distributed Business and is only engaged in the Remaining Business pursuant to the Completion and Distribution In Specie on 11 February 2011, as at the Latest Practicable Date, there are no material change in the financial or trading position or outlook of the Group since 31 December 2009, being the date to which the latest published audited financial statements of the Former Group were made up, up to the Latest Practicable Date.

The texts of the Letters from KPMG, the auditors of the Company, and Somerley, the financial adviser of the Company, in relation to the unaudited profit estimate of the Former Group for the nine months ended 30 September 2010 as published in the letter from the Board in the Circular, for the purpose of inclusion in the Circular are reproduced below. Capitalised terms used in this section shall have the same meanings as those defined in the Circular.

"I. OVERALL

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

II. BASES AND ASSUMPTION

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

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

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

III. LETTER FROM KPMG

KPMG

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

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs

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

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

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

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong

IV. COMFORT LETTER FROM SOMERLEY

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

18 January 2011

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

Dear Sirs,

TAI-I INTERNATIONAL HOLDINGS LIMITED

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

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

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

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

(1) RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Listco Offer Document (other than information relating to the Offeror and parties acting in concert with it and the terms and conditions of the Listco Offer) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Listco Offer Document (other than opinions expressed by the Offeror and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this Listco Offer Document, the omission of which would make any statement in this Listco Offer Document misleading.

The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this Listco Offer Document (other than information relating to the Group and its associates) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Listco Offer Document (other than opinions expressed by the Group and its associates) have been arrived at after due and careful consideration and there are no other facts not contained in this Listco Offer Document, the omission of which would make any statement in this Listco Offer Document misleading.

(2) SHARE CAPITAL

(a) The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

		HK$
Authorised Share Capital as at the Latest Practicable Date:		
1,000,000,000	Shares of HK$0.01 each as at the Latest Practicable Date	10,000,000
Issued, to be issued and fully paid or credited as fully paid up:		
806,158,000	Shares of HK$0.01 each as at the Latest Practicable Date	8,061,580

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

All issued Shares rank equally in all respects, including in particular as to dividend, voting rights and return on capital.

(3) SHARE OPTIONS

The Board confirms that the Company has no outstanding share option as at the Latest Practicable Date.

(4) DISCLOSURE OF INTEREST

(a) Directors' and chief executives' interests or short positions in the shares, underlying shares and debentures of the Company and associated corporation

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(b) Substantial Shareholders

Save as disclosed below, so far as is known to the Directors, as at the Latest Practicable Date, the following persons, other than a Director or chief executive of the Company, had or were deemed to have an interest or a short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or held any option in respect of such capital:

Long position in the Shares

Name	Number of Shares	Nature of Interest	Approximate percentage of issued ordinary shares of the Company	*Notes*
Affluent Start	405,487,000	Beneficial owner	50.30%	*1*
Mr. King	405,487,000	Interest through controlled corporation	50.30%	*1*
First Sense International Limited ("First Sense")	99,625,000	Beneficial owner	12.36%	*2*
AIF Capital Asia III, L.P. ("AIF")	99,625,000	Interest through controlled corporation	12.36%	*2*
Green Island Industries Limited ("Green Island")	67,500,000	Beneficial owner	8.37%	*3*
Liu Tianni	67,500,000	Interest through controlled corporation	8.37%	*3*

Notes:

1. The entire issued share capital of Affluent Start is owned by Mr. King.

2. The entire issued share capital of First Sense is owned by AIF.

3. The entire issued share capital of Green Island is owned by Liu Tianni.

(5) ADDITIONAL DISCLOSURE OF INTERESTS AND DEALINGS

(a) As at the Latest Practicable Date, the Group did not have any beneficial interest in the shares, options, derivatives and securities carrying conversion or subscription rights into shares of the Offeror, and the Company had not dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Offeror during the Relevant Period.

(b) As at the Latest Practicable Date, none of the Directors had any interests in any shares, convertible securities, warrants, options or other derivatives of the Company, and none of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Company during the Relevant Period.

(c) As at the Latest Practicable Date, none of the Directors had any interests in any shares, convertible securities, warrants, options or other derivatives of the Offeror, and none of the Directors had dealt for value in any shares, convertible securities, warrants, options or other derivatives of the Offeror during the Relevant Period.

(d) As at the Latest Practicable Date, no Shares had been borrowed or lent by any of the Directors or by the Company.

(e) As at the Latest Practicable Date, save for the termination agreements between the Company and each of the executive Directors pursuant to which the service contracts dated 11 January 2010 between the Company and each of the executive Directors will be terminated immediately after the Closing Date or the earliest date as permitted under the Takeover Code, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Listco Offer or otherwise connected with the Listco Offer.

(f) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with the Company or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code, and no such person had dealt in the Shares or any convertible securities, warrants, options or derivatives issued by the Company during the Relevant Period.

(g) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Listco Offer.

(h) None of (i) the subsidiaries of the Company; (ii) the pension fund of the Company or of a subsidiary of the Company; or (iii) any advisers to the Company (as specified in class (2) of the definition of "associate" under the Takeovers Code but excluding exempt principal traders) had any interest in the Shares, convertible securities, warrants, options or derivatives of the Company as at the

Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(i) No Shares, convertible securities, warrants, options or derivatives of the Company were managed on a discretionary basis by any fund managers connected with the Company as at the Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of the Company during the Relevant Period.

(j) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between any member of the Offeror and parties acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders having any connection with or dependence upon the Listco Offer.

(k) Save as disclosed in the section headed "Substantial Shareholders" in this appendix, none of the Offeror, any parties acting in concert with it and any of their respective directors owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company as at the Latest Practicable Date, and save for the Share Transfer and the Subscription, none of them had dealt for value in any such securities during the Relevant Period.

(l) As at the Latest Practicable Date, there was no material contract entered into by the Offeror in which any Director had a material personal interest.

(m) As at the Latest Practicable Date, no Shares had been borrowed or lent by the Offeror and parties acting in concert with it.

(n) As at the Latest Practicable Date, the Offeror or parties acting in concert with it or its associates had no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person.

(o) As at the Latest Practicable Date, no person had irrevocably committed themselves to accept or reject the Listco Offer.

(p) As at the Latest Practicable Date, there was no arrangement (whether by way of option, indemnity or otherwise) in relation to shares of the Offeror or the Company which might be material to the Listco Offer.

(q) As at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Listco Offer.

(r) The Offeror will finance the Listco Offer from a loan facility provided by Haitong Securities. Pursuant to the arrangement of such loan facility, among other matters, the Offeror has agreed to pledge the Shares acquired pursuant to the Agreement and to be acquired pursuant to the Listco Offer (if any), respectively and a cash deposit to Haitong Securities as security. Save for this, as at the Latest Practicable Date, the Offeror has no agreement, arrangement or understanding or intention to transfer, charge or pledge the Shares acquired in pursuance with the Listco Offer to any other persons.

(6) SERVICE CONTRACTS

The Company entered into termination agreements with each of the executive Directors, namely Mr. Huang Cheng-Roang, Mr. Lin Chi-Ta, Mr. Huang Kuo-Feng and Mr. Du Chi-Ting, on the Completion Date pursuant to which the service contracts dated 11 January 2010 between the Company and each of the executive Directors will be terminated immediately after the Closing Date or the earliest date as permitted under the Takeovers Code.

Each of the independent non-executive Directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama, had entered into an appointment letter with the Company for a term of two years commencing from 12 January 2009 (collectively, the "2009 Appointment Letters") pursuant to which each of Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama was entitled to a fixed annual director's fee of HK$240,000. After the expiry of the 2009 Appointment Letters on 11 January 2011, each of the employment of Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama was renewed and replaced by the new appointment letters with the Company commencing from 12 January 2011 (collectively, the "2011 Appointment Letters"). Pursuant to the 2011 Appointment Letters, each of Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama is entitled to a fixed annual director's fee of HK$240,000 and the term of service of each of them with the Company will be terminated immediately after the Closing Date or the earliest date as permitted under the Takeovers Code.

Save as disclosed above, as at the Latest Practicable Date, there were no service contracts with the Company or any of its subsidiaries or associated companies in force for Directors (i) which (including both continuous and fixed term contracts) have been entered into or amended within the Relevant Period; (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

(7) MARKET PRICES

(a) The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$0.91 per Share on 11 January 2011 and HK$0.40 per Share on 16 February 2011, respectively.

(b) The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on the last trading day of each of the calendar months during the Relevant Period on which trading of the Shares took place:

Date	**Closing Price of Shares** *HK$*
31 March 2010	0.55
30 April 2010	0.74
31 May 2010	0.68
30 June 2010	0.61
30 July 2010	0.68
31 August 2010	0.62
30 September 2010	0.76
29 October 2010	0.74
30 November 2010	0.76
31 December 2010	0.80
31 January 2011	0.52

(c) The closing price of the Shares on the Stock Exchange on 14 September 2010, being the last trading day immediately preceding the date of the First Announcement, was HK$0.76.

(d) The closing price of the Shares on the Stock Exchange on the Latest Practicable Date was HK$0.40.

(8) LITIGATION

As at the Latest Practicable Date, none of the members of the Group was engaged in any litigation, arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

(9) MATERIAL CONTRACTS

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

(i) the agreement dated 7 June 2010 entered into between Winsino Investments Limited (a wholly owned subsidiary of the Company, being the purchaser), Advance Mode Limited (being the vendor) and Mr. Lo Kai Bong (being the vendor's guarantor) in relation to the acquisition of the entire issued share capital of Liang Hui Holdings Limited by Winsino Investments Limited and the assignment of the related shareholder loan at the total consideration of HK$96,000,000 (subject to adjustment);

(ii) the Agreement;

(iii) the deed of novation dated 23 December 2010 entered into between the Company and the Privateco in respect of the transfer of payment obligations owed by the Company to Tai-I Copper (BVI) Limited to the Privateco, resulting in that payment obligation be owed by the Privateco to Tai-I Copper (BVI) Limited;

(iv) the deed of assignment of Domain Name dated 23 December 2010 entered into between the Company and the Privateco in respect of the transfer of entire interests in the Domain Name by the Company, free from all encumbrances and third party rights, to the Privateco at the consideration of HK$1; and

(v) the termination agreement dated 23 December 2010 entered into between the Company and Taiwan Tai-I to terminate the framework agreement dated 16 April 2009 entered into between the Company and Taiwan Tai-I with respect to the purchase of a variety of high voltage power wires and cables by the Company from Taiwan Tai-I and/or the party designated by Taiwan Tai-I as supplier and the transactions contemplated thereunder.

(10) QUALIFICATION AND CONSENT OF EXPERTS

(a) The following is the qualification of the experts who have given opinion or advice contained in this Listco Offer Document:

Name	Qualification
Beijing Securities	a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Haitong Capital	a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Haitong Securities	a corporation licensed to carry out Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading) and Type 4 (advising on securities) regulated activities under the SFO
KPMG	Certified public accountants
Somerley	a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

(b) As at the Latest Practicable Date, Beijing Securities, Haitong Capital, Haitong Securities, KPMG and Somerley had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member in the Group.

(c) Each of Beijing Securities, Haitong Capital, Haitong Securities, KPMG and Somerley has given and has not withdrawn its written consent to the issue of this Listco Offer Document with the inclusion of its letter and references to its name in the form and context in which they appear respectively.

(d) As at the Latest Practicable Date, Beijing Securities, Haitong Capital, Haitong Securities, KPMG and Somerley did not have any interest, direct or indirect, in any assets which have been, since 31 December 2009, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or proposed to be acquired or disposed of by or leased to any member of the Group.

(11) GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is at Room 1502, 15th Floor, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong.

(c) The principal place of business of the Company in the PRC is at No. 77 Dongpeng Avenue, Eastern District of Guangzhou Economic and Technological Development Zone, Guangzhou, Guangdong Province, the PRC.

(d) The registered office of the Offeror is at PO Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and the correspondence address of the Offeror is at Unit 4402-4403, 44/F., COSCO Tower, 183 Queen's Road Central, Hong Kong.

(e) As at the Latest Practicable Date, Mr. King, who is deemed to be a party acting in concert with the Offeror under the Takeovers Code, is the sole shareholder and sole director of the Offeror and the correspondence address of Mr. King is at Unit 4402-4403, 44/F., COSCO Tower, 183 Queen's Road Central, Hong Kong.

(f) The registered office of Beijing Securities is at Room 2907-8, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(g) The registered office of Haitong Capital is at 25/F., New World Tower, 16-18 Queen's Road Central, Hong Kong.

(h) The registered office of Haitong Securities is at 25/F., New World Tower, 16-18 Queen's Road Central, Hong Kong.

(i) The registered office of Somerley Limited is at 10/F., The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong.

(j) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(k) The company secretary of the Company is Ms. Chan Yuen Ying, Stella, an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors.

(l) The English text of this Listco Offer Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts in case of inconsistency.

(12) DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the SFC (www.sfc.hk) and the Company (www.tai-i-int.com) and, during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays), at the Company's principal office in Hong Kong from the date of this Listco Offer Document until the close of the Listco Offer:

(i) the memorandum and articles of association of the Company;

(ii) the memorandum and articles of association of the Offeror;

(iii) the annual reports of the Company for the years ended 31 December 2008 and 2009;

(iv) the interim report of the Company for the six month period ended 30 June 2010;

(v) the letter from Haitong Securities, the text of which is set out in this Listco Offer Document;

(vi) the letter of recommendation from the Independent Board Committee, the text of which is set out in this Listco Offer Document;

(vii) the letter of advice from Beijing Securities, the text of which is set out in this Listco Offer Document;

(viii) the accountants' report on unaudited pro forma financial information of the Remaining Group as set out in part (1) of Appendix III to this Listco Offer Document;

(ix) the letter from KPMG on unaudited profit estimate of the Former Group as set out in part (III) of Appendix IV to this Listco Offer Document;

(x) the comfort letter from Somerley on unaudited profit estimate of the Former Group as set out in part (IV) of Appendix IV to this Listco Offer Document;

(xi) the material contracts as referred to in the section headed "Material contracts" in this appendix; and

(xii) the written consents as referred to in the section headed "Qualification and consent of experts" in this appendix.