1. Company background and basis of presentation

(a) The Company and the reorganisation

The Company was incorporated in the Cayman Islands on 20 April 2006 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Island.

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

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

(b) Basis of presentation

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

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

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

1. Company background and basis of presentation (continued)

(b) Basis of presentation (continued)

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

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

2. Significant accounting policies

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

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

2. Significant accounting policies (continued)

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

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

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

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

(c) Subsidiaries

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

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

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

(d) Derivative financial instruments

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

2. Significant accounting policies (continued)

(d) Derivative financial instruments (continued)

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

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

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

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

(e) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)):

– buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 2(f)); and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(r)).

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

2. Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion. The estimated useful lives are 40 years.	
– Machinery, equipment and tools	20 years
– Dies and moulds	1-2 years
– Motor vehicles and other fixed assets	5 years

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

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

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

No depreciation is provided in respect of construction in progress.

(f) Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated as cost less accumulated amortisation and impairment losses (see note 2(h)(ii)). Amortisation is charged to the consolidated income statements on a straight-line basis over the terms of the respective leases.

(g) Operating lease charges

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

2. Significant accounting policies (continued)

(g) Operating lease charges (continued)

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

(h) Impairment of assets

(i) Impairment of trade and other receivables

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

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

(ii) Impairment of other assets

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

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

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

2. Significant accounting policies (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(i) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

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

(j) Trade and other receivables

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

(k) Cash and cash equivalents

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

(l) Trade and other payables

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

2. Significant accounting policies (continued)

(m) Income tax

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

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

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

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

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

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

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

(n) Provisions and contingent liabilities

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

2. Significant accounting policies (continued)

(n) Provisions and contingent liabilities (continued)

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

(o) Revenue recognition

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

(i) Sale of goods

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

(ii) Service income

Service income is recognised when the related service is rendered.

(iii) Interest income

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

(p) Employee benefits

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

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

(q) Translation of foreign currencies

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

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(r) Borrowing costs

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

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

(s) Related parties

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

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

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

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

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

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

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

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

2. Significant accounting policies (continued)

(t) Segment reporting

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

The Group's operation is regarded as a single segment, being an enterprise engaged in the manufacturing and sale of bare copper wires and magnet wires and providing processing services. In addition, analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of the sales are generated from the PRC market.

3. Turnover

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

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

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

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

(Expressed in Renminbi Yuan)

4. Other revenue

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

5. Other net income/(loss)

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

6. Other operating expenses

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

7. Profit before taxation

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

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

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

7. Profit before taxation (continued)

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

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

8. Income tax expense

(i) Income tax expense represents:

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

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

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

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

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

(Expressed in Renminbi Yuan)

8. Income tax expense (continued)

(i) Income tax expense represents: (continued)

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

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

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

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

(iii) Taxation in the consolidated balance sheet represents:

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

(Expressed in Renminbi Yuan)

9. Directors' remuneration

Details of directors' remuneration are as follows:

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

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

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

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

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

10. Individuals with highest emoluments

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

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

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

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

11. Dividends

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

12. Basic and diluted earnings per share

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

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

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

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

(Expressed in Renminbi Yuan)

13. Property, plant and equipment

The Group

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

13. Property, plant and equipment (continued)

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

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

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

14. Lease prepayments

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

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

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

15. Inventories

Inventories comprise:

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

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

(Expressed in Renminbi Yuan)

15. Inventories (continued)

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

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

16. Derivative financial instruments

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

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

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

(Expressed in Renminbi Yuan)

17. Trade and other receivables

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

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

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

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

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

(Expressed in Renminbi Yuan)

17. Trade and other receivables (continued)

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

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

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

18. Pledged deposits

Pledged deposits can be analysed as follows:

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

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

19. Cash and cash equivalents

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

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

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

20. Bank loans

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

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

(Expressed in Renminbi Yuan)

20. Bank loans (continued)

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

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

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

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

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

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

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

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

21. Trade and other payables

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

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

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

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

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

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

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

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

22. Share capital

Ordinary share of HK$0.01 each

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

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

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

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

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

22. Share capital (continued)

(ii) Issuance of shares upon the Reorganisation

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

(iii) Increase in authorised share capital

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

(iv) Share capital as at 31 December 2005

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

23. Reserves

Merger reserves

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

PRC statutory reserve

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

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

23. Reserves (continued)

PRC statutory reserve (continued)

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

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

24. Distributable reserves of the Company

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

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

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

25. Deemed appropriations to equity holders

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

26. Investments in subsidiaries

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

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

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

Note:

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

27. Commitments

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

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

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

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

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

28. Retirement benefits

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

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

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

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

29. Related party transactions

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

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

(a) Transactions

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

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

29. Related party transactions (continued)

(a) Transactions (continued)

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

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

(b) Amounts due from related companies

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

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

29. Related party transactions (continued)

(c) Amounts due to related companies

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

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

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

(d) Remuneration to key management personnel

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

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

29. Related party transactions (continued)

(e) Contributions to defined contribution retirement plans

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

30. Contingent liabilities

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

31. Financial instruments

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

(a) Credit risk

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

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

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

(b) Interest rate risk

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

(c) Foreign currency risk

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

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

31. Financial instruments (continued)

(d) Fair value

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

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

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

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

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

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

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

(e) Commodity price risk

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

32. Accounting estimates and judgements

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

(a) Net realisable value of inventories

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

(b) Depreciation

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

(c) Impairment losses on trade and other receivables

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

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

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

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

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

34. Subsequent events

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

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

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

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

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

35. Approval of accounts

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