

Turnover

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

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

Gross Profit

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

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

Other Net Income/(Loss)

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

Finance Costs

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

Profit for the Year

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

Dividend

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

Return on Shareholders' Equity

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

Foreign Exchange

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

Liquidity and Financial Resources

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

Financial Review

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

Pledge of Assets

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

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

Capital Structure

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

Capital Expenditures

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

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

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

Significant investment

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

Material Acquisitions and Disposals of Subsidiaries

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

Financial Review

Future Plans for Material Investments or Capital Assets

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

Capital and Other Commitments

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

	As at 31 December	
	2006	2005
	RMB'000	RMB'000
Contracted for	—	18,266
Authorised but not contracted for	—	—
	<u>—</u>	<u>18,266</u>

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

	2006	2005
	RMB'000	RMB'000
Less than one year	1,310	752
Between one and two years	—	4
	<u>1,310</u>	<u>756</u>

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

Property Valuation

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

Contingent Liabilities

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