

Corporate Governance Report

Report on Corporate Governance Practices

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

Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") on the Stock Exchange which came into effect on 1 January 2005. In the opinion of the Directors, the Company has met the code provisions set out in the CG Code.

Corporate Governance Framework

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

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

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

Corporate Governance Report

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

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

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

Board of Directors

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

Executive Directors

Mr Huang Cheng-Roang, alias Vincent Huang

Mr Lin Chi-Ta

Mr Du Chi-Ting

Mr Huang Kuo-Feng

Independent Non-executive Directors

Mr Tsay Yang-Tzong

Mr Kang Jung-Pao

Mr Cheng Yang-Yi

Mr Atsushi Kanayama

Mr Yan Minghe

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

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Board Meetings

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

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

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

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

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

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

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Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

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

Remuneration Committee

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

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

Members of the Remuneration Committee include:

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

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

Nomination Committee

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

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

Members of the Nomination Committee include:

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

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

Audit Committee

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

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

Members of the Audit Committee include:

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

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

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Directors' Securities Transactions

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

Deed of Non-competition

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

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

Internal Control

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

Auditors' Remuneration

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

	RMB'000
Audit services	904
Non-audit services	–

Investors' Relations

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

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

Directors' Responsibilities for the Financial Statements

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

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