

# Directors' Report

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

## Principal Activities

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

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

## Results and Appropriations

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

## Distributable Reserves

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

## Group Financial Summary

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

## Share Capital

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

## Substantial Shareholders

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

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

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

Notes:

- The ultimate holding company of Tai-I (BVI) is Tai-I Electric Wire & Cable Co., Ltd. (collectively referred as "Taiwan Tai-I"). Taiwan Tai-I is a company incorporated in Taiwan on 11 September 1979 and became a listed company on the Taiwan Stock Exchange Corporation on 20 October 1995. Taiwan Tai-I is principally engaged in the manufacture and sale of wire and cable products (such as magnet wire, bare copper wire and power cable) and polymer raw materials (such as varnish) for the production of wire and cable products.
- First Sense International Limited is a wholly owned subsidiary of AIF Capital Asia III, L.P.. Other than being a substantial shareholder of the Company, each of First Sense International Limited and AIF Capital Asia III, L.P., is not connected with any of the directors, chief executive, other substantial shareholders of the Company or any of its subsidiaries.
- Green Island Industries Limited, a company incorporated in the British Virgin Islands and which is beneficially owned by Liu Tianni. Other than by virtue of his share holding in Green Island, being a substantial shareholder of the Company. Liu Tianni is not connected with any of the directors, chief executive, other substantial shareholders of the Company or any of its subsidiaries.
- Citigroup Financial Products Inc. is an independent third party.

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

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

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

# Directors' Report

## Closure of Register of Members

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

## Pre-emptive Rights

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

## Subsidiaries

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

## Directors

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

### Executive Directors

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

### Independent Non-Executive Directors

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

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

## Independence Confirmation

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

### Directors' Service Contracts

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

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

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

### Directors' Emoluments

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

### Directors' Interests in Contracts

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

### Directors' Interests in Shares

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

## Share Option Scheme

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

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

# Directors' Report

## Public Float

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

## Major Customers and Suppliers

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


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

## Connected Transactions

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

### Exempted Continuing Connected Transaction:

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

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

## Purchase, Redemption or Sale of Listed Securities of the Company

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

## Auditors

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

On behalf of the Board

**Huang Cheng-Roang**

*Chairman*

Hong Kong, 18 April 2007