



TAI-I INTERNATIONAL HOLDINGS LIMITED

台 一 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1808)

2007 *INTERIM REPORT*



Tai-I International Holdings Limited

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Tai-I International Holdings Limited

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-executive Directors

Mr. Kang Jung-Pao
Mr. Cheng Yang-Yi
Mr. Tsay Yang-Tzong
Mr. Yan Minghe
Mr. Atsushi Kanayama

COMPANY SECRETARY

Mr. Choi Kai Ming, Raymond ICAEQ, HKICPA

QUALIFIED ACCOUNTANT

Mr. Choi Kai Ming, Raymond ICAEQ, HKICPA

AUTHORIZED REPRESENTATIVES

Mr. Lin Chi-Ta
Mr. Choi Kai Ming, Raymond ICAEQ, HKICPA

AUDITORS

KPMG

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

Tai-I International Holdings Limited

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 6405
64th Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 77 Dongpeng Avenue
Eastern District of Guangzhou Economic
and Technological Development Zone
Guangzhou
Guangdong Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

Shenzhen Development Bank Co., Ltd
Guangzhou Branch, Yuexiu Sub-branch
Industrial and Commercial Bank of China
Huangpu Sub-branch

COMPLIANCE ADVISER

Polaris Capital (Asia) Limited

STOCK CODE

1808

COMPANY WEBSITE

www.tai-i-int.com



Tai-I International Holdings Limited

The board of directors (the “Directors”) of Tai-I International Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2007 together with comparative figures for the corresponding period in 2006. These interim condensed financial statements have not been audited but have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

| | Note | For the six months ended 30 June | |
|---|------|----------------------------------|------------------------------|
| | | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Turnover | 3 | 3,109,313 | 3,048,949 |
| Cost of sales | | (2,988,076) | (2,930,600) |
| Gross profit | | 121,237 | 118,349 |
| Other revenue | | 15,185 | 4,392 |
| Other net income | 4 | 20,487 | 10,880 |
| Distribution expenses | | (11,261) | (8,621) |
| General and administrative expenses | | (20,266) | (10,574) |
| Other operating expenses | | (4,477) | (2,499) |
| Profit from operations | | 120,905 | 111,927 |
| Finance costs | 5(i) | (50,609) | (30,504) |
| Profit before taxation | 5 | 70,296 | 81,423 |
| Income tax expenses | 6 | (3,268) | (4,024) |
| Profit for the period | | 67,028 | 77,399 |
| Attributable to: | | | |
| – Equity holders of the Company | | 67,028 | 38,915 |
| – Minority interests | | – | 38,484 |
| Profit for the period | | 67,028 | 77,399 |
| Basic and diluted earnings per share (RMB) | 8 | 0.11 | 0.09 |

The notes on pages 10 to 33 form part of these interim condensed financial statements.

Tai-I International Holdings Limited

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2007

| | Note | As at 30 June 2007 RMB'000 (Unaudited) | As at 31 December 2006 RMB'000 (Audited) |
|---|------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 9 | 472,579 | 480,693 |
| Lease prepayments | 10 | 33,439 | 33,858 |
| | | 506,018 | 514,551 |
| Current assets | | | |
| Inventories | 11 | 214,062 | 326,045 |
| Trade and other receivables and derivative financial instruments | 13 | 1,476,922 | 1,474,691 |
| Pledged deposits | 14 | 799,318 | 1,127,218 |
| Time deposits | | 38,078 | – |
| Cash and cash equivalents | 15 | 216,644 | 182,399 |
| | | 2,745,024 | 3,110,353 |
| Current liabilities | | | |
| Bank loans | 16 | 1,626,128 | 1,790,727 |
| Trade and other payables | 17 | 833,460 | 1,288,076 |
| Derivative financial instruments | 12 | – | 1,202 |
| Income tax payable | | 1,254 | 1,343 |
| | | 2,460,842 | 3,081,348 |
| Net current assets | | 284,182 | 29,005 |
| Total assets less current liabilities | | 790,200 | 543,556 |
| Non-current liabilities | | | |
| Bank loans | 16 | – | 40,000 |
| Net assets | | 790,200 | 503,556 |

The notes on pages 10 to 33 form part of these interim condensed financial statements.



Tai-I International Holdings Limited

| | | As at 30 June 2007 RMB'000 (Unaudited) | As at 31 December 2006 RMB'000 (Audited) |
|---|------|--|--|
| | Note | | |
| Capital and reserves | | | |
| Share capital | 18 | 6,000 | – |
| Reserves | 19 | 784,200 | 503,556 |
| Total equity – attributable to equity holders of the Company | | 790,200 | 503,556 |
| Minority interests | | – | – |
| Total equity | | 790,200 | 503,556 |

The notes on pages 10 to 33 form part of these interim condensed financial statements.

Tai-I International Holdings Limited

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

| | Attributable to equity holders of the company | | | | | | Minority interests | Total equity |
|--|---|---------------|----------------|--------------------------|-------------------|------------------|--------------------|--------------|
| | Share capital | Share premium | Merger reserve | PRC Statutory reserve | Retained earnings | Exchange reserve | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2006 | 190,125 | - | - | - | 5,138 | - | 195,263 | 382,758 |
| Profit for the period ended 30 June 2006 | - | - | - | - | 38,915 | - | 38,915 | 77,399 |
| At 30 June 2006 (Audited) | 190,125 | - | - | - | 44,053 | - | 234,178 | 460,157 |
| At 1 January 2007 | - | - | 418,938 | 18,701 | 65,917 | - | 503,556 | 503,556 |
| Issue of new shares | 1,500 | 247,500 | - | - | - | - | 249,000 | 249,000 |
| Capitalization issue of shares | 4,500 | (4,500) | - | - | - | - | - | - |
| Share issuing cost | - | (28,238) | - | - | - | - | (28,238) | (28,238) |
| Profit for the period ended 30 June 2007 | - | - | - | - | 67,028 | - | 67,028 | 67,028 |
| Exchange difference arising on translation of foreign operations | - | - | - | - | - | (1,146) | (1,146) | (1,146) |
| At 30 June 2007 (Unaudited) | 6,000 | 214,762 | 418,938 | 18,701 | 132,945 | (1,146) | 790,200 | 790,200 |

The notes on pages 10 to 33 form part of these interim condensed financial statements.



Tai-I International Holdings Limited

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Operating activities | | |
| Profit before tax | 70,296 | 81,423 |
| Adjustments for: | | |
| – Depreciation | 15,567 | 15,192 |
| – Amortization of lease prepayments | 419 | 419 |
| – Interest income | (10,377) | (4,180) |
| – (Gain)/loss on disposal of property, plant and equipment | (33) | 138 |
| – Finance costs | 50,609 | 30,504 |
| – Unrealized (gain)/loss of derivative financial instruments | (10,832) | 499 |
| – Unrealized foreign exchange gain | (3,485) | (2,498) |
| Operating profit before changes in working capital | 112,164 | 121,497 |
| Decrease/(Increase) in inventories | 111,983 | (175,847) |
| Increase in trade and other receivables | (11,125) | (537,140) |
| Increase in amounts due from/to related companies | – | (89,156) |
| Increase in derivative financial instruments | 9,630 | – |
| (Decrease)/increase in trade and other payables | (442,237) | 635,401 |
| Increase in bank advances under discounted bills | 598,585 | 118,200 |
| Cash generated from operating activities | 379,000 | 72,955 |
| PRC income tax paid | (3,357) | (475) |
| Net cash generated from operating activities | 375,643 | 72,480 |

The notes on pages 10 to 33 form part of these interim condensed financial statements.

Tai-I International Holdings Limited

| | | For the six months ended 30 June | |
|---|------|----------------------------------|------------------------------|
| | Note | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Cash flow from investing activities | | | |
| Payment for acquisition of property, plant and equipment | | (7,575) | (18,639) |
| Proceeds from disposal of property, plant and equipment | | 155 | – |
| Interest received | | 10,377 | 3,770 |
| Increase in time deposits | | (38,078) | – |
| Net cash used in investing activities | | (35,121) | (14,869) |
| Cash flow from financing activities | | | |
| Issue of new share | | 220,762 | – |
| Proceeds from interest-bearing loans and borrowings | | 546,871 | 781,444 |
| Repayment of interest-bearing loans and borrowings | | (1,350,055) | (804,860) |
| Finance costs paid | | (50,609) | (25,520) |
| Decrease/(Increase) in pledged deposits | | 327,900 | (34,033) |
| Net cash used in financing activities | | (305,131) | (82,969) |
| Effect of foreign exchange rate changes on cash | | (1,146) | 7 |
| Net increase/(decrease) in cash and cash equivalents | | 34,245 | (25,351) |
| Cash and cash equivalents at 1 January | | 182,399 | 74,106 |
| Cash and cash equivalents at 30 June | 15 | 216,644 | 48,755 |

The notes on pages 10 to 33 form part of these interim condensed financial statements.

Tai-I International Holdings Limited

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The interim condensed financial statements have been prepared in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and International Accounting Standards (“IAS”) No.34 “Interim Financial Reporting” issued by International Accounting Standards Board (“IASB”).

2. SIGNIFICANT ACCOUNTING POLICIES

The measurement basis used in the preparation of the interim condensed financial statements is the historical cost basis, except for the derivative financial instruments which are stated at their fair value. The accounting policies used in the interim condensed financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2006.

The Group has not early applied the following new or amended International Financial Reporting Standards (IFRSs) and interpretations of IFRSs that have been issued but are not yet effective for the periods ended 30 June 2007.

Effective for accounting periods beginning on or after

| | |
|---|----------------|
| IFRIC 12, Service concession arrangements | 1 January 2008 |
| IFRS 8, Operating segments | 1 January 2009 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretation is expected to be in the period of initial application. So far the Group believes that the adoption of IFRIC 12 is not applicable to any of the Group’s operation and that the adoption of IFRS 8 is unlikely to have a significant impact on the Group’s results of operation and financial position. The directors of the Company assess that the application of new or amended standards or interpretation effective during the period ended 30 June 2007 will have no significant impact on the results and financial position of the Group.

Tai-I International Holdings Limited

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 recognized during the period is as follows:

| | For the six months ended 30 June | |
|----------------------------|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Sales of bare copper wires | 1,969,653 | 2,286,544 |
| Sales of magnet wires | 1,132,359 | 758,385 |
| Processing services | 7,301 | 4,020 |
| | 3,109,313 | 3,048,949 |

The Group's operations are mostly located in the PRC. For the six months ended 30 June 2007, a substantial proportion of the Group's products were sold to its customers for further processing, which were eventually exported to overseas countries.



Tai-I International Holdings Limited

4. OTHER NET INCOME

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Exchange gain | 17,084 | 2,865 |
| Gain on sales of scrap materials | 3,370 | 1,123 |
| Gain/(Loss) on disposal of property, plant and equipment | 33 | (138) |
| Net gain on derivative financial instruments | – | 7,030 |
| | 20,487 | 10,880 |

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

| | For the six months ended 30 June | |
|---|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| (i) Finance cost | | |
| Interest expense | 46,682 | 23,885 |
| Letter of credit charges | 3,927 | 5,847 |
| Interest paid and payable to related parties (<i>note 21(a)</i>) | – | 772 |
| Total borrowing costs | 50,609 | 30,504 |

Tai-I International Holdings Limited

5. PROFIT BEFORE TAXATION (CONTINUED)

| | | For the six months ended 30 June | |
|-------|---|-------------------------------------|--------------------------------|
| | | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| (ii) | Staff cost | | |
| | Salaries, wages and other benefits | 20,693 | 16,150 |
| | Contributions to defined contribution retirement schemes (note 21(c)) | 1,660 | 1,367 |
| | | 22,353 | 17,517 |
| | | For the six months ended 30 June | |
| | | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| (iii) | Other items | | |
| | Cost of inventories [#] (note 11) | 2,988,076 | 2,999,286 |
| | Depreciation [#] | 15,567 | 15,192 |
| | Amortization of lease prepayments [#] | 419 | 419 |
| | Operating leases charges in respect of properties | 847 | 474 |

Cost of inventories includes approximately RMB 32,810,000 for the six months ended 30 June 2007 (for the six months ended 30 June 2006: approximately RMB29,272,000), relating to staff costs, depreciation and amortization of lease prepayments, which amount is also included in the respective total amounts disclosed separately above and in note 5(ii) for each of these types of expenses.



Tai-I International Holdings Limited

6. INCOME TAX EXPENSE

Income tax expense represents:

| | For the six months ended 30 June | |
|--------------------------|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Current tax – PRC | | |
| Provision for the period | 3,268 | 4,024 |

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 period.

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.

Tai-I International Holdings Limited

6. INCOME TAX EXPENSE (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.

7. DIVIDENDS

No dividends were declared by the Company during the six months ended 30 June 2007 (2006: Nil).

8. BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic and diluted earnings per share for the six months ended 30 June 2007 is based on the profit attributable to the equity shareholders of the Company of approximately RMB67,028,000 (for the six months ended 30 June 2006: approximately RMB38,915,000) and the weighted average number of 591,712,707 (for the six months ended 30 June 2006: 450,000,000) shares.

There were no dilutive potential ordinary shares in issue as at 30 June 2007 (as at 30 June 2006: Nil).



Tai-I International Holdings Limited

9. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Machinery, equipment and tools | Dies and moulds | Motor vehicles and other fixed assets | Construction in progress | Total |
|--|-----------------|--------------------------------------|-----------------------|--|-----------------------------|------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Cost: | | | | | | |
| Balance at 31 December 2006 (audited) | 186,162 | 435,765 | 11,877 | 13,770 | 237 | 647,811 |
| Additions | 96 | 4,225 | 1,791 | 1413 | 50 | 7,575 |
| Transfer from construction in progress | - | 127 | - | - | (127) | - |
| Disposals | - | - | (5,669) | (200) | (102) | (5,971) |
| Balance at 30 June 2007 (unaudited) | 186,258 | 440,117 | 7,999 | 14,983 | 58 | 649,415 |
| Accumulated depreciation: | | | | | | |
| Balance at 31 December 2006 (audited) | (27,929) | (124,183) | (7,358) | (7,648) | - | (167,118) |
| Depreciation in the period | (2,085) | (9,933) | (2,685) | (864) | - | (15,567) |
| Written back in the period | - | - | 5,669 | 180 | - | 5,849 |
| Balance at 30 June 2007 (unaudited) | (30,014) | (134,116) | (4,374) | (8,332) | - | (176,836) |
| Net book value: | | | | | | |
| At 30 June 2007 (unaudited) | 156,244 | 306,001 | 3,625 | 6,651 | 58 | 472,579 |
| At 31 December 2006 (audited) | 158,233 | 311,582 | 4,519 | 6,122 | 237 | 480,693 |

Tai-I International Holdings Limited

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (i) All of the Group's buildings are located in the PRC.
- (ii) As at 30 June 2007, building with book value of approximately RMB104,942,000 (as at 31 December 2006: approximately RMB93,761,000) were pledged to a bank for certain banking facilities and bank loans (see note 16).
- (iii) As at 30 June 2007, machinery, equipment and tools with book value of approximately RMB190,899,000 (as at 31 December 2006: approximately RMB197,831,000), were pledged to a bank for letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans (see notes 16 and 17).

10. LEASE PREPAYMENTS

| | For the six months ended 30 June 2007 RMB'000 (Unaudited) |
|--------------------|---|
| At 1 January | 33,858 |
| Less: Amortization | (419) |
| At 30 June | 33,439 |

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 30 June 2007, one land use right with a carrying amount of approximately RMB33,439,000, (as at 31 December 2006: approximately RMB33,858,000) was pledged to a bank for certain banking facilities and bank loans (see note 16(i)&(iii)).



Tai-I International Holdings Limited

11. INVENTORIES

Inventories comprise:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|-----------------------|---|---|
| Raw material | 77,655 | 70,113 |
| Work in progress | 35,176 | 54,765 |
| Finished goods | 95,325 | 195,386 |
| Low value consumables | 5,906 | 5,781 |
| | 214,062 | 326,045 |

As at 30 June 2007, inventories with a carrying amount of approximately RMB160,561,000 (as at 31 December 2006: approximately RMB218,010,000) were pledged to a bank for certain banking facilities and bank loans (see note 16(i)).

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

| | For the six months end 30 June | |
|---|---|---------------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Carrying amount of inventories sold | 3,103,860 | 3,069,748 |
| Realized gain on derivative instrument | (104,952) | (70,961) |
| Derivative instrument fair value change | (10,832) | 499 |
| | 2,988,076 | 2,999,286 |

Tai-I International Holdings Limited

12. 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 fluctuation in copper prices is to designate the related derivation as fair value hedge. The notional contract value and the relative terms are summarized as follows:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|--------------------------|---|---|
| Sales contracts: | | |
| Volume (tonne) | – | – |
| Purchase contracts: | | |
| Volume (tonne) | 3,450 | 285 |
| Notional contracts value | 210,662 | 18,313 |
| Market value | 220,292 | 17,111 |
| Fair value | 9,630 | (1,202) |
| Contract maturity date: | August/ September/ December 2007 | February/ March/ April 2007 |

The market value of futures contracts is based on quoted market price at the balance sheet date. The unrealized holding gains that have been confirmed in the financial statements and the other receivables were RMB9,630,000 (as at 31 December 2006: unrealized holding losses RMB1,202,000).



Tai-I International Holdings Limited

13. TRADE AND OTHER RECEIVABLES AND DERIVATIVE FINANCIAL INSTRUMENTS

| | | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|---|-----|---|---|
| Trade receivables | (i) | 879,135 | 935,073 |
| Bills receivable (Note 16(ii)) | (i) | 185,523 | 237,937 |
| | | 1,064,658 | 1,173,010 |
| Deposits and prepayments made to suppliers | | 220,108 | 195,487 |
| Other receivables | | 54,047 | 54,167 |
| Deposits for derivative financial instruments | | 128,479 | 52,027 |
| Unrealized profit of derivative financial instruments | | 9,630 | – |
| | | 1,476,922 | 1,474,691 |

Tai-I International Holdings Limited

13. TRADE AND OTHER RECEIVABLES AND DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|---------------------------------------|---|---|
| Within 1 month | 463,207 | 695,798 |
| Over 1 month but less than 2 months | 258,361 | 196,854 |
| Over 2 months but less than 3 months | 184,320 | 146,392 |
| Over 3 months but less than 6 months | 126,225 | 122,681 |
| Over 6 months but less than 12 months | 21,982 | 7,019 |
| Over 1 year but less than 2 years | 10,431 | 4,263 |
| Over 2 years | 132 | 3 |
| | 1,064,658 | 1,173,010 |

During the six months ended 30 June 2007, 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.



Tai-I International Holdings Limited

14. PLEDGED DEPOSITS

Pledged deposits can be analyzed as follows:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|--------------------------|---|---|
| Cash at bank and on hand | 398,923 | 1,015,158 |
| Time deposits with banks | 400,395 | 112,060 |
| | 799,318 | 1,127,218 |

Pledged deposits earn interest at a floating rate ranging from 0.72% to 2.52% per annum of RMB deposits and from 5.79% to 5.89% per annum of USD deposits. The interest rate of the USD time deposits is 5.97% per annum.

15. CASH AND CASH EQUIVALENTS

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

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|---|---|---|
| Cash at bank and on hand | 186,486 | 182,399 |
| Time deposits with an initial term of less than three months | 30,158 | – |
| | 216,644 | 182,399 |

Cash and cash equivalents are denominated in:

| | '000 | '000 |
|------|----------------|-------------|
| RMB | 148,210 | 144,852 |
| US\$ | 7,614 | 4,342 |
| HK\$ | 9,722 | 3,561 |

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

Tai-I International Holdings Limited

16. BANK LOANS

| | | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|---|-------|---|---|
| Current | | | |
| Bank loans and borrowings | | | |
| – Secured | (i) | 151,130 | 1,091,123 |
| – Unsecured | | 727,400 | 590,591 |
| – Bank advances under discounted bills | (ii) | 707,598 | 109,013 |
| – Long-term secured bank loans within one year | (iii) | 40,000 | – |
| | | 1,626,128 | 1,790,727 |
| Non-current | | | |
| – Secured bank loans | (iii) | – | 40,000 |
| | | 1,626,128 | 1,830,727 |

All bank loans during the period are interest-bearing, with rates that ranged from 5.50% per annum to 7.23% per annum during the six months ended 30 June 2007 (for the six months ended 30 June 2006: 5.52% per annum to 6.80% per annum).



Tai-I International Holdings Limited

16. BANK LOANS (CONTINUED)

- (i) Current secured bank loans as at 30 June 2007 were secured by the Group's buildings with a carrying amount of approximately RMB104,942,000 (as at 31 December 2006: approximately RMB93,761,000), land use rights with carrying amounts of approximately RMB33,439,000 (as at 31 December 2006: approximately RMB33,858,000), and certain inventories with a carrying amount of RMB160,561,000 (as at 31 December 2006: approximately RMB218,010,000).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 30 June 2007 were secured by the Group's pledged deposits (see note 14)) and certain machinery, equipment and tools with carrying amounts of approximately RMB190,899,000 (as at 31 December 2006: approximately RMB197,831,000).

- (ii) The Group's discounted bills with recourse have been accounted for as collateralized 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 30 June 2007 were secured by the Group's buildings with a carrying amount of approximately RMB104,942,000 (as at 31 December 2006: approximately RMB93,761,000), as well as land use rights with carrying amounts of approximately RMB33,439,000 (as at 31 December 2006: approximately RMB33,858,000).

Tai-I International Holdings Limited

17. TRADE AND OTHER PAYABLES

| | | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|---|-------------|---|---|
| | <i>Note</i> | | |
| Trade creditors | (i) | 674,270 | 1,031,913 |
| Bills payable | (ii) | 124,195 | 178,778 |
| | | 798,465 | 1,210,691 |
| Non-trade payables and accrued expenses | | 27,026 | 70,280 |
| Other taxes payable | | 7,969 | 7,105 |
| | | 833,460 | 1,288,076 |

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:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|--|---|---|
| Due within 3 months or on demand | 623,500 | 1,030,816 |
| Due after 3 months but within 6 months | 167,753 | 179,792 |
| Due after 6 months but within 1 year | 2,507 | – |
| Due after 1 year but within 2 years | 4,617 | 11 |
| Over 2 years | 88 | – |
| | 798,465 | 1,210,619 |



Tai-I International Holdings Limited

17. TRADE AND OTHER PAYABLES (CONTINUED)

- (i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 14). As at 30 June 2007, outstanding letters of credit included in trade creditors amounted to approximately RMB585,689,000 (as at 31 December 2006: approximately RMB 961,316,000).
- (ii) As at 30 June 2007, certain bills payable outstanding were secured by the Group's machinery, equipment and tools with carrying amounts of RMB190,899,000 (as at 31 December 2006: approximately RMB197,831,000).

18. SHARE CAPITAL

Ordinary share of HK\$0.01 each

| | | No. of share | Amount HK\$ |
|--|-------|----------------------|-------------------|
| Authorized: | | | |
| 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 / | | | |
| 30 June 2007 | | 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 Reorganization | (ii) | 9,999 | 100 |
| At 31 December 2006 | | 10,000 | 100 |
| Capitalization issue | (iv) | 449,990,000 | 4,499,900 |
| Issuance of shares for placing and public offering | (v) | 150,000,000 | 1,500,000 |
| At 30 June 2007 | | 600,000,000 | 6,000,000 |

Tai-I International Holdings Limited

18. SHARE CAPITAL (CONTINUED)

(i) Issuance of shares upon formation of the Company

The Company was incorporated on 20 April 2006 with an authorized 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.

(ii) Issuance of shares upon the Reorganization

As part of reorganization 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 authorized share capital

Pursuant to the resolution of the shareholders of the Company on 18 December 2006, the authorized 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.



Tai-I International Holdings Limited

18. SHARE CAPITAL (CONTINUED)

(iv) Capitalization 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.

(v) 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.

19. RESERVES

Merger reserves

The merger reserves represent 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.

Tai-I International Holdings Limited

19. RESERVES (CONTINUED)

PRC statutory reserve (continued)

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

20. COMMITMENTS

- (a) Capital commitments outstanding at 30 June 2007 not provided for in the interim condensed financial statements were as follows:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|-----------------------------------|---|---|
| Contracted for | 4,764 | — |
| Authorized but not contracted for | — | — |
| | 4,764 | — |



Tai-I International Holdings Limited

20. COMMITMENTS (CONTINUED)

- (b) At 30 June 2007, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

| | 30 June 2007 RMB'000 (Unaudited) | 31 December 2006 RMB'000 (Audited) |
|---------------------------|---|---|
| Less than one year | 2,423 | 1,310 |
| Between one and two years | 871 | – |
| | 3,294 | 1,310 |

For the six months ended 30 June 2007 the Group leased a number of properties under operating lease. None of the lease includes contingent rentals.

Tai-I International Holdings Limited

21. RELATED PARTY TRANSACTIONS

Transactions with the following entities are considered as related party transactions for the six months ended 30 June 2006 and 2007.

| 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 |

[#] Shenzhen Southern sold its entire equity interest in Tai-I Jiang and Tai-I Copper to Green Island Industries Limited in July 2006 and ceased to be a related party of the Group from July 2006.



Tai-I International Holdings Limited

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions

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

| | For the six months ended 30 June | |
|--|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| <i>Recurring:</i> | | |
| Processing service income received and receivable from | | |
| Shenzhen Southern | — | 3,021 |
| <i>Non-recurring:</i> | | |
| Purchases of raw materials from: | | |
| Taiwan Tai-I | — | 1,485 |
| Technical supporting fees charged by | | |
| Taiwan Tai-I | — | 2,191 |
| Interest paid and payable to | | |
| Getdd Rich | — | 386 |
| Getdd Global | — | 386 |
| | — | 772 |
| Foreign currency trade debts collected on behalf of the Group | | |
| Tai-I Overseas | — | 1,126,519 |
| Foreign currency payments on behalf of the Group in respect of purchase of imported raw materials | | |
| Tai-I Overseas | — | (76,095) |

Tai-I International Holdings Limited

21. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions (continued)

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) 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:

| | For the six months ended 30 June | |
|------------------------------|-------------------------------------|------------------------------|
| | 2007 RMB'000 (Unaudited) | 2006 RMB'000 (Audited) |
| Short-term employee benefits | 1,354 | 1,108 |

(c) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plan organized by municipal government for its employees. As at 30 June 2007, there was no material outstanding contribution to post-employment benefit plans.



Tai-I International Holdings Limited

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover of the Group for the six months ended 30 June 2007 amounted to approximately RMB3,109,313,000 as compared to approximately RMB3,048,949,000 for the corresponding period in 2006, representing a slight increase of approximately 1.98%. Approximately 63.35% and 36.42% of the Group's turnover were attributable to bare copper wire and magnet wire, respectively.

Gross profit remained stable and increased by approximately 2.44% for the six months ended 30 June 2007 as compared to the corresponding period in 2006.

Upon completion of the reorganization on 16 August 2006, the Company owned the entire interests in Tai-I Copper (BVI) Limited, Tai-I Jiang Corp (Guangzhou) Co., Ltd. and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper"). Since that date, no portion of the Group's results and net assets were required to be allocated to the minority shareholders. Accordingly, profit attributable to equity holders of the Company increased to approximately RMB67,028,000 for the six months ended 30 June 2007.

BUSINESS REVIEW

Significant growth in sales volume of magnet wire

Due to increasing demand for magnet wire in the first half of 2007 in the PRC, the Group's sales of magnet wire grew significantly by approximately 49.31% as compared to the corresponding period in 2006. Our Sales volume of magnet wire increased from approximately 14,889 tonnes for the six months ended 30 June 2006 to approximately 18,848 tonnes for the six months ended 30 June 2007, representing an increase of approximately 26.59% as compared to the corresponding period in 2006.

Tai-I International Holdings Limited

Expansion into magnet wire market in Eastern China

Enabling us to capture the potential continued growth of demand for copper wire products in the PRC, Tai-I Copper, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire a 30% equity interest in JCC-Taiyi Special Electric Materials Co., Ltd. ("JCC-Taiyi") as announced by the Company on 8 June 2007.

JCC-Taiyi is principally engaged in the production and sales of magnet wire in the PRC. Upon completion of this acquisition, the shareholders of JCC-Taiyi will include Tai-I Copper, an indirect wholly-owned subsidiary of the Company, Jiangxi Copper Corporation having an equity interest of 51% and Huayi Electrical Appliance General Co. having the remaining 19% equity interest. Details of this acquisition were set out in the circular of the Company dated 18 June 2007. The Directors expect that this acquisition can provide a good opportunity to invest in businesses that can complement with our current business. It also helps to enlarge the Group's network of potential customers in copper wire and magnet wire industry and create synergy on our manufacturing activities and is expected to bring long-term benefits to the Group.

PROSPECTS

In order to strengthen our market position in the copper wire industry and to capture future growth in market share of this industry, the Directors has the following future plans:



Tai-I International Holdings Limited

Continue to develop energy-saving products, optimize products mix and enhance profitability

As energy supply is tight around the world and the prices of energy persistently achieve record high, there is a necessity to have energy-saving device in electrical domestic appliances and related consumer products such as air conditioners and white products. In the future, magnet wire must possess the characteristics of surge-resistance and high frequency-resistance. The Group has successfully developed magnet wires with similar characteristics and obtained patents. The Group will continue to develop the energy-saving products to meet the market demand.

The Group will also continue to increase its sales of magnet wires, in particular those with high-added value features. Such products include heat-resisting magnet wires (temperature of above 180°C), Freon-resisting magnet wires used in motors and compressors for air conditioners and fridges, tiny magnet wires used for relay and micro motors, surge-resisting magnet wires and high-frequency-resisting magnet wires. Currently, most of the special magnet wires are imported overseas. This will result in the increase of our earnings and profitability.

Continue to take advantage in vertical integration and expand into downstream products in the industry

Over the years, the Group was proved to benefit from its vertically integrated business structure, which allows us to secure a stable supply of the requisite high quality bare copper wire for magnet wire production. The proximity of our two production plants also allows the Group to save transportation and storage expenses. The Group is well positioned to produce high quality copper wire products.

The PRC government has promulgated macro economic policies such as “Eleventh Five-Year Plan” (from 2006 to 2010). The Directors believes that such policies could stimulate construction of electric power grid in urban and rural areas, resulting in increase in demand for power cables. The Group has the competitive edge to produce a wide range of electric and power cable with specific characteristics and energy saving device for power plants to transmit electricity to end user.

Tai-I International Holdings Limited

Strengthen the Group's research and development capabilities and enhance customers' loyalty

The continuous improvement in the Group's research and development capabilities helps to improve its product quality and increase its production capacity. The production capacity of magnet wire increased from approximately 45,000 tonnes per annum in 2006 to approximately 50,000 tonnes per annum in 2007.

Magnet wire is an important raw material for production of electronic products. Its characteristics influence the quality of electronic products directly. The Group has maintained stable relationships with renowned customers. The Group's research and development team cooperates with customers' production team in the development of new products that meet the customers' needs. Such cooperation enhances customers' loyalty and helps to increase the demand for the Group's products.



Tai-I International Holdings Limited

USE OF PROCEEDS

The proceeds from the issuance of new shares by the Company in January 2007, net of listing expenses, were approximately HKD220,762,000. As at 30 June 2007, the net proceeds were utilized in the following manner:

| | Per prospectus HKD'000 | Amount utilized HKD'000 | Balance as at 30 June 2007 HKD'000 |
|--|---------------------------|-------------------------------|--|
| Expansion of production capacity of the Group, of which | | | |
| • Upgrading of existing production facilities | 18,544 | – | 18,544 |
| • Acquisition of new production facilities or related businesses | 136,142 | 6,518 | 129,624 |
| Repayment of short-term borrowings | 44,000 | 44,000 | – |
| General working capital | 22,076 | 22,076 | – |
| Total | 220,762 | 72,594 | 148,168 |

The unutilized balance was placed in short-term deposits with banks and financial institutions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally satisfied its working capital requirements with cash generated from its operations and short-term borrowings. As at 30 June 2007, the Group had cash and cash equivalent of approximately RMB216,644,000 (31 December 2006: approximately RMB182,399,000) and total bank borrowings of approximately RMB1,626,128,000 (31 December 2006: approximately RMB1,790,727,000), all of which are repayable within one year. As at 30 June 2007, the Group's current ratio (computed as current assets divided by current liabilities) was approximately 111.55% (31 December 2006: approximately 100.94%) and its net gearing ratio (computed as bank loans less pledged deposits, time deposits and cash divided by total assets) was approximately 17.60% (31 December 2006: approximately 14.38%).

Tai-I International Holdings Limited

CAPITAL COMMITMENTS

Please refer to note 20 to the interim condensed financial statements.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group had no significant contingent liabilities (as at 31 December 2006: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group employed 1,417 employees (as at 31 December 2006: 1,250 employees). Employees' salaries are determined at a competitive level. The remuneration package of the employees is determined by reference to their respective positions, duties and responsibilities in the Group. Such package includes basic salaries, discretionary bonus and share options. The Group also provides retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC.

The executive Directors' remuneration package is determined by the Board from time to time by reference to their duties and responsibilities with the Group and the market rate. The remuneration package of the executive Directors includes basic salaries, discretionary bonus and share options. The Remuneration Committee is authorized by the Board to make their proposals relating to the remuneration of executive Directors.



Tai-I International Holdings Limited

FOREIGN EXCHANGE EXPOSURE

The Group receives US dollars, Hong Kong dollars and Renminbi for the goods sold and pays US dollars and Renminbi for raw materials purchased. For the six months ended 30 June 2007, approximately 45.77%, 14.80% and 39.43% of the Group's turnover were denominated in US dollars, Hong Kong dollars and Renminbi, respectively, whereas approximately 87.48% and 12.52% of the Group's purchases were denominated in US dollars and Renminbi, respectively. As a result of appreciation in Renminbi, the Group recorded an exchange gain of approximately RMB17,084,000 for the six months ended 30 June 2007 (for the six months ended 30 June 2006: approximately RMB2,865,000), representing an increase of approximately 4.96 times as compared to the same period in last year.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (for the six months ended 30 June 2006: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Save as disclosed above, the information relating to matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not been changed materially from that disclosed in the annual report of the Company for the year ended 31 December 2006.

Tai-I International Holdings Limited

OTHER INFORMATION

DIRECTORS' INTERESTS IN SHARES

As at the date of this report, none of the Directors or the chief executive of the Company had any interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As at the date of this report, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

| Name | Nature of interest | Number of Shares | Approximate percentage of issued Shares as at the date of this report |
|---|--------------------|------------------|---|
| Tai-I International (BVI) Limited ("Tai-I (BVI)") | Beneficial owner | 229,905,000 | 38.32 (Note 1) |



Tai-I International Holdings Limited

| Name | Nature of interest | Number of Shares | Approximate percentage of issued Shares as at the date of this report |
|---|---|------------------|---|
| Tai-I Electric Wire & Cable Co., Ltd ("Taiwan Tai-I") | Interest through controlled corporation | 229,905,000 | 38.32 (Note 1) |
| Tai-I International (Singapore) Pte Ltd ("TIIS") | Interest through controlled corporation | 229,905,000 | 38.32 (Note 1) |
| Tai-I International Development Pte Ltd ("TIID") | Interest through controlled corporation | 229,905,000 | 38.32 (Note 1) |
| First Sense International Limited | Beneficial owner | 102,015,000 | 17.00 (Note 2) |
| AIF Capital Asia III, L.P. | Interest through controlled corporation | 102,015,000 | 17.00 (Note 2) |
| Green Island Industries Limited ("Green Island") | Beneficial owner | 67,500,000 | 11.25 (Note 3) |
| Liu Tianni | Interest through controlled corporation | 67,500,000 | 11.25 (Note 3) |
| Citigroup Financial Products Inc. | Beneficial owner | 51,248,000 | 8.54 (Note 4) |

Tai-I International Holdings Limited

| Name | Nature of interest | Number of Shares | Approximate percentage of issued Shares as at the date of this report |
|--|--|------------------|---|
| Citigroup Global Markets Holdings Inc. | Interest held through controlled corporation | 51,248,000 | 8.54 (Note 4) |
| Citigroup Inc. | Interest held through controlled corporation | 51,248,000 | 8.54 (Note 4) |

Notes:

1. The entire issued share capital of Tai-I (BVI) is owned as to approximately 46.41% and 53.59% by TIID and TIIIS respectively. Taiwan Tai-I owns approximately 67% of the issued capital of each of TIIIS and TIID.
2. The entire issued share capital of First Sense International Limited is owned by AIF Capital Asia III, L.P..
3. The entire issued share capital of Green Island is owned by Liu Tianni.
4. The entire issued share capital of Citigroup Financial Products Inc. is owned by Citigroup Global Markets Holdings Inc., which is wholly-owned subsidiary of Citigroup Inc..

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors as set out in Appendix 10 of the Listing Rules (the "Mode Code"). Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2007.



Tai-I International Holdings Limited

AUDIT COMMITTEE

The Audit Committee of the Company consists five independent non-executive directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama. The unaudited interim results for the six months ended 30 June 2007 have been reviewed by the Audit Committee but not by the external auditors of the Company.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules throughout the six months ended 30 June 2007.

By Order of the Board
Tai-I International Holdings Limited
Huang Cheng-Roang
Chairman

Hong Kong, 31 August 2007