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)

Annual Report

2007

Contents

Financial Highlights

Comparison of Key Financial Figures for Two Years

Unit: RMB'000	For the year ended 31 December **2007**	2006	Percent increase/(decrease)
Revenue	**6,488,376**	7,077,910	(8.33)
Gross profit	**130,422**	221,571	(41.14)
Profit before taxation	**124,342**	127,054	(2.13)
Profit for the year	**111,505**	120,798	(7.69)
Profit attributable to minority interests	**–**	41,318	(100.00)
Profit attributable to equity holders of the Company	**111,505**	79,480	40.29
Basic and diluted earnings per share (RMB)	**0.19**	0.18	5.56

Turnover by Products

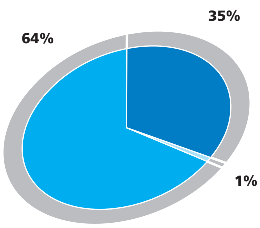
	For the year ended 31 December					
	2007		2006		Increase/ (decrease)	
Unit: RMB'000	**Amount**	**%**	Amount	%	Amount	%
Sales of bare copper wires	**4,161,131**	**64.13**	5,101,350	72.07	(940,219)	(18.43)
Sales of magnet wires	**2,305,638**	**35.54**	1,971,482	27.85	334,156	16.95
Processing services	**21,607**	**0.33**	5,078	0.08	16,529	325.50
Total	**6,488,376**	**100.00**	7,077,910	100.00	(589,534)	(8.33)

Turnover by Geographical Region

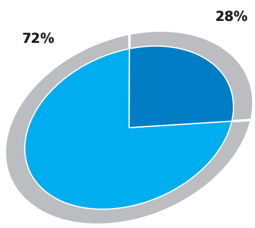
	For the year ended 31 December					
	2007		2006		Increase/ (decrease)	
Unit: RMB'000	**Amount**	**%**	Amount	%	Amount	%
Sales within China	**2,367,033**	**36.48**	1,909,914	26.98	457,119	23.93
Sales outside China*	**4,121,343**	**63.52**	5,167,996	73.02	(1,046,653)	(20.25)
Total	**6,488,376**	**100.00**	7,077,910	100.00	(589,534)	(8.33)

* including indirect and direct export sales

Turnover by products of 2007

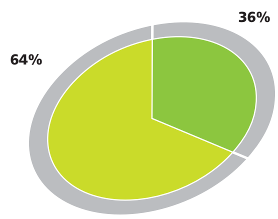


Turnover by products of 2006

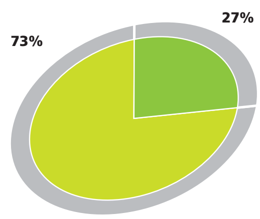


Sales of bare copper wires
Sales of magnet wires
Processing services

Turnover by geographical region of 2007



Turnover by geographical region of 2006



Sales within China
Sales outside China

Corporate Information

Board of Directors

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

Independent non-executive directors
Kang Jung-Pao
Cheng Yang-Yi
Tsay Yang-Tzong
Yan Minghe
Atsushi Kanayama

Company Secretary

Chan Yuen Ying, Stella ACIS, ACS, HKIoD

Qualified Accountant

Choi Kai Ming, Raymond ICAEQ, HKICPA

Authorised Representatives

Lin Chi-Ta
Chan Yuen Ying, Stella ACIS, ACS, HKIoD

Compliance Adviser

Polaris Capital (Asia) Limited

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Auditor

KPMG

Registered Office

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

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

Stock Code

1808

Company Website Address

www.tai-i-int.com

Company Information

Tai-I International Holdings Limited ("Tai-I International" or the "Company") was incorporated in Cayman Islands on 20 April 2006, and was successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") on 11 January 2007. The principal activities of the Company is investment holding. The principal activities of its subsidiaries (collectively known as the "Group") are the manufacturing and sales of bare copper wires and magnet wires and provision of processing services.

The businesses of the Group began in 1997. The Company has two principal subsidiaries, namely Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") and Tai-I Copper (Guangzhou) Co., Ltd., ("Tai-I Copper"). The manufacturing base of the Group is located in the Eastern District of the Guangzhou Economic and Technological Development Zone, Guangdong Province, the PRC and comprises production plants of bare copper wire and magnet wire. Currently, the Group has the capacity to produce about 150,000 tonnes of bare copper wire and 50,000 tonnes of magnet wire annually. The Group's vertically integrated business structure allows the Group to secure a stable supply (in terms of both quality and quantity) of the requisite high quality principal raw material (i.e. bare copper wire made from Grade A copper cathodes) for its magnet wire production and increases the Group's overall production efficiency.

Bare copper wire is the principal raw material for the production of different types of copper cathode, copper cable and wire for application in various different industries. These sectors are power transmission works, construction works, water and electricity works, shipbuilding works, electrical appliances and electronic devices, and telecommunication industry. Magnet wire is a principal component for the manufacture of motors, compressors, transformers, electrical appliances and electronic devices. Hence, the demand for copper wire products (including bare copper wire and magnet wire) generally increases in line with the economic and industrial growth.

Chronological of Events in 2007

January

Successful listing on the Main Board of The Stock Exchange of Hong Kong Limited.

In January 2007, both Tai-I Jiang Corp and Tai-I Copper were awarded the title "Premier Customers for International Operations" by the Industrial and Commercial Bank of China, Guangzhou Branch.

February

On 7 February 2007, Tai-I Copper was awarded one of the Top Ten Growth Industrial Enterprises for the year 2006 in Guangzhou Economic and Technological Development Zone.

The chilling-resistant conducting wire products of Tai-I Copper are produced from sophisticated technology with a stable quality. As such, Tai-I Copper was granted the title as an AA-grade supplier for 14 consecutive months by Matsushita Wanbao, a customer with very strict requirements on product quality.

May

In May 2007, Tai-I Jiang Corp was awarded the title "Best Valued Customer" by Pudong Development Bank of Shanghai, Guangzhou Branch.

In May 2007, with the assessment of Guangdong Immigration Control Inspection and Quarantine Bureau, the laboratory of Tai-I Copper complied with the requirements of "Approval Conditions for Inspection Capabilities of Laboratories under Export Products Manufacturing Enterprises". The enterprises quality control and inspection officers have complied with the requirements of "Approval Conditions for Inspection Capabilities of Laboratories under Export Products Manufacturing Enterprises", and have possessed with the management and inspection capabilities for projects as required by the certification.

July

In July 2007, Tai-I Jiang Corp was awarded the title "Reputable Customer in Foreign Exchange Operations" by CITIC Bank, Guangzhou Branch.

In July 2007, Tai-I Jiang Corp was awarded the Top 50 Harmonious Labour Relations Enterprises in the first round selection conducted by Labour and Social Security Bureau of Guangzhou Economic and Technological Development Zone, General Union of the Development Zone and Enterprises Association of the Development Zone.

August

In August 2007, Tai-I Copper acquired 30% of equity interests in JCC-Taiyi Special Electric Materials Co., Ltd. The company is located in Nanchong Hi-Tech Development Zone in Jiangxi Province, which is principally engaged in magnet wire products. Through this equity acquisition, the Company is well prepared for the long-term development in Eastern China, so as to bring longer term benefits to the Group.

Chronological of Events in 2007

September

In September 2007, Tai-I Copper passed the qualification assessment on "Technologically Advanced Foreign-invested Enterprise" of Guangzhou Municipal Government again, and was awarded the qualification of "Technologically Advanced Foreign-invested Enterprise".

October

In October 2007, Tai-I Jiang Corp undertook an improvement work on the gas pipeline for SCR Continuous Casting and Drawing System. Liquefied natural gas (LNG) is used to replaced liquefied petroleum gas (LPG) originally used after improvement since October 2007. This improvement work can save RMB 39.33 in the cost of bare copper wire per tonne produced by the Company. Fuel costs of about RMB 5,000,000 can be saved each year.

November

In November 2007, Tai-I Jiang Corp and Tai-I Copper commenced in the induction work for the certification of ISO/ TS 16949:2002 Quality Assurance System in full force.

In November 2007, Tai-I Copper was awarded "Outstanding Quality Award" in the vendor appraisal conducted by OKI Micro Engineering (HK) Co., Ltd.

December

In December 2007, Tai-I Jiang Corp passed the qualification assessment on "Technologically Advanced Foreign-invested Enterprise" of Guangzhou Municipal Government again, and was awarded the qualification of "Technologically Advanced Foreign-invested Enterprise".

Chairman's Statement

On behalf of the Board of Directors of Tai-I International Holdings Limited, I wish to sincerely extend my appreciation to each shareholder for its support to the Company. I hereby present with pleasure the annual report of the Company and its subsidiaries for the year ended 31 December 2007.

Financial Performance

For the year ended 31 December 2007, the Group recorded a revenue of approximately RMB6,488,376,000 with profit for the year attributable to equity holders of the Company of approximately RMB111,505,000.

Final Dividend

The Board has proposed a final dividend of HK 6 cents per ordinary share for the year ended 31 December 2007. It is expected that the proposed final dividend paid out as a result of the operation of 2007 amounted to HK6 cents per ordinary share, or approximately HKD36 million (2006:Nil) in total. The Directors recommended the proposed final dividend for the year ended 31 December 2007 to be paid on or about 12 June 2008 to the shareholders whose names appear on the register of members of the Company on 15 May 2008.

Business Review

The major products of the Group are bare copper wires and magnet wires. The Group continued to develop Southern China as its major market. With the help of our economy of scale, the Group maintained good and stable business relationship with upstream and downstream suppliers and customers, and sustained its leading position in Southern China. At the same time, through the successful acquisition of JCC-Taiyi Special Electric Materials Co., Ltd. In 2007, the Group laid a good foundation for further expansion of its share in the markets of Central and Eastern China. The change in business mix during 2007 increased the volume of processing service for bare copper wires. In addition, as a part of bare copper wires were transferred internally as the raw materials for the production of magnet wires, revenue was thus fell slightly. However, as the sales of magnet wire increased from 33,230 tonnes in 2006 to 36,920 tonnes in 2007, the volume of processing service for bare copper wires increased from 10,305 tonnes in 2006 to 38,836 tonnes in 2007.

Prospects and Appreciation

Looking forward in 2008, the Group will continue to improve its business operation, so as to further raise its capacity and utilisation rate, increase sales and optimize its production composition. We will reduce production costs and enhance income from processing service. We will also leverage on our outstanding technological as well as research capabilities to further develop products demanded in the market. This will ensure that we will sustain good competitive edges under the ever-evolving external environment. In addition, we will continue to leverage on our edge in vertical integration as well as the experiences accumulated in the related industries for the past years, and tap into new business horizon when opportunities arise. The Group will continue to devote its best endeavours in the pursuit of more abundant return to the shareholders.

On behalf of the Board, I hereby wish to thank the Group's customers, suppliers, business partners and banks for their support. I would also like to thank the management as well as the staff for their efforts and contributions to the Group.

By order of the Board
Tai-I International Holding Limited
Huang Cheng-Roang
Chairman

Hong Kong, 11 April 2008

Dear Shareholders,

I am delighted to report the Group's operational results this year.

The Group strictly focused on its long-term development objectives. In 2007, we had formulated and implemented practicable operation strategies, which effectively maintained revenue from products, and brought more spectacular return to shareholders.

During 2007, copper price in the world and in the PRC remained high, and the price for raw material in copper wire industry failed to decrease. The GDP in Mainland China maintained a rapid growth rate of 11.4%, whilst the growth rate of GDP in Guangdong Province also grew at a rate of 14.5%. As the major manufacturing base for electrical appliances and white goods in Southern China, Guangdong Province imported approximately 308,000 tonnes and 86,600 tonnes of bare copper wire and magnet wire in 2007, according to the data and information of Customs. This demonstrated that there is still considerable room for the demand of bare copper wire and magnet wire in this region. By capturing business opportunities proactively, the Group will continue to expand its market share, so as to increase sales volume and enhance revenue for maintaining its leading position in the industry.

Increase sales volume to increase revenue

Output of bare copper wire by the Group increased from 138,347 tonnes in 2006 to 144,066 tonnes this year, an increase of 4%. The sales of magnet wire increased from 33,230 tonnes in 2006 to 36,920 tonnes this year, an increase of 11%. The revenue from magnet wire during the year increased by approximately 16.95% from 2006.

The weighting between sales of bare copper wire products within and outside China in 2007 was 36.48%: 63.52%, whilst the weighting between sales of bare copper wire products within and outside China in 2006 was 26.98%: 73.02%. The weighting of sales within China increased substantially. With effective adjustment in business composition, the profitability of the Group's product will enhance.

Enhance product quality control systems

Apart from the implementation of ISO9001 quality control system and ISO14001 environment management system by the Group, in order to satisfy the requirements of automobile components customers on magnet wire products, the Group began to implement ISO/TS16949 quality control system during the year. The introduction of such quality control system will lift the Group's quality control standards to a higher level. It will also ensure and further enhance the competitive advantages of the Group's products.

Expansion into magnet wire market in eastern

In August 2007, the Group successfully acquired 30% equity interests in JCC-Taiyi Special Electric Materials Co., Ltd., which is located in Nanchang Hi-Tech Development Zone, Nanchang, Jiangxi Province, the PRC. The total investment of the company was US$33.50 million and the registered capital was US$16.80 million. The company is a magnet wire manufacturer with a production capability of 20,000 tonnes per annum. Through this acquisition, the Group will expand its market share and lay a good foundation for expanding in markets in Central and Eastern China.

Increase capital contribution to optimize capital structure

In April 2007, the Company increased its capital contribution in two subsidiaries of the Group, namely Tai-I Jiang Corp and Tai-I Copper, with the proceeds raised from the initial public offering of the Company completed in January 2007. US$10.00 million and US$15.10 million were additionally contributed to these two subsidiaries. Our total investments in these two subsidiaries were increased simultaneously. The total investment in Tai-I Jiang Corp and Tai-I Copper were increased from US$29.50 million to US$54.50 million, and from US$29.50 million to US$74.80 million, respectively. As a result of the above adjustments, the capital structure of Tai-I Jiang Corp and Tai-I Copper were optimized. This had also facilitated trust and support from the banks, which provided stronger guarantee to the working capital of these two subsidiaries.

Save energy and reduce consumption to lower costs

In 2007, the Group successfully undertook an improvement work for the gas pipelines of the SCR Continuous Casting and Drawing System of Tai-I Jiang Corp, liquefied natural gas (LNG) is used to replaced liquefied petroleum gas (LPG) originally used after improvement since October 2007. This improvement work can save RMB39.33 per tonne in the cost of bare copper wire produced by the Company. Fuel costs of about RMB5,000,000 can be saved each year.

Major Plans for 2008

In 2008, world economic growth may step into its decelerating trend. On the one hand, the PRC economy is facing with the risk of increase in inflation rate. On the other hand, it is also subject to the slowdown in economic growth. Hence, the macro-economic control environment is becoming more complex. Faced with the key issues prevailing in the operation of the PRC economy, the PRC government will continue to implement steady austerity measures and tighten its monetary policies.

In order to further tackle such challenge, and consolidate the Group's position in the copper wire industry, and to capture the business opportunities arising, the Group plans to implement the following future plans:

Product Development Plans

During recent year, the PRC government devoted much efforts to promote and drive national energy saving, emission reduction and environmental protection initiatives. These efforts will also be translated into long-term development policies. The operation team of Tai-I Copper, a subsidiary of the Group, will focus on such market demand, and plan for the research, development and production of high frequency resistant coated magnet wires. Such product is mainly used in frequency changing motors. The product will have wide prospects in the market.

Following the policy imposed by the PRC government relating to energy saving and emission reduction, market access standards, mandatory efficiency standard and environmental standard regarding the promotion of energy saving and emission reduction were successively launched and implemented. The Group believes that, energy saving environment protection products will be promoted with greater efforts. The energy saving product developed by the Group, such as the magnet wires with featuring "radio wave resistant" and "high frequency resistant" will have greater demand in the market. Whilst the Group will continue to increase the proportion of sales in high value added special magnet wires complying with the policies formulated by the PRC government towards the industry, it will also focus to improve the quality in its production. This will enhance the capabilities of the Group's product to compete with similar special magnet wire imported, and further enhance revenue as well as profitability.

Capabilities Expansion Plans

The Group plans to conduct a study in 2008. Through efficient technological improvement, the production capabilities of bare copper wire will increase. It is expected that such production capacity will be increased by approximately 20%, whilst the annual output will increase by 30,000 tonnes to achieve the scale of 180,000 tonnes per annum.

Energy Saving and Cost Reduction Plans

Tai-I Copper, a subsidiary of the Group, plans to conduct research, development and improvement on the technique to coat varnish on small diameter magnet wire in 2008. It is expected that the percentage of the amount of solvent used in proportion to the varnish will decrease. In addition, other than cost reduction, we will also reduce exhaust gas emission, so as to fulfill our efforts for the sustainable development in energy saving, emission reduction and environmental protection.

Customer Satisfaction Plans

The Group will maintain close cooperation with the production team of reputable customers in the industry, so as to enhance the Group's existing products, expand the research and development of products better matching with the demand of customers and effectively enhance customer retention.

Appreciation

On behalf of the management, I would like to express my sincere gratitude to the government authorities, clients, suppliers and business associates for their support, and to our management team and staff for their loyalty. Only as a result of such support that a sound foundation was formed for our steady growth and outstanding results. I would also like to express my immense appreciation to our shareholders and friends from the financial sector for their unreserved support, which allowed us to become a new star in the investment market. The management hereby commit ourselves to maintaining our efforts to live up to the high expectations of our shareholders and business associates for even better results and returns.

By order of the Board
Tai-I International Holdings Limited
Lin Chi-Ta
Chief Executive Officer

Hong Kong, 11 April 2008

Biographies of Directors and Senior Management

Executive Directors

Mr. Huang Cheng-Roang, alias Vincent Huang（黃正朗）, aged 48, is the Chairman of the Company and an executive Director. Mr. Huang graduated from the Tunghai University and Jinan University with a bachelor's degree in law and a master degree in Business Administration respectively. He is also a research student of the Corporate Management Department of Jinan University. He worked in the legal field in the early years of his career. He worked in the internal legal department of Taiwan Tai-I from 1995 to 1997. He joined the Group in 1997. Mr. Huang is the head of the Strategic Planning Unit of both Tai-I Jiang Corp and Tai-I Copper. He was appointed as an executive Director on 31 August 2006.

Mr. Lin Chi-Ta（林其達）, aged 51, is an executive Director and the Chief Executive Officer of the Company. Mr. Lin graduated from the Southern Taiwan University of Technology specialising in Industrial Management. Mr. Lin had worked in ceramic products manufacturing factories before he joined Taiwan Tai-I in 1990. Mr. Lin was the head of the Yangmei Factory of Taiwan Tai-I, a factory principally engaged in the bare copper wire production, from 1990 to 1998. He joined the Group in 1999. Mr. Lin is currently the Chairman and General Manager of both Tai-I Jiang Corp and Tai-I Copper and is responsible for overseeing the production division of the Group. He was appointed as an executive Director on 20 April 2006.

Mr. Huang Kuo-Feng（黃國峰）, aged 34, is an executive Director. Mr. Huang graduated from the Taipei College of Business specialising in Finance and Taxation. He worked in the Accounting Department of Taiwan Tai-I from 1997 to 1999. He then joined the Group in 1999 and worked in the Finance Department of Tai-I Jiang Corp. In 2003, Mr. Huang was promoted to the Manager of the Assets Management Team of the Finance Department of Tai-I Jiang Corp. and Tai-I Copper. He was appointed as an executive Director on 31 August 2006.

Mr. Du Chi-Ting（杜季庭）, aged 55, is an executive Director. Mr. Du graduated from the Chungyu Institute of Technology specialising in Corporate Management. Before joining the Group in 2003, Mr. Du had worked in Taiwan Tai-I for over 26 years and gained extensive experience in production, domestic sales and marketing of cable and wire. Mr. Du is the Executive Deputy General Manager and the head of the Management Department of both Tai-I Jiang Corp and Tai-I Copper. He was appointed as an executive Director on 31 August 2006.

Independent Non-Executive Directors

Mr. Kang Jung-Pao（康榮寶）, aged 55, is an independent non-executive Director. Mr. Kang graduated from Leonard N. Ster n School of Business of the New York University with a degree of Doctor of Philosophy. He joined the Group in 2006. Mr. Kang is experienced in accounting and finance as he took up important positions in various financial organisations and listed companies in Taiwan before. He is an independent director of Shun On Electronic Co., Ltd., a GTSM (OTC) listed company in Taiwan and Go-In Engineering Co., Ltd., an emerging stock company in Taiwan. He is also an independent supervisor of Simplo Technology Co., Ltd., a GTSM (OTC) listed company in Taiwan and Monterey Inter national Corp., a public company in Taiwan and a supervisor of Gintech Energy Corporation, a public company in Taiwan. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Cheng Yang-Yi（鄭洋一）, aged 65, is an independent non-executive Director. Mr. Cheng graduated from the Taiwan University and the Meijo University（名城大學）with a bachelor's degree and a doctorial degree in law respectively. He is a qualified lawyer in Taiwan and had been a professor in the law department of Fu Jen University and the Chinese Culture University. He joined the Group in 2006. Mr. Cheng is currently an independent director of each of Key Mouse Electronic Enterprise Co., Ltd, an emerging stock company, and Top High Image Corp., a GTSM (OTC) listed company in Taiwan. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Tsay Yang-Tzong（蔡揚宗）, aged 54, is an independent non-executive Director. Mr. Tsay graduated from the Taiwan University and the Cheng-Chi University with a bachelor's degree in Business Administration and a master degree in commerce respectively. He also obtained a degree of Doctor of Philosophy from the University of Maryland. He has been a professor of the department of accounting in the Taiwan University since 1993 and was the chairman of such department from 1997 to 2000. Mr. Tsay had also been a visiting scholar at the University of Toronto and the Tohoku University in Japan. He is a qualified government accountant and auditor in Taiwan, a Certified Public Accountant in Taiwan and a Certified Inter nal Auditor in the US. He joined the Group in 2006. Mr. Tsay is a supervisor of Taiwan Tobacco and Liquor Corporation and Chinese Television System Corp., all being public companies in Taiwan, a supervisor of Chang Hwa Commercial Bank Ltd. and an independent supervisor of Cyberlink Co., both being listed companies in Taiwan, an independent supervisor of Speed Tech Corp. and Shin Zu Shing Co., Ltd., all being GTSM (OTC) listed companies in Taiwan and an independent director of Kingpak Technology Inc., an emerging stock company in Taiwan. Mr. Tsay was an independent non-executive director of Asia Pacific W ire and Cable Corporation Limited, a company quoted on the Pink Sheets and engaged in the cable and wire industry, from March 2005 to June 2006. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Yan Minghe（顏鳴鶴）, aged 80, is an independent non-executive Director. Mr. Yan graduated from Wuhan University majoring in Electrical Engineering and has been a power production technology senior engineer in the PRC since 1990. He worked in the Guangdong Power Bureau from 1952 to 1994. He was the vice president of the Guangdong Power Bureau before his retirement. He is experienced in domestic and inter national power and cable technologies. He joined the Group in 2006. Currently, he is the Honourable Officer of the Gas Turbine Power Generation Special Committee in the PRC and the Guangdong Society for Electrical Engineering. He is also the consultant to China Huaneng Group which is a central-government-administered state-owned enterprise. The major businesses of China Huaneng Group include, but not limited to, the investment, construction, operation and management of power generation assets and the production and sale of power and heat; and the investment, construction and operation of business in information technology, transportation, renewable energy, environment protection, trade and fuel. He was appointed as an independent non-executive Director on 12 December 2006.

Mr. Atsushi Kanayama（金山敦）, aged 49, is an independent non-executive Director. Mr. Kanayama obtained a bachelor's degree in Veterinary Medicine from Kitasato University in Japan and a Certificate in Chinese language from Zhengzhou University in the PRC. He worked in Mitsubishi Cable Industries, Ltd., a listed company in Japan principally engaged in the wire and cable and wiring system business and Dai 1 Denko Co., Ltd., both being companies in the cable and wire industry, from 1998 to 1998. Since 1999, he has been working in Akashi Seisen Co., Ltd., a Japanese company principally engaged in the manufacture of copper wire. He is currently the manager of the manufacturing department of Akashi Seisen Co., Ltd.. Mr. Kanayama has gained extensive experience in the management and production technology of bare copper wire and the business planning and sales management of magnet wire through his years working in the cable and wire industry. He joined the Group in 2006. He was appointed as an independent non-executive Director on 12 December 2006.

Senior Management

Ms. Wang Hsueh-Hua（王雪花）, aged 58, graduated from the Taiwan University with a master degree in Accounting. She joined the Group in 2003 and she is the Vice General Manager of the Finance Department of both Tai-I Jiang Corp and Tai-I Copper. Ms. Wang is experienced in the field of finance and accounting.

Mr. Tai Wen-Lu（戴文錄）, aged 50, graduated from the Ta Hwa Institute of Technology specialising in Food Production Engineering. He joined the Group in 2004 and he is the Vice General Manager of the Sales and Marketing Department of Tai-I Copper. Mr. Tai has extensive experience in management.

Mr. Lin Chun-Jung（林春榮）, aged 55, is the Assistant Manager of the Production Department of Tai-I Copper. Mr. Lin joined the Group in 2000. He is experienced in the production of wire and cable.

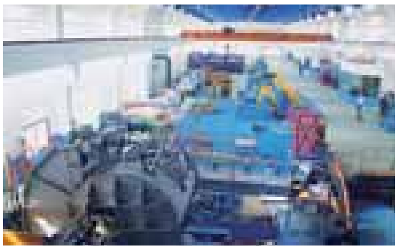
Mr. Chiu Sheng-Jung（邱盛榮）, aged 47, graduated from the Nanya Institute of Technology specialising in Textile Engineering. During the period from 1980 to 2002, Mr. Chiu worked in Taiwan Tai-I and obtained experience in various different departments, including the Production Department, the Quality Control Department and the Sales Department. He joined the Group in 2002 and he is the Vice General Manager of the Sales and Marketing Department of Tai-I Jiang Corp.

Mr. Lin Yu-Chau（林于超）, aged 44, graduated from the Taitung Institute of Technology with a master degree in Materials Engineering. Before joining the Group in 1998, Mr. Lin was employed by Taiwan Tai-I as the supervisor of the Production Technology Department of Taiwan Tai-I. He is the Assistant Manager of the Production Department of Tai-I Jiang Corp. He had worked as an engineer for a number of years.

Mr. Sadahiko Kawashima（革島貞彥）, aged 63, graduated from the Kyoto University, Japan, in 1968, with a bachelor's degree in Jurisprudence. Mr. Kawashima had worked in the non-ferrous metal business field for more than 36 years. He was seconded to join the Group from Sumitomo Corporation in 2001 as a special adviser of the Group on the procurement of copper cathodes and copper-related matters. Since 2003, Mr. Kawashima became the Adviser of the Copper Committee and has taken charge of the procurement and hedging divisions of the Copper Committee.

Mr. Choi Kai Ming, Raymond（蔡繼明）, aged 59, the qualified accountant of the Company. He has more than 30 years of extensive professional and commercial experience, in PRC affairs in particular. He started his accounting profession as a Management Consultant at Price Waterhouse. He was the Chief Auditor of CLP Holdings Limited, a listed company on the Main Board of the Stock Exchange. Mr. Choi began his own practice in 1993. He was a partner of Profectus & Co., an accounting firm established in Hong Kong.

Ms. Chan Yuen Ying, Stella（陳婉縈）, aged 36, was appointed as the company secretary of the Company on 11 April 2008. Ms. Chan is an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Company Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 10 years experience in handling listed company secretarial matters.



Overview

Industry Overview

According to the International Copper Research Report, the copper usage of China in 2007 was 484 tonnes, representing an increase of 38% over that of 2006, and it is expected China will account for 23% of the world's total copper usage in 2008. The growth of GDP in 2007 was 11.4%, an increase of 10.5% as compared to that in 2006. As the growth rate of GDP was maintained at a high level of 10%, growth of GDP in China had been the driving force for the demand of copper products in China (the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan). According to the International Copper Research Report, it is estimated that the growth of copper usage for the coming five years in China may maintain the trend of high growth rate. The Group is located in a steadily growing market in China, which is well positioned geographically. We will adjust the regions of sales according to the market demand and supply. In 2007, the Group's weighting of sales within and outside China (including indirect and direct exports) was 36.48%:63.52%. When comparing with the weighting of sales within and outside China in 2006 of 26.98%:73.02%, the weighting of sales within China was increased substantially. Profitability of the enterprises were enhanced, and will continue to maintain a steadily growing profitability.

Continuous Growth in Sales of Magnet Wire

The sales volume and revenue of magnet wire by the Group in 2007 continued to grow. Sales volume increased from 33,230 tonnes in 2006 to 36,920 tonnes in 2007, an increase of 11.10%. Revenue also increased from RMB1,971.5 million in 2006 to RMB2,305.6 million in 2007, an increase of 16.95%.

Output of Bare Copper Wire Continued to Expand and Weighting of Sales Within China Increased

In view of the continuous increase in demand for copper wires in China, and in view of the growth in domestic demand in China, the weighting for the Group's bare copper wire sales within: outside China was 37.51%:62.49% in 2007. The weighting of sales within:outside China was 24.23%:75.77% in 2006. The significant increase in weighting of sales outside China improved the profitability of the enterprise.

Steady Raw Material Supply

Effective Copper Pricing Risk Mitigation Policies

Copper grit is the basic raw material used for the production of copper cathodes, which is the principal raw material used by the Group in producing its products. In the event that there are significant fluctuations in copper prices, the Group's cashflow may be adversely affected. To mitigate the risks associated with the fluctuations in prices of copper, the Group has established its risk management system, comprising pricing mechanism, hedging instruments and procedures, and risk management organization.

(i) Pricing mechanism

Through the establishment of pricing mechanism, the Group can enter into either floating price contracts or fixed price contracts with its suppliers and customers. The fluctuations in copper prices can be passed effectively on to the Group's customers when pricing basis of the sales contracts is consistent with that of the purchase contracts.

(ii) Hedging instruments

Under certain circumstances, such as sudden change in delivery dates requested by the customers or the Group's failure to secure purchase contracts with appropriate pricing basis, fluctuations in copper price may not be effectively passed to customers by the matching of pricing basis. As an alternative, the Group will hedge its risks associated with copper price with copper futures contracts that are traded on the Shanghai Futures Exchange. In the meantime, the hedging operations are conducted according to the relevant control procedures of the risk management organizations.

(iii) Risk management organizations

The Board is the highest authority that is responsible for approving the Group's transaction and risk management policies and monitoring the Group's compliances with such policies. The day-to-day monitoring responsibility is delegated to the General Manager.

The Group's day-to-day risk management of copper price fluctuation is primarily conducted by (i) the Copper Committee, which is primarily responsible for monitoring the Group's exposure to copper price fluctuations, and initiating and executing transactions of copper futures contracts for risk avoidance purposes, (ii) the Accounts Department, which is primarily responsible for compiling reports based on which the General Manager evaluates the effectiveness of the executed copper futures contracts and the Group's overall exposure to fluctuations in copper price, and (iii) the Treasury Department, which is responsible for the settlement of copper futures contracts.

Establish Stable and Good Working Relationship with Raw Materials Suppliers

The Group has established stable and good working relationship with numerous suppliers in the world. The main raw material in the our production of bare copper wire is copper cathode, and raw materials for the production of magnet wire include bare copper wire (produced by the Group itself) and varnish.

The copper cathodes used in our production are supplied by various major and renowned copper cathode suppliers, such as Sempra Metals Concentrates Corp. (LME base metal member), Corporacion National del Cobrede Chile, GLENCORE (the world's largest mining and raw material supplier for industrial consumption), BHP (Australia), TRAFIGURA (the world's largest independent trading company), PPC (Japan), Jinlong Copper Co., Ltd. (金隆銅業有限公司), Jiangxi Copper Corporation (江西銅業有限公司), and Matrix Metals International Ltd (西安邁科國際金屬集團).

The Group has established working relationships with the above renowned copper cathode suppliers for many years. Hence, our source of supply was adequately diversified.

Research and Improvement Results

Environmental Production Plans

During recent year, the PRC government devoted much efforts to promote and drive national energy saving, emission reduction and environmental protection initiatives. These initiatives will also be translated into long-term development policies. By targeting on this demand from the market, the Group's operation team plans to research, develop and produce high frequency resistant coated magnet wire, which is used in frequency adaptable motor. The product has a board prospect in the market.

In 2008, Tai-I Copper plans to change coating procedure for the production of magnet wire with diameter of 0.12-0.15 from originally on lamb coat to that on eye mould. It is expected that the percentage of the amount of solvent used in proportion to the varnish will decrease from 75% to 60%. In addition, other than cost reduction, we will also reduce exhaust gas emission, so as to fulfill our efforts for the sustainable development in energy saving, emission reduction and environmental protection.

Enhancement in DV value for the production of magnet wire

During the year, Tai-I Copper will enhance the DV value (Diameter x Velocity) for the production of magnet wire, at a rate of 25%. This improvement work is to enhance the operation speed of the machine unit, so that the production capacity for a single machine unit will increase under equivalent amount of time. The energy consumption of production per unit will reduce correspondingly.



Improvement of Manufacturing Procedures to Reduce Power Consumption and Lower Cost

(1) Through the improvement in SCR emulsion vacuum pump, Tai-I Jiang Corp. reduces the power output of pump on the one hand and improves operation efficiency of the equipment on the other hand. As to large extension oil pump, we switch to small power output equipment, which reduces power consumption to a significant extent.

(2) Tai-I Jiang Corp undertook an improvement work on the gas pipeline for SCR Continuous Casting and Drawing System. Liquefied natural gas (LNG) is used to replaced liquefied petroleum gas (LPG) originally used after improvement since October 2007. This improvement work can save RMB 39.33 in the cost of bare copper wire per tonne produced by the Company. Fuel costs of about RMB 5,000,000 can be saved each year.

(3) Tai-I Copper reduced electricity consumption through the following measures: (1) uses residual heat from high temperature to produce steam. With the analysis and research by the technical officers of equipment and technique, the original steam generator is changed to the exhaust pipe of furnace for energy saving purpose. (2) adjusts parameters for production techniques: drying of insulating varnish by the coating machine. Through the research and discussion of technique, as well as the improvement in the design of original production technique, the speed of heat air circulation and ventilation system for the original equipment will increase. This will accelerate the speed of heat air ventilation, which fully utilizes heat air for drying and reduce the use of power heat. In the meantime, the speed of original exhaust air emission machine will be slowed down. The utilization of residual heat from exhaust air will be maximized, which will save power consumption to a significant extent. (3) improves the frequency adaptation speed adjustment system for drawing lubricant pump. The motor can adjust the rotation speed according to the size of loading on-site, and save power and energy. (4) improves the drawing lubricant filter system. The fees for oil pump motor as well as power and energy consumption each year is reduced.

Awards and Recognitions

Quality Awards

The chilling-resistant conducting wire products of Tai-I Copper are produced from sophisticated technology with a stable quality. As such, Tai-I Copper was accredited as an AA-grade supplier for 14 consecutive months by Matsushita-Wanbao, a customer with very strict requirements on product quality.

In November 2007, Tai-I Copper was awarded "Outstanding Quality Award" in the vendor appraisal conducted by OKI Micro Engineering (HK) Co., Ltd.

Qualification Certification

In May 2007, with the assessment of Guangdong Immigration Control Inspection and Quarantine Bureau, the laboratory of Tai-I Copper complied with the requirements of "Approval Conditions for Inspection Capabilities of Laboratories under Export Products Manufacturing Enterprises". The enterprises quality control and inspection officers have complied with the requirements of "Approval Conditions for Inspection Capabilities of Laboratories under Export Products Manufacturing Enterprises", and have possessed with the management and inspection capabilities for projects as required by the certification.

In September 2007, Tai-I Copper passed the qualification assessment on "Technologically Advanced Foreign-invested Enterprise" of Guangzhou Municipal Government again, and was awarded the qualification of "Technologically Advanced Foreign-invested Enterprise".

In December 2007, Tai-I Jiang Corp passed the qualification assessment on "Technologically Advanced Foreign-invested Enterprise" of Guangzhou Municipal Government again, and was awarded the qualification of "Technologically Advanced Foreign-invested Enterprise".

Human Resources and Staff Remuneration

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2007, total staff cost for the year was approximately RMB48,658,000, of which contributions to defined contribution retirement schemes were approximately RMB3,290,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

The executive Directors and certain members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

Employee Statistics

As at 31 December 2007, the number of full time employees of the Group was 1,393 (31 December 2006: 1,250). There have been no significant changes in the employment, training or development polices of the Group since last year. Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis.

For the year ended 31 December 2007, total staff cost for the year was approximately RMB48,658,000, of which contributions to defined contribution retirement schemes were approximately RMB3,290,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

Business Outlook

Technological improvement to expand production capabilities of bare copper wire and reduce costs

By leveraging on the experience advantage in the research and development for the improvement of existing equipment and technique jointly conducted with equipment manufacturers for the past years, the production of products has achieved the mission requirements of energy saving, cost reduction and efficiency enhancement. Production costs are effectively reduced. This will allow the Group's products to enjoy better competitive advantage. In 2008, the Group will continue to conduct technological improvement for SCR furnace, so as to expand production capabilities and enhance profitability.

In October 2007, Tai-I Jiang Corp undertook an improvement work on the gas pipeline for SCR Continuous Casting and Drawing System. Liquefied natural gas (LNG) is used to replaced liquefied petroleum gas (LPG) originally used after improvement since October 2007. This improvement work can save RMB39.33 in the cost of bare copper wire per tonne produced by the Company. Fuel costs of about RMB5,000,000 can be saved each year. The Group will continue to conduct various technological improvement works so as to reduce energy consumption and lower production costs.

Continuous Optimization of Product Structure

For the coming year, the Group will continue to focus in the optimization of product composition. We will develop high value-added product, and continue to enhance our profitability.

Following the policy imposed by the PRC government relating to energy saving and emission reduction, market access standards, mandatory efficiency standard and environmental standard regarding the promotion of energy saving and emission reduction were successively launched and implemented. The Directors believe that, energy saving environment protection products will be promoted with greater efforts. The energy saving product developed by the Group, such as the magnet wires with featuring "radio wave resistant" and "high frequency resistant" will have greater demand in the market. Whilst the Group will continue to increase the proportion of sales in high value added special magnet wires complying with the policies formulated by the PRC government towards the industry, it will also focus to improve the quality in its production. This will enhance the capabilities of the Group's product to compete with similar special magnet wire imported, and further enhance revenue as well as profitability.

Continuous Utilization of Vertical Integration to Tap into the Products of High Profit Margin

The vertical integration of the Group's business structure in bare copper wire and magnet wire has already brought benefit to the Group. Under such business structure, the Group can obtain stable supply of high quality raw material for the production of magnet wire. Since 2007, the Group had conducted planning and assessment for wires and cables plants. In view of the Eleventh Five-Year Plan as published by the PRC government, and that the construction and improvement of power grids will continue to push ahead and speed up, the Directors of the Company believe that the implementation of this development plan will significant enhance the demand for cables. The Company is equipped with explicit competitive advantages in the production of various wires and cables of high profit margin to match with the demand of power grid allocation.

Strengthen Management Mechanisms to Enhance Efficiency and Effectiveness

Whilst rapidly developing its businesses, the Group intends to perfect its existing management mechanisms, to consolidate its internal management system, and strengthen its risk control. This will form sound management systems and operations mechanisms that will better benefit the development of the Group for enhancement of efficiency and effectiveness.

Turnover

For the year ended 31 December 2007, the revenue of the Group amounted to approximately RMB6,488,376,000 (2006: RMB7,077,910,000), a decrease of approximately 8.3% as compared to the previous year. The revenue of magnet wires increased by approximately RMB334,156,000, while the revenue of bare copper wires decreased by approximately RMB940,219,000. However the revenue of processing services increased by approximately 325.5%.

The revenue of the Group decreased because the Group increase the processing services volume of bare copper wire. And a part of the Group's bare copper wire products has been consumed by the Group in its production of magnet wire products. The change of business structure resulted in decrease of revenue. However, the sales volume of magnet wire rose from 33,230 tonnes in 2006 to 36,920 tonnes in 2007 and the processing services volume of bare copper wire rose from 10,305 tonnes in 2006 to 38,836 tonnes in 2007.

Gross Profit

For the year ended 31 December 2007, gross profit decreased by 41.1% from approximately RMB221,571,000 in 2006 to approximately RMB130,422,000 in 2007. Gross profit of magnet wires decreased by approximately RMB48,780,000, while that of bare copper wires decreased by approximately RMB32,237,000.

The price of copper had experienced significant fluctuations in 2007. The Group uses commodity futures contracts to hedge its exposure against copper price fluctuations and offset the reduction of gross profit. While the effective portion of gains on commodity futures contracts was recorded in the cost of sales, the ineffective portion of gains on commodity futures contracts was recorded in other net income, which amounted to approximately RMB87,563,000 in 2007 (2006: RMB17,989,000).

Other Net Income

The Group recorded other net income of approximately RMB156,362,000 in 2007, compared with the other net income of approximately RMB36,975,000 in 2006. The other net income was primarily due to net gain on derivative financial instruments of approximately RMB140,550,000 (2006: RMB17,989,000). The gain on derivative financial instruments increased from (a) net gain on copper futures contracts and (b) net gain on foreign exchange forward contracts. Net gain on copper futures contracts of approximately RMB87,563,000 (2006: RMB17,989,000). The Group uses commodity futures contracts to hedge its exposure against copper price fluctuations. Net gain on foreign exchange forward contracts of approximately RMB52,987,000 (2006: Nil). The Group uses foreign exchange forward contracts to hedge the exchange rate risk as a result of continuous appreciation of RMB.

Finance Costs

Finance costs increased by approximately RMB15,314,000 from approximately RMB96,969,000 in 2006 to approximately RMB112,283,000 in 2007. The increase was due to an increase of approximately RMB19,448,000 in interest expenses for discounting bills receivables or letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans, which was in line with the increase in purchase of copper cathodes.

Profit for the Year

Profit for the year decreased by 7.69% from approximately RMB120,798,000 in 2006 to approximately RMB111,505,000 in 2007. Profit attributable to equity holders of the Company increased by 40.29% from approximately RMB79,480,000 in 2006 to approximately RMB111,505,000 in 2007.

Proposed Final Dividend

The Board has proposed a final dividend of HK 6 cents per ordinary share for the year ended 31 December 2007, or approximately HKD36,000,000 in total (2006: Nil).

Return on Shareholders' Equity

For the year ended 31 December 2007, the Group achieved a profit for the year of RMB111,505,000 (2006: RMB120,798,000) and a return on shareholders' equity of 16.68% (2006: 27.26%), shareholders' return on shareholders' equity decreased by 10.58 basic point from last year.

Liquidity and Financial Resources

As at 31 December 2007, total equity attributable to equity holders of the Company amounted to approximately RMB833,345,000, increased by approximately 65% from approximately RMB503,556,000 as at 31 December 2006. Net asset value per ordinary share as at 31 December 2007 was approximately RMB1.39, calculated based on 600,000,000 ordinary shares, increased by 24.1% from RMB1.12 as at 31 December 2006. Net cash generated from operating activities for 2007 amounted to approximately RMB564,031,000, increased by 1.6 times as compared to that for 2006. The strong current cash flow generated by the activities of the Group ensures a stable financial position for the Group.

Short-term borrowings decreased to approximately RMB1,395,899,000 as at 31 December 2007 from approximately RMB1,790,727,000 as at 31 December 2006, representing a decrease of 22.05%. Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper cathodes amounted to approximately RMB875,178,000 as at 31 December 2007, decreased by approximately 22.36% as compared to those as at 31 December 2006. In 2007, deposits amounting to 30% or 35% of the amount covered by the relevant letters of credit were required by the banks for the issuance of letters of credit.

Foreign Exchange

Revenue of the Group is primarily denominated in Renminbi, US dollar and HK dollar while purchases of the Group is primarily denominated in Renminbi and US dollar. The Group used foreign exchange forward contracts to hedge against certain foreign exchange exposures.

Pledge of Assets

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

Assets	As at 31 December 2007 RMB'000	2006 RMB'000	Purpose
Buildings	**91,621**	93,761	Bank loans
Land use rights	**33,020**	33,858	Bank loans
Inventories	**–**	218,010	Bank loans, letters of credit and commercial bills
Bank deposits	**875,178**	1,127,218	Letters of credit and commercial bills
Machinery, equipment and tools	**183,978**	197,831	Letters of credit and commercial bills
Total	**1,183,797**	1,670,678	

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 31 December 2007, the net proceeds were utilized in the following manner:

	Per prospectus HKD'000	Amount Utilised HKD'000	Balance as at 31 December 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	45,009	91,133
Repayment of short-term borrowings	44,000	44,000	–
General working capital	22,076	22,076	–
Total	220,762	129,629	91,133

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

Capital Structure

The Group adopts a prudent treasury policy, and its net debt-to-adjusted capital ratio (calculated as bank loans less pledged deposits and cash and cash equivalent plus unaccrued proposed dividend then divided by adjusted capital) as at 31 December 2007 was 27% (2006: 103%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2007 was 110.48% (2006: 100.94%). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

Capital Expenditure

The Group's capital expenditures were mainly for the acquisition of properties, plant and equipment. The following table shows the Group's capital expenditures for 2007 and 2006:

	For the year ended 31 December	
	2007	2006
	RMB'000	RMB'000
Buildings	**446**	1,415
Machinery, equipment and tools	**10,145**	17,247
Dies and moulds	**3,307**	4,931
Motor vehicles and other fixed assets	**2,161**	2,575
Construction in progress	**67**	2,322
	16,126	28,490

In 2007, production equipment and technology was upgraded.

Material Acquisitions

One of the Group's major operating subsidiary, Tai-I Copper has 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 (江西省江銅－台意特種電工材料有限公司) at a total consideration of US$5,292,000 (equivalent to RMB40,039,000) in cash. Details of this acquisition were set out in the circular of the Company dated 18 June 2007.

Commitments

Aa at 31 December 2007, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Less than one year	**1,490**	1,310
Between one and two years	**47**	–
Between two and three years	**23**	–
	1,560	1,310

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

Contingent liabilities

As at 31 December 2007, there were no significant contingent liabilities.

Summary of Consolidated Income Statement Data

	For the year ended 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**6,488,376**	7,077,910	3,979,619	2,754,139	1,099,041
Costs	**(6,357,954)**	(6,856,339)	(3,837,052)	(2,627,269)	(1,056,202)
Gross profit	**130,422**	221,571	142,567	126,870	42,839
Profit from operation	**237,885**	224,023	108,905	100,647	24,404
Finance costs	**112,283**	(96,969)	(41,448)	(37,807)	(28,907)
Share of loss of associate	**(1,260)**	–	–	–	–
Profit before taxation	**124,342**	127,054	67,457	62,840	(4,503)
Income tax expenses	**(12,837)**	(6,256)	–	–	–
Profit/(loss) for the year	**111,505**	120,798	67,457	62,840	(4,503)
Profit/(loss) attributable to minority interests	**–**	41,318	31,722	22,887	(682)
Profit/(loss) attributable to equity holder of the Company	**111,505**	79,480	35,735	39,953	(3,821)
Basic and diluted earnings per share (RMB)	**0.19**	0.18	0.08	N/A (Note)	N/A (Note)

Note: No earnings per share information is presented as its inclusion would be hypothetical due to the reorganisation and the net assets of the merger of each company is accounted aggregately at the current carrying value of each company.

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Balance Sheet Data

	At 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**536,674**	514,551	519,819	447,409	421,002
Current assets	**3,197,723**	3,110,353	1,945,251	1,370,661	844,052
Current liabilities	**(2,894,454)**	(3,081,348)	(2,042,312)	(1,525,115)	(1,161,574)
Net current assets (liabilities)	**303,269**	29,005	(97,061)	(154,454)	(317,522)
Total assets less current liabilities	**839,943**	543,556	422,758	292,955	103,480
Non-current liabilities	**(6,598)**	(40,000)	(40,000)	–	–
Net assets	**833,345**	503,556	382,758	292,955	103,480
Total equity attributable to equity holders of the Company	**833,345**	503,556	195,263	158,285	87,953
Minority interests	**–**	–	187,495	134,670	15,527
Total equity	**833,345**	503,556	382,758	292,955	103,480

	At 31 December				
	2007	2006	2005	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profitability ratios					
Return on shareholder's equity (note 1)	**16.68%**	27.26%	19.97%	31.70%	(4.26%)
Return on assets (note 2)	**3.05%**	3.97%	3.15%	4.08%	(0.36%)
Liquidity ratios					
Current ratio (note 3)	**110.48%**	100.94%	95.25%	89.87%	72.66%
Receivables turnover days (note 4)	**64.15**	45.61	43.86	35.41	45.53
Inventory turnover days (note 5)	**19.28**	12.01	11.18	12.30	18.05
Payables turnover days (note 6)	**74.33**	57.35	81.77	91.34	141.31
Capital adequacy ratios					
Net gearing ratio (note 7)	**(0.80%)**	14.38%	3.06%	(2.56%)	(3.85%)

(Note 1) Profit (loss) for the year divided by year end average total equity and multiplied by 100%.

(Note 2) Profit (loss) for the year divided by year end average total assets and multiplied by 100%.

(Note 3) Current assets divided by current liabilities and multiplied by 100%.

(Note 4) Balance of average trade receivables and bills divided by revenue of the current year and multiplied by 365 days.

(Note 5) Average inventory balance divided by cost of goods sold of the year and multiplied by 365 days.

(Note 6) Balance of average trade payable and bills divided by merchandise sold of the year and multiplied by 365 days.

(Note 7) Balance of total borrowings less cash, time deposits and pledged deposits divided by total assets and multiplied by 100%.

Report on Corporate Governance Practices

The Board is committed to maintaining and ensuring high standards of corporate governance practices. The Board emphases on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value.

Corporate Governance Practices

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In the opinion of the Directors, the Company has met the code provisions set out in the CG Code.

Corporate Governance Framework

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

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

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

Compliance with Model Code set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standards as set out in the Model Code during the year ended 31 December 2007.

Board of Directors

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

Executive Directors

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

Independent Non-executive Directors

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

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

Board Meetings

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

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

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

Chairman and Chief Executive Officer

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

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

Independent Non-executive Directors

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

Remuneration Committee

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

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

Members of the Remuneration Committee include:

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

Nomination Committee

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

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

Members of the Nomination Committee include:

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

Audit Committee

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

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

Members of the Audit Committee include:

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

Attendance Records of Board Meeting, Board Committee Meetings and General Meetings

The attendance records of each Director and each member of the three Board Committees are as follows:

	Meetings Attended/Held in 2007				
	Board	Remuneration Committee	Nomination Committee	Audit Committee	2007 AGM
No. of meetings held during the year	5	1	1	2	1
Executive Directors					
Mr. Huang Cheng-Roang (Chairman)	5/5				1/1
Mr. Lin Chi-Ta (Chief Executive Officer)	5/5	1/1	1/1		1/1
Mr. Du Chi-Ting	5/5				1/1
Mr. Huang Kuo-Feng	5/5				0/1
Independent Non-Executive Directors					
Mr. Tsay Yang-Tzong	4/5	1/1	1/1	2/2	0/1
Mr. Kang Jung-Pao	5/5	1/1	1/1	2/2	0/1
Mr. Cheng Yang-Yi	4/5	1/1	1/1	2/2	0/1
Mr. Atsushi Kanayama	4/5	1/1	1/1	2/2	0/1
Mr. Yan Minghe	5/5	1/1	1/1	2/2	0/1
Average attendance rate	94%	100%	100%	100%	40%

Deed of Non-competition

Each of Tai-I Electric Wire and Cable Co., Ltd and Tai-I International (BVI) Limited has provided a non-competition certificate stating that the provisions of the deed of non-competition have been complied with during the year.

Internal Control

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

Auditors' Remuneration

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

	RMB'000
Audit services	1,551
Non-audit services	–

Directors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2007, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Investors' Relations

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

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

The Board of Directors of the Company is pleased to submit the directors' report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2007.

Principal Activities

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

The Group's revenue is derived solely from business activities of subsidiaries in the PRC. An analysis of the Group's revenue for the year ended 31 December 2007 is set out in note 3 to the consolidated financial statements.

Financial Statements

The profit of the Group for the year ended 31 December 2007 and the state of the Company's and the Group's affairs as at that date are set out in the financial statement on page 45 to 48.

Dividends

The Board has proposed a final dividend of HK 6 cents per ordinary share for the year ended 31 December 2007. It is expected that the proposed final dividend to be paid out as a result of the operation of 2007 amounted to HK 6 cents per ordinary share, or approximately HKD36,000,000 in total. The Directors recommended the proposed final dividend for the year ended 31 December 2007 to be paid on or about 12 June 2008 to the shareholders whose names appear on the register of members of the Company on 15 May 2008.

Closure of Register of Members

The register of members of the Company will be closed from Friday, 9 May 2008 to Thursday, 15 May 2008, both dates inclusive, during which period no transfers of shares will be effected. In order to qualify for the proposed final dividend and to attend and to vote at the annual general meeting of the Company to be held on 15 May 2008, all properly completed transfer form(s) accompanied by the relevant share certificate(s) must be lodged with the Company's Branch Share Registrars, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8 May 2008.

Distributable Reserves

At 31 December 2007, the aggregate amount of reserves availables for distribution to equity holders of the Company was RMB392,807,000 (2006: RMB464,996,000).

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on page 28 to 29.

Share Capital

Details of the movements in the share capital during the year are set out in note 25 to the consolidated financial statements.

Charitable Donations

During the year, the Group made charitable donations totaling RMB1,100,000 (2006: Nil).

Fixed Assets

Details of movements in fixed assets are set out in note 13 to the consolidated financial statements.

Substantial Shareholders

As at 31 December 2007, 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 5% 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:

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

Name	Nature of interest	Number of Shares	Approximate percentage of issued Shares immediately 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 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	52,698,000	8.78 (Note 4)
Citigroup Global Markets Holdings Inc.	Interest held through controlled corporation	52,698,000	8.78 (Note 4)
Citigroup Inc.	Interest held through controlled corporation	52,698,000	8.78 (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 TIIS respectively. Taiwan Tai-I owns approximately 67% of the issued capital of each of TIIS 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..

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

As at 31 December 2007, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2007.

Pre-emptive Rights

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

Subsidiaries and Associate

Particulars of the subsidiaries and associate of the Company as at 31 December 2007 are set out in note 15 and note 16 to the consolidated financial statements.

Bank loans

Particulars of bank loans of the Group as at 31 December 2007 are set out in note 22 to the consolidated financial statements.

Directors

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

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

Independent Non-Executive Directors
Mr. Tsay Yang-Tzong
Mr. Kang Jung-Pao
Mr. Cheng Yang-Yi
Mr. Yan Minghe
Mr. Atsushi Kanayama

In accordance with the Articles 87 (1) & (2), Mr. Lin Chi-Ta, Mr. Huang Kuo-Feng and Mr. Du Chi-Ting will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Confirmation of Independence

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

Directors' Service Contracts

Each executive Director has entered into a service contract with the Company for an initial term of three years commencing from the 11 January 2007 which shall be terminated in accordance with provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing or in accordance with the provisions set out in the respective service agreement.

Each independent non-executive Director has entered into a service contract with the Company for an initial term of two years commencing from the 11 January 2007 which shall be terminated in accordance with provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing or in accordance with the provisions set out in the respective service agreement.

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

Directors' Interests in Contracts

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

Directors' Interests in Shares

As at 31 December 2007, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company, which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Emoluments

Details of the remuneration of the Directors for year 2007 are set out in note 9 to the consolidated financial statements.

Share Option Scheme

The Company has approved the adoption of the Share Option Scheme on 18 December 2006. Pursuant to the Scheme, the Board may, at its discretion, grant options to any directors or eligible parties (as defined in the Scheme) for subscription of the Company's shares as incentive to retain talents in the Group. The Company has not granted any option since adoption of the Scheme.

The principal terms of the Scheme are summarized as follows:

(1) The maximum number of shares in respect of which options may be granted under the Scheme and any other share option scheme of the Company shall not exceed 10% in the nominal value of the aggregate of shares in issue on 11 January 2007, i.e. the date of listing of the shares of the Stock Exchange, being 60,000,000 shares, unless the Company obtains a fresh approval from the shareholders, and which must not in aggregate exceed 30% of the shares in issue from time to time.

    As at the date of this report, the total number of shares available for issue under the Scheme is 60,000,000 shares, which represents 10% of the existing issued shares.

(2) The total number of shares which may fall to be issued upon exercise of the options granted under the Scheme and any other share option schemes of the Company to each grantee in any 12-month period shall not exceed 1% of the shares shares in issue for the time being.

(3) The subscription price shall be determined by the Board in its absolute discretion, but in any event shall not be less than the higher of (i) the closing price of the share as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

(4) An option may be exercised in accordance with the terms of the Scheme at any time after the date the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may exercise will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

(5) Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

(6) Subject to earlier termination by the Company in general meeting or by the Board, the Scheme shall be valid and effective for a period of 10 years from the date of its adoption, i.e. 18 December 2006.

Details of the Scheme are set out in the Prospectus of the Company dated 28 December 2006.

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

Major Customers and Suppliers

Contracts with the Group's five largest suppliers combined by value, accounted for 68.62 per cent in value of total purchases during the year ended 31 December 2007, while contracts with the Group's largest supplier by value, accounted for 22.02 per cent in value of total purchases during the year ended 31 December 2007. Contracts with the Group's five largest customers combined by value accounted for 16.17 per cent in value of the turnover during the year ended 31 December 2007, while contracts with the Group's largest customer by value accounted for 4.36 per cent in value of the turnover during the year ended 31 December 2007.

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

Connected Transactions

For the year ended 31 December 2007, the Group has the following continuing connected transaction.

Exempted Continuing Connected Transaction

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

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

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed of the Company's listed securities during the year ended 31 December 2007.

Human Resources and Staff Remuneration

The Group has a dedicated management team with extensive experience and extensive service, and has a technological talent team with high technological standard and abundant practicable experience. They are the force for the rapid growth and expansion of the Group since its establishment.

For the year ended 31 December 2007, total staff cost for the year was approximately RMB48,658,000, of which contributions to defined contribution retirement schemes were approximately RMB3,290,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

The Company's subsidiaries in the PRC provide retirement, medical, employment injury, unemployment and maternity benefits to its employees in accordance with a state-managed social welfare scheme operated by the local government of the PRC, and the relevant PRC rules and regulations. At the same time, the employees of the Company's subsidiaries in the PRC are members of a long-term dormitory provident fund scheme operated by the local government of the PRC. According to the scheme, the Group provides dormitory provident fund to the employees in the PRC in accordance with the relevant PRC rules and regulations.

The executive Directors and certain members of the senior management of the Group, being non-PRC citizens, may elect not to participate in the state-managed social welfare scheme operated by the local government of the PRC. If there is any change in the PRC rules and regulations with respect to the retirement scheme upon which the Group is required to contribute to the social welfare scheme for non-PRC citizens, the Group shall comply with such new rules and regulations within the time limit prescribed by the relevant authorities.

Auditors

The financial statements for the year ended 31 December 2007 have been audited by the Group's auditors, KPMG and an unqualified opinion report was issued. KPMG shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Tai-I International Holdings Limited
Huang Cheng-Roang
Chairman

Hong Kong, 11 April 2008

To the Shareholders of Tai-I International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai-I International Holdings Limited (the "Company") set out on pages 45 to 98, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

11 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

(Expressed in Renminbi Yuan)

	Note	2007 RMB'000	2006 RMB'000
Turnover	3	**6,488,376**	7,077,910
Cost of sales		**(6,357,954)**	(6,856,339)
Gross profit		**130,422**	221,571
Other revenue	4	**23,664**	13,506
Other net income	5	**156,362**	36,975
Distribution expenses		**(22,455)**	(19,781)
General and administrative expenses		**(46,321)**	(23,210)
Other operating expenses	6	**(3,787)**	(5,038)
Profit from operations		**237,885**	224,023
Finance costs	7(i)	**(112,283)**	(96,969)
Share of loss of associate	16	**(1,260)**	–
Profit before taxation	7	**124,342**	127,054
Income tax expenses	8(i)	**(12,837)**	(6,256)
Profit for the year		**111,505**	120,798
Attributable to:			
– Equity holders of the Company		**111,505**	79,480
– Minority interests		**–**	41,318
Profit for the year		**111,505**	120,798
Dividends payable to equity holders of the Company attributable to the year			
Final dividends proposed after the balance sheet date	11	**32,400**	–
Basic and diluted earnings per share (RMB)	12	**0.19**	0.18

The notes on pages 52 to 98 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2007

(Expressed in Renminbi Yuan)

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	13	**464,875**	480,693
Lease prepayments	14	**33,020**	33,858
Interest in associate	16	**38,779**	–
		536,674	514,551
Current assets			
Inventories	17	**345,551**	326,045
Trade and other receivables	18	**1,338,989**	1,474,691
Derivative financial instruments	19	**87,803**	–
Pledged deposits	20	**875,178**	1,127,218
Time deposits	21	**209,907**	–
Cash and cash equivalents	21	**340,295**	182,399
		3,197,723	3,110,353
Current liabilities			
Bank loans	22	**1,395,899**	1,790,727
Trade and other payables	23	**1,457,997**	1,288,076
Derivative financial instruments	19	**38,844**	1,202
Income tax payable	8(iii)	**1,714**	1,343
		2,894,454	3,081,348
Net current assets		**303,269**	29,005
Total assets less current liabilities		**839,943**	543,556
Non-current liabilities			
Bank loans	22	**–**	40,000
Deferred tax liabilities	24	**6,598**	–
		6,598	40,000
NET ASSETS		**833,345**	503,556

(Expressed in Renminbi Yuan)

	Note	**2007**	2006
		RMB'000	RMB'000
Capital and reserves			
Share capital	25(a)	**6,000**	–
Reserves	25(a)	**827,345**	503,556
Total equity		**833,345**	503,556

Approved and authorised for issue by the board of directors on 11 April 2008.

On behalf of the Board of Directors

LIN, Chi-Ta
Director

HUANG, Cheng-Roang
Director

The notes on pages 52 to 98 form part of these financial statements.

Balance Sheet

31 December 2007

(Expressed in Renminbi Yuan)

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment	13	**245**	–
Investments in subsidiaries	15	**618,751**	464,996
		618,996	464,996
Current assets			
Trade and other receivables	18	**625**	22,772
Time deposits	21	**14,907**	–
Cash and cash equivalents	21	**1,130**	–
		16,662	22,772
Current liabilities			
Trade and other payables	23	**192**	22,772
Derivative financial instruments	19	**21,897**	–
		22,089	22,772
Net current liabilities		**(5,427)**	–
NET ASSETS		**613,569**	464,996
Capital and reserves			
Share capital	25(b)	**6,000**	–
Reserves	25(b)	**607,569**	464,996
Total equity		**613,569**	464,996

Approved and authorised for issue by the board of directors on 11 April 2008.

On behalf of the Board of Directors

LIN, Chi-Ta
Director

HUANG, Cheng-Roang
Director

The notes on pages 52 to 98 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

(Expressed in Renminbi Yuan)

	2007 RMB'000	2006 RMB'000
Total equity at 1 January	**503,556**	382,758
Net income recognised directly in equity:		
Foreign currency translation differences for foreign operations	**(2,478)**	–
Net expense recognised directly in equity	**(2,478)**	–
Net profit for the year	**111,505**	120,798
Total recognised income and expense for the year	**109,027**	120,798
Attributable to:		
– Equity holders of the Company	**109,027**	79,480
– Minority interests	**–**	41,318
	109,027	120,798
Movements in equity arising from capital transactions:		
Shares issued under placing and public offer	**1,500**	–
Net share premium received	**219,262**	–
	220,762	–
Total equity at 31 December	**833,345**	503,556

The notes on pages 52 to 98 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

(Expressed in Renminbi Yuan)

	Note	2007 RMB'000	2006 RMB'000
Operating activities			
Profit before tax		**124,342**	127,054
Adjustments for:			
– Impairment losses for doubtful debts		**14,485**	–
– Depreciation		**30,717**	30,483
– Share of loss of associate		**1,260**	–
– Amortisation of lease prepayments		**838**	837
– Interest income		**(23,028)**	(13,457)
– Loss on disposal of property, plant and equipment		**1,160**	1,448
– Finance costs		**112,283**	96,969
– Unrealised (gain)/loss of derivative financial instruments		**(48,959)**	1,202
– Unrealised foreign exchange gain		**(12,293)**	(11,389)
Operating profit before changes in working capital		**200,805**	233,147
Increase in inventories		**(19,506)**	(200,850)
Decrease/(increase) in trade and other receivables		**108,064**	(851,109)
Decrease in amounts due from/to related companies		**–**	177,664
Increase in trade and other payables		**199,970**	313,274
Increase in bank advances under discounted bills		**80,566**	546,967
Cash generated from operating activities		**569,899**	219,093
PRC income tax paid		**(5,868)**	(4,913)
Net cash generated from operating activities		**564,031**	214,180
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(19,472)**	(29,474)
Proceeds from disposal of property, plant and equipment		**67**	990
Acquisition of an associate		**(40,039)**	–
Proceeds from foreign exchange forward contracts		**3,069**	–
Repayments for foreign exchange forward contracts		**(2,077)**	–
Increase in time deposits		**(209,907)**	–
Interest received		**13,329**	12,047
Net cash used in investing activities		**(255,030)**	(16,437)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2007

(Expressed in Renminbi Yuan)

	Note	2007 RMB'000	2006 RMB'000
Cash flow from financing activities			
Proceeds from issuance of shares for placing and public offering		**251,983**	–
Proceeds from interest-bearing loans and borrowings		**2,783,342**	2,918,411
Repayment of interest-bearing loans and borrowings		**(3,298,736)**	(2,644,824)
Finance costs paid		**(117,700)**	(85,767)
Decrease/(increase) in pledged deposits		**252,040**	(266,506)
Share issue expenses paid		**(20,570)**	(10,651)
Net cash used in financing activities		**(149,641)**	(89,337)
Effect of foreign exchange rate changes on cash		**(1,464)**	(113)
Net increase in cash and cash equivalents		**157,896**	108,293
Cash and cash equivalents at beginning of year		**182,399**	74,106
Cash and cash equivalents at end of year	21	**340,295**	182,399

The notes on pages 52 to 98 form part of these financial statements.

(Expressed in Renminbi Yuan)

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 Islands. 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.

Details of the Reorganisation are set out in the prospectus of the Company dated 28 December 2006.

(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. Accordingly, the consolidated financial statements have been prepared on the basis of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" 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 results of the Group for the two years ended 31 December 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation, whichever is a shorter period. 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.

(Expressed in Renminbi Yuan)

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 Board ("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. 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 the current accounting period of the Group and the Company. The adoption of these new and revised IFRSs did not result in significant changes to the Group's and the Company's accounting policies applied in these financial statements for the years presented.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2007 comprise the Company and its subsidiaries and the Group's interest in an associate.

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.

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 31.

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(c) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Company 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 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 the portion of the net assets of subsidiaries attributable to equity interests that were not owned by the Company's controlling equity holders prior to the Reorganisation, whether directly or indirectly, and are presented in the consolidated balance sheets and consolidated statements of changes in equity within equity, separately from equity attributable to the controlling equity holders of the Company. Minority interests in the results of the Group prior to the Reorganisation 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 statements. Unrealised losses arising 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) Associate

An associate is an entity in which the Group has significant influence, but not control, over its management, including participation in the financial and operating policy decisions. An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(e) Goodwill

Goodwill represents the excess of the cost of an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment (see note 2(j)(ii)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of an investment in an associate is recognised immediately in profit or loss.

(f) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as copper futures contracts and foreign exchange forward contracts to hedge its risks associated with copper price and foreign currency fluctuations. 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. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to profit or loss.

The fair value of copper futures and forward foreign currency contracts is calculated by reference to current commodity prices and forward foreign exchange rates for contracts with similar maturity profiles.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment (except for foreign currency risk); or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognised firm commitment.

2. Significant accounting policies (continued)

(f) Derivative financial instruments and hedging (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or non-financial liability.

If the forecast transaction or firm commitment is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised immediately in equity remain in equity until the forecast transaction or firm commitment occurs.

2. Significant accounting policies (continued)

(g) 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(j)(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(h)); 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 borrowing costs (see note 2(t)).

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.

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(j)(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.

2. Significant accounting policies (continued)

(h) 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 at cost less accumulated amortisation and impairment losses (see note 2(j)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the terms of the respective leases.

(i) 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.

(j) 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;
– investments in subsidiaries;
– interest in an associate; and
– goodwill

2. Significant accounting policies (continued)

(j) Impairment of assets (continued)

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

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.

(k) 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 estimated cost necessary to make the sale.

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.

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(l) 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(j)(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(j)(i)).

(m) 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.

(n) 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.

(o) 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.

Apart from certain limited exceptions, 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 limited exception to recognition of deferred tax assets and liabilities is the temporary difference arising from goodwill not deductible for tax purposes.

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.

2. Significant accounting policies (continued)

(o) Income tax (continued)

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.

(p) 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.

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.

(q) 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.

(Expressed in Renminbi Yuan)

2. Significant accounting policies (continued)

(r) 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.

(s) Translation of foreign currencies

The functional currency of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency.

Foreign currency transactions during the year are translated into functional currencies at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies 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.

The results of operations outside the PRC are translated into RMB at the exchange rates approximating to the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

(t) 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 a 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.

2. Significant accounting policies (continued)

(u) 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(u)(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.

(v) 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.

(Expressed in Renminbi Yuan)

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:

	2007	2006
	RMB'000	RMB'000
Sales of bare copper wires	**4,161,131**	5,101,350
Sales of magnet wires	**2,305,638**	1,971,482
Processing services	**21,607**	5,078
	6,488,376	7,077,910

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 and eventual export to overseas countries.

4. Other revenue

	2007	2006
	RMB'000	RMB'000
Interest income	**23,028**	13,457
Other	**636**	49
	23,664	13,506

5. Other net income

	2007	2006
	RMB'000	RMB'000
Net exchange gain	**10,117**	17,164
Gain on sales of scrap materials	**4,275**	3,270
Loss on disposal of property, plant and equipment	**(1,160)**	(1,448)
Net gain on derivative financial instruments		
– copper futures contracts	**87,563**	17,989
– foreign exchange forward contracts	**52,987**	–
Others	**2,580**	–
	156,362	36,975

(Expressed in Renminbi Yuan)

6. Other operating expenses

	2007 RMB'000	2006 RMB'000
Bank charges	**2,326**	3,060
Others	**1,461**	1,978
	3,787	5,038

7. Profit before taxation

Profit before taxation is arrived at after charging:

(i) Finance costs

	2007 RMB'000	2006 RMB'000
Interest expenses	**104,183**	84,735
Letter of credit charges	**8,100**	10,764
Interest paid and payable to related companies	**–**	1,470
	112,283	96,969

(ii) Staff costs

	2007 RMB'000	2006 RMB'000
Salaries, wages and other benefits	**45,368**	38,045
Contributions to defined contribution retirement schemes (note 28(c))	**3,290**	2,814
	48,658	40,859

(Expressed in Renminbi Yuan)

7. Profit before taxation (continued)

(iii) Other items

	2007 RMB'000	2006 RMB'000
Cost of inventories # (note 17)	**6,357,954**	6,856,339
Auditors' remuneration-audit services	**1,551**	904
Depreciation #	**30,717**	30,483
Amortisation of lease prepayments #	**838**	837
Impairment losses for doubtful debts	**14,485**	–
Operating leases charges in respect of properties	**1,560**	1,310

Cost of inventories includes RMB 68,741,000 for the year ended 31 December 2007 (2006: RMB 63,165,000), 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 expenses

(i) Income tax expense in the consolidated income statement represents:

	2007 RMB'000	2006 RMB'000
Current tax – PRC		
Provision for the year	**6,239**	6,256
Deferred tax		
Origination and reversal of temporary differences (note 24)	**6,598**	–
	12,837	6,256

No provision has been made for Hong Kong Profits Tax as the Group did 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 (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") and Tai-I Copper (Guangzhou) Co., Ltd. ("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 their first profit-making year (after the offset of tax losses brought forward), followed by a 50% reduction in PRC income tax for the next three years.

(Expressed in Renminbi Yuan)

8. Income tax expenses (continued)

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 ("the new tax law") which will take effect on 1 January 2008. The new tax law adopts a uniform tax rate of 25% for all enterprises including foreign investment enterprises. According to the new tax law and Circular Guofa「2007」No. 39 "Notice on Corporate Income Tax Rate for the Transitional Period", the income tax rate applicable to Tai-I Jiang Corp and Tai-I Copper will increase from 15% to 25% over a five year transitional period, being 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% from 2012.

The first profit-making year of Tai-I Jiang Corp is 2005 and Tai-I Jiang Corp is exempted from PRC income tax for the years 2005 and 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%, 9% and 10% for the years 2007, 2008 and 2009 respectively.

The first profit-making year of Tai-I Copper is 2004 and Tai-I Copper is exempted from PRC income tax for the years 2004 and 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%, 7.5% and 9% for the years 2006, 2007 and 2008 respectively.

The new tax rate was considered to determine the Group's deferred tax assets and liabilities as at 31 December 2007. The enactment of the new tax law has no financial effect on the amounts accrued in the consolidated balance sheets in respect of current tax payable.

(ii) Reconciliation between income tax expenses and accounting profit at applicable tax rates:.

	2007	2006
	RMB'000	RMB'000
Profit before taxation	**124,342**	127,054
Notional tax on profit before tax, calculated at the rate applicable to the Group's profits in the tax jurisdiction concerned (15%)	**(18,651)**	(19,058)
Effect of non-deductible expenses	**(7,158)**	–
Effect of tax concessions	**12,972**	12,802
	(12,837)	(6,256)

(iii) Taxation in the consolidated balance sheet represents:

	2007	2006
	RMB'000	RMB'000
At 1 January	**1,343**	–
Provision for income tax for the year	**6,239**	6,256
Amounts paid	**(5,868)**	(4,913)
At 31 December	**1,714**	1,343

(Expressed in Renminbi Yuan)

9. Directors' remuneration

Details of directors' remuneration are as follows:

	Year ended 31 December 2007			
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	**29**	**181**	**36**	**246**
Mr. Lin Chi Ta	**28**	**220**	**70**	**318**
Mr. Huang Kuo Feng	**29**	**130**	**34**	**193**
Mr. Du Chi Ting	**–**	**181**	**35**	**216**
Independent non-executive directors				
Mr. Kang Jung Pao	**240**	**–**	**–**	**240**
Mr. Cheng Yang Yi	**240**	**–**	**–**	**240**
Mr. Tsay Yang Tzong	**240**	**–**	**–**	**240**
Mr. Yan Ming He	**240**	**–**	**–**	**240**
Mr. Atsushi Kanayama	**240**	**–**	**–**	**240**
Total	**1,286**	**712**	**175**	**2,173**

	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

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

	2007	2006
Nil to RMB1,000,000	**9**	4

(Expressed in Renminbi Yuan)

9. Directors' remuneration (continued)

There were no amounts paid during the year (2006: Nil) 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 (2006: Nil).

10. Individuals with highest emoluments

The five highest paid individuals of the Group include 3 directors of the Company during the year ended 31 December 2007 (2006: 2), 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:

	2007 **RMB'000**	2006 RMB'000
Basic salaries, allowances and other benefits	**628**	802
Bonus	**94**	134
	722	936
Number of senior management	**2**	3

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 (2006: Nil).

11. Dividends

	2007 **RMB'000**	2006 RMB'000
Final dividend proposed after the balance sheet date of HK$6.0 cents (RMB equivalent 5.4 cents) per share (2006: Nil)	**32,400**	–

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(Expressed in Renminbi Yuan)

12. Basic and diluted earnings per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2007 is based on the profit attributable to equity holders of the Company of RMB 111,505,000 (2006: RMB 79,480,000) and the weighted average of 587,671,233 (2006: 450,000,000) shares in issue during the year, calculated as follows:

	2007 Number of shares	2006 Number of shares
Ordinary shares issued at 1 January (note 25(c)(i))	**450,000,000**	1
Issuance of shares upon the Reorganisation (note 25(c) (ii))	**–**	9,999
Capitalisation issue (note 25(c) (iv))	**–**	449,990,000
Effect of issuance of share for placing and public offering (note 25(c) (v))	**137,671,233**	–
Weighted average number of shares at 31 December	**587,671,233**	450,000,000

The weighted average number of shares in issue during the year ended 31 December 2006 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 year.

There were no dilutive potential ordinary shares in issue as at 31 December 2007 (2006: 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 2006	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
Additions	446	10,145	3,307	2,161	67	16,126
Transfer from construction in progress	–	304	–	–	(304)	–
Disposals	–	(1,868)	(8,239)	(314)	–	(10,421)
At 31 December 2007	**186,608**	**444,346**	**6,945**	**15,617**	**–**	**653,516**
Accumulated depreciation:						
At 1 January 2006	(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 1 January 2007	(27,929)	(124,183)	(7,358)	(7,648)	–	(167,118)
Charge for the year	(4,207)	(19,998)	(4,630)	(1,882)	–	(30,717)
Written back on disposal	–	673	8,239	282	–	9,194
At 31 December 2007	**(32,136)**	**(143,508)**	**(3,749)**	**(9,248)**	**–**	**(188,641)**
Net book value:						
At 31 December 2007	**154,472**	**300,838**	**3,196**	**6,369**	**–**	**464,875**
At 31 December 2006	158,233	311,582	4,519	6,122	237	480,693

(Expressed in Renminbi Yuan)

13. Property, plant and equipment (continued)

The Company

	Motor vehicles and other fixed assets RMB'000
Cost:	
At 1 January 2007	–
Additions	358
At 31 December 2007	358
Accumulated depreciation:	
At 1 January 2007	–
Charge for the year	(113)
At 31 December 2007	(113)
Net book value:	
At 31 December 2007	245
At 31 December 2006	–

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

(ii) As at 31 December 2007, buildings with a carrying amount of RMB 91,621,000 (2006: RMB 93,761,000), were pledged to a bank for certain banking facilities and bank loans (see note 22).

(iii) As at 31 December 2007, machinery, equipment and tools with carrying amounts of RMB 183,978,000 (2006: RMB 197,831,000), were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term trust receipt loans (see note 22 and 23).

(Expressed in Renminbi Yuan)

14. Lease prepayments

	The Group	
	2007	2006
	RMB'000	RMB'000
At 1 January	**33,858**	34,695
Less: Amortisation	**(838)**	(837)
At 31 December	**33,020**	33,858

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 2007, land use rights with a carrying amount of RMB 33,020,000 (2006: RMB 33,858,000) were pledged to a bank for certain banking facilities and bank loans (see note 22).

15. Investments in subsidiaries

	The Company	
	2007	2006
	RMB'000	RMB'000
Unlisted shares, at cost	**618,751**	464,996

Details of the principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	**Place of incorporation/ establishment and operation**	**Percentage of equity attributable to the Company Direct** %	**Indirect** %	**Issued and fully paid up/ registered capital** (in thousands)	**Principal activities**
Tai-I Copper (BVI) Limited ("TIC (BVI)")	BVI	100%	–	US$25,110	Investment holding
Tai-I Jiang Corp	PRC	–	100%	US$29,000	Manufacture and sale of bare copper wires
Tai-I Copper	PRC	–	100%	US$41,100	Manufacture and sale of magnet wires

Note:

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

(Expressed in Renminbi Yuan)

16. Interest in associate

The Group

	2007 RMB'000
Share of net assets	**28,409**
Goodwill arising on acquisition	**10,370**
	38,779

Interest in associate at 31 December 2007 represents investment of USD 5,292,000 (equivalent to RMB 40,039,000) in the equity interest of JCC-Taiyi Special Electric Material Co., Ltd. ("JCC-Taiyi"), an entity established in the PRC. The principal activities of JCC-Taiyi are the manufacturing and sales of bare copper wires and magnet wires. The Group, through its wholly owned subsidiary, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 31 December 2007.

The summary of financial information based on the unaudited management accounts of the associate is shown as follows:

2007

	Assets RMB'000	Liabilities RMB'000	Post–acquisition revenue RMB'000	Post–acquisition loss RMB'000
100 percent	**367,084**	**(269,281)**	**164,008**	**(4,200)**
The Group's effective interest	**110,125**	**(80,784)**	**49,202**	**(1,260)**

17. Inventories

Inventories comprise:

	The Group 2007 RMB'000	2006 RMB'000
Raw materials	**181,313**	70,113
Work in progress	**27,677**	54,765
Finished goods	**130,560**	195,386
Low value consumables	**6,001**	5,781
	345,551	326,045

As at 31 December 2006, inventories with a carrying amount of RMB 218,010,000 were pledged to a bank for certain banking facilities and bank loans (2007: Nil) (see note 22).

(Expressed in Renminbi Yuan)

17. Inventories (continued)

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Carrying amount of inventories sold	**6,383,999**	6,969,057
Realised gain on derivative instruments	**(26,045)**	(112,718)
	6,357,954	6,856,339

18. Trade and other receivables

		The Group		The Company	
		2007	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	(i)	**859,838**	935,073	**–**	–
Bills receivable (note 22 (ii))	(i)	**247,915**	237,937	**–**	–
		1,107,753	1,173,010	**–**	–
Deposits and prepayments made to suppliers		**136,983**	195,487	**–**	–
Other receivables		**65,376**	54,167	**625**	22,772
Deposits for derivative financial instruments	(ii)	**28,877**	52,027	**–**	–
		1,338,989	1,474,691	**625**	22,772

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

(Expressed in Renminbi Yuan)

18. Trade and other receivables (continued)

(i) Included in trade and other receivables are trade receivables and bills receivable with the following ageing analysis as of the balance sheet date:

	The Group	
	2007	2006
Invoice date:	**RMB'000**	RMB'000
Within 1 month	**712,977**	695,798
Over 1 month but less than 3 months	**270,997**	343,246
Over 3 months but less than 1 year	**117,217**	129,700
Over 1 year but less than 2 years	**17,643**	4,263
Over 2 years	**3,404**	3
	1,122,238	1,173,010
Less: Impairment losses for doubtful debts	**(14,485)**	–
	1,107,753	1,173,010

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.

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

19. Derivative financial instruments

	The Group				The Company	
	2007		2006		**2007**	
	Assets	**Liabilities**	Assets	Liabilities	**Assets**	**Liabilities**
	RMB'000	**RMB'000**	RMB'000	RMB'000	**RMB'000**	**RMB'000**
Copper futures contracts	**–**	**(361)**	–	(1,202)	**–**	**–**
Foreign exchange forward contracts	**87,803**	**(38,483)**	–	–	**–**	**(21,897)**
	87,803	**(38,844)**	–	(1,202)	**–**	**(21,897)**

(Expressed in Renminbi Yuan)

19. Derivative financial instruments (continued)

Copper futures contracts

The Group uses copper futures contracts to hedge its exposure against copper price fluctuations. For copper futures contracts that meet the requirements for hedge accounting (see note 2(f)), the Group's policy is to designate the related derivative as a fair value hedge. The notional contract value and the related terms are summarised as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Sales contracts		
Volume (tonne)	**1,525**	–
Notional contract value	**87,986**	–
Market value	**88,872**	–
Fair value	**(886)**	–
Purchase contracts		
Volume (tonne)	**1,590**	285
Notional contract value	**91,113**	18,313
Market value	**91,638**	17,111
Fair value	**525**	(1,202)
Contract maturity date	**January, February, March, April and May 2008**	February, March and April 2007

The market value of futures contracts is based on quoted market price at the balance sheet date. The net unrealised holding losses on the futures contracts remeasured at fair value were RMB 361,000 as at 31 December 2007 (2006: RMB 1,202,000), and the changes in the fair value were recognised in profit or loss.

(Expressed in Renminbi Yuan)

19. Derivative financial instruments (continued)

Foreign exchange forward contracts

The Group uses foreign exchange forward contracts to hedge its exposure against foreign exchange fluctuations. For foreign exchange forward contracts that meet the requirements for hedge accounting (see note 2(f)), the Group's policy is to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

At 31 December 2007

	The Group			The Company		
	Weighted average exchange rate	Notional amount US$'000	Fair value RMB'000	Weighted average exchange rate	Notional amount US$'000	Fair value RMB'000
Buy RMB/Sell US$						
Less than 3 months	7.4100	76,690	16,083	–	–	–
3 to 6 months	7.3938	111,000	32,780	–	–	–
6 months to 1 year	7.2052	143,000	38,940	–	–	–
			87,803			–
Sell RMB/Buy US$						
Less than 3 months	7.3140	84,600	(6,482)	–	–	–
3 to 6 months	7.2851	93,000	(16,143)	7.3203	40,000	(7,415)
6 months to 1 year	7.0778	95,000	(15,858)	7.0752	91,000	(14,482)
			(38,483)			(21,897)

The above derivatives are measured at fair value based on the valuation provided by banks at the balance sheet date. The changes in the fair value were recognised in the consolidated income statement.

(Expressed in Renminbi Yuan)

20. Pledged deposits

Pledged deposits can be analysed as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Guarantee deposits for bank loans	**–**	31,250
Guarantee deposits for issuance of commercial bills and letters of credit	**875,178**	1,095,968
	875,178	1,127,218

Pledged deposits earn interest at a rate ranging from 0.72% to 5.43% per annum (2006: 0.72% to 3.47%).

21. Cash and cash equivalents

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

	The Group		The Company	
	2007	2006	**2007**	2006
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**102**	113	**2**	–
Deposits on demand	**340,193**	182,286	**1,128**	–
Time deposits	**209,907**	–	**14,907**	–
	550,202	182,399	**16,037**	–
Less: Time deposits with original maturity more than 3 months	**209,907**	–	**14,907**	–
Cash and cash equivalents in the consolidated cash flow statement	**340,295**	182,399	**1,130**	–

(Expressed in Renminbi Yuan)

22. Bank loans

		The Group	
		2007	2006
		RMB'000	RMB'000
Current			
Bank loans and borrowings			
– Secured	(i)	**876,712**	1,091,123
– Unsecured		**329,608**	590,591
– Bank advances under discounted bills	(ii)	**189,579**	109,013
		1,395,899	1,790,727
Non-current			
– Secured bank loans		**–**	40,000
		1,395,899	1,830,727

All bank loans during the year are interest-bearing, with fixed rates that ranged from 5.47% to 10.13% during the year ended 31 December 2007 (2006: 5.85% to 7.05%).

(i) Current secured bank loans as at 31 December 2007 were secured by the Group's buildings with a carrying amount of RMB 91,621,000 (2006: RMB 93,761,000) and land use rights with carrying amounts of RMB 33,020,000 (2006: RMB 33,858,000). Current secured bank loans as at 31 December 2006 were also secured by certain of the Group's inventories with a carrying amount of RMB 218,010,000 (2007: Nil).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2007 and 2006 were secured by the Group's pledged deposits (see note 20) and certain machinery, equipment and tools with carrying amounts of RMB 183,978,000 (2006: RMB197,831,000).

(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.

(Expressed in Renminbi Yuan)

23. Trade and other payables

		The Group		The Company	
		2007	2006	**2007**	2006
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors	(i)	**1,068,409**	1,031,913	**–**	–
Bills payable	(ii)	**310,966**	178,778	**–**	–
		1,379,375	1,210,691	**–**	–
Non-trade payables and accrued expenses		**73,521**	70,280	**192**	12,121
Amounts due to subsidiaries		**–**	–	**–**	10,651
Other taxes payable		**5,101**	7,105	**–**	–
		1,457,997	1,288,076	**192**	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	
	2007	2006
	RMB'000	RMB'000
Due within 3 months or on demand	**1,220,886**	1,030,816
Due after 3 months but within 6 months	**158,139**	179,792
Due after 6 months but within 1 year	**184**	–
Due after 1 year but within 2 years	**166**	11
	1,379,375	1,210,619

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 20). As at 31 December 2007, outstanding letters of credit included in trade creditors amounted to RMB 759,475,000 (2006: RMB 961,316,000).

(ii) Certain bills payable outstanding as at 31 December 2007 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB 183,978,000 (2006: RMB 197,831,000).

(Expressed in Renminbi Yuan)

24. Deferred tax

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are shown as follows:

The Group

	Unrealised gain on derivative financial instruments RMB'000	Impairment losses for doubtful debts RMB'000	Total RMB'000
At 1 January 2007 and 31 December 2006	–	–	–
Credited/(charged) to the consolidated income statement	(7,902)	1,304	(6,598)
At 31 December 2007	**(7,902)**	**1,304**	**(6,598)**

(Expressed in Renminbi Yuan)

25. Share capital and reserves

(a) The Group

	Attributable to equity holders of the Company								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	PRC Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2006	190,125	–	–	–	–	5,138	195,263	187,495	382,758
Deemed appropriations to equity holders	–	–	228,813	–	–	–	228,813	(228,813)	–
Arising from the Reorganisation	(190,125)	–	190,125	–	–	–	–	–	–
Profit for the year	–	–	–	–	–	79,480	79,480	41,318	120,798
Transfer to reserve	–	–	–	18,701	–	(18,701)	–	–	–
At 31 December 2006	–	–	418,938	18,701	–	65,917	503,556	–	503,556
At 1 January 2007	**–**	**–**	**418,938**	**18,701**	**–**	**65,917**	**503,556**	**–**	**503,556**
Capitalisation issue	**4,500**	**(4,500)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issuance of shares for placing and public offer	**1,500**	**250,483**	**–**	**–**	**–**	**–**	**251,983**	**–**	**251,983**
Share issue costs	**–**	**(31,221)**	**–**	**–**	**–**	**–**	**(31,221)**	**–**	**(31,221)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**111,505**	**111,505**	**–**	**111,505**
Exchange differences on translation of financial statements of companies outside the PRC	**–**	**–**	**–**	**–**	**(2,478)**	**–**	**(2,478)**	**–**	**(2,478)**
Transfer to reserve	**–**	**–**	**–**	**7,558**	**–**	**(7,558)**	**–**	**–**	**–**
At 31 December 2007	**6,000**	**214,762**	**418,938**	**26,259**	**(2,478)**	**169,864**	**833,345**	**–**	**833,345**

(Expressed in Renminbi Yuan)

25. Share capital and reserves (continued)

(b) The Company

	Attributable to equity holders of the Company					
	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2006	–	–	–	–	–	–
Arising from the Reorganisation	–	–	464,996	–	–	464,996
At 31 December 2006	–	–	464,996	–	–	464,996
At 1 January 2007	**–**	**–**	**464,996**	**–**	**–**	**464,996**
Capitalisation issue	**4,500**	**(4,500)**	**–**	**–**	**–**	**–**
Issuance of shares for placing and public offer	**1,500**	**250,483**	**–**	**–**	**–**	**251,983**
Share issue costs	**–**	**(31,221)**	**–**	**–**	**–**	**(31,221)**
Loss for the year	**–**	**–**	**–**	**–**	**(28,818)**	**(28,818)**
Exchange difference on translation of financial statements of the Company	**–**	**–**	**–**	**(43,371)**	**–**	**(43,371)**
At 31 December 2007	**6,000**	**214,762**	**464,996**	**(43,371)**	**(28,818)**	**613,569**

(Expressed in Renminbi Yuan)

25. Share capital and reserves (continued)

(c) Share capital

	Note	2007 Number of shares	2007 Amount HK$	2006 Number of shares	2006 Amount HK$
Authorised:					
Ordinary shares of HK$0.01 each	(iii)	**1,000,000,000**	**10,000,000**	1,000,000,000	10,000,000
Issued and fully paid:					
At 1 January		**10,000**	**100**	–	–
Issuance of shares upon formation of the Company	(i)	**–**	**–**	1	–
Issuance of shares upon the Reorganisation	(ii)	**–**	**–**	9,999	100
Capitalisation issue	(iv)	**449,990,000**	**4,499,900**	–	–
Issuance of shares for placing and public offering	(v)	**150,000,000**	**1,500,000**	–	–
At 31 December		**600,000,000**	**6,000,000**	10,000	100
			RMB equivalent		RMB equivalent
			6,000,000		100

(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 meetings 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, and such nil paid share was paid up.

(Expressed in Renminbi Yuan)

25. Share capital and reserves (continued)

(c) Share capital (continued)

(ii) Issuance of shares upon the Reorganisation

As part of the Reorganisation and as consideration for the acquisition of the entire share capital of 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) 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.

(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.

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Law of the Cayman Islands.

(ii) Merger reserve

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.

(iii) 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.

The 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 the PRC subsidiary's registered capital.

(Expressed in Renminbi Yuan)

25. Share and reserves (continued)

(d) Nature and purpose of reserves (continued)

(iii) PRC statutory reserve (continued)

Each PRC subsidiary is required to transfer a minimum of 10% of its 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 its registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 2(s).

(v) Contributed surplus

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.

(vi) Deemed appropriation to equity holders

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

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose the Group defines net debt as bank loans (net of pledged deposits) plus unaccrued proposed dividends, less cash and cash equivalents. Adjusted capital comprises all components of total equity less unaccrued proposed dividends.

(Expressed in Renminbi Yuan)

25. Share and reserves (continued)

(e) Capital management (continued)

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain the net debt-to-adjusted capital ratio at the lower end of the range 20% to 110%.

The net debt-to-adjusted capital ratio at 31 December 2007 and 2006 as follows:

	Note	The Group 2007 RMB'000	The Group 2006 RMB'000	The Company 2007 RMB'000	The Company 2006 RMB'000
Current liabilities					
Bank loans	22	**1,395,899**	1,790,727	**–**	–
		1,395,899	1,790,727	**–**	–
Non-current liabilities					
Bank loans	22	**–**	40,000	**–**	–
Total debt		**1,395,899**	1,830,727	**–**	–
Add: Proposed dividends	11	**32,400**	–	**32,400**	–
Less: Cash and cash equivalents	21	**(340,295)**	(182,399)	**(1,130)**	–
Pledged deposits	20	**(875,178)**	(1,127,218)	**–**	
Net debt		**212,826**	521,110	**31,270**	–
Total equity	25	**833,345**	503,556	**613,569**	464,996
Less: Proposed dividend	11	**(32,400)**	–	**(32,400)**	–
Adjusted capital		**800,945**	503,556	**581,169**	464,996
Net debt-to-adjusted capital ratio		**27%**	103%	**5%**	–

Neither the Company nor any subsidiaries are subject to externally imposed capital requirements.

(Expressed in Renminbi Yuan)

26. Commitments

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group	
	2007	2006
	RMB'000	RMB'000
Less than one year	**1,490**	1,310
Between one and two years	**47**	–
Between two and three years	**23**	–
	1,560	1,310

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

27. Retirement benefits

As stipulated by the regulations of the PRC, the Group's subsidiaries in the PRC participate in basic defined contribution retirement schemes organised by the respective municipal governments under which they are governed. Details of the schemes of the 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.

(Expressed in Renminbi Yuan)

28. Related party transactions

Transactions with the following entities are considered as related party transactions for the years ended 31 December 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 Overseas Company Limited ("Tai-I Overseas")	Wholly-owned subsidiary of Taiwan Tai-I
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 Jiangtong Southern Company ("Shenzhen Southern")	Former minority equity holder of Tai-I Jiang Corp and Tai-I Copper

(a) Transactions

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

	The Group	
	2007	2006
	RMB'000	RMB'000
Recurring:		
Processing service income received and receivable from		
Shenzhen Southern	–	3,091
Non-recurring:		
Purchase of raw materials from		
Taiwan Tai-I	–	1,620
Technical supporting fees charged by		
Taiwan Tai-I	–	2,191
Interest paid and payable to		
Getdd Rich	–	728
Getdd Global	–	742
	–	1,470
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)

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.

(Expressed in Renminbi Yuan)

28. Related party transactions (continued)

(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:

	The Group	
	2007	2006
	RMB'000	RMB'000
Short-term employee benefits	**2,516**	2,617

(c) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 27. As at 31 December 2007, there was no material outstanding contribution to post-employment benefit plans (2006: Nil).

29. Financial instruments

Financial assets of the Group include cash and cash equivalents, pledged and time deposits, trade and other receivables and amounts due from related parties. Financial liabilities of the Group include trade and other payables, bank loans and amounts due to related parties. Exposure to credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk) arises in the normal course of the Group's business.

The risks associated with these financial instruments are limited by the Group's financial management policies and practices described below.

(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.

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Group are responsible for their own cash management, including raising loans to cover the expected cash demands, subject to approval by the board of directors of the respective subsidiaries. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash and adequate committed lines of funding from authorised financial institutions to meet its liquidity requirements in the short and longer term.

(Expressed in Renminbi Yuan)

29. Financial instruments (continued)

(b) Liquidity risk (continued)

The following are the remaining contractual maturities at the balance sheet date of the Group's financial liabilities including estimated interest payments:

2007

	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	6 months or less or on demand RMB'000	6-12 months RMB'000
Secured loans and borrowings	**876,712**	**885,522**	**773,174**	**112,348**
Unsecured loans and borrowings	**329,608**	**331,876**	**331,876**	**–**
Bank advances under discounted bills	**189,579**	**189,579**	**189,579**	**–**
Trade and other payables excluding advance from customers	**1,445,821**	**1,445,821**	**1,445,821**	**–**
	2,841,720	**2,852,798**	**2,740,450**	**112,348**
Foreign exchange forward contracts held as fair value hedging instruments				
– outflow		**(235,208)**	**(235,208)**	**–**
– inflow		**241,385**	**241,385**	**–**
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow		**(2,180,350)**	**(1,208,838)**	**(971,512)**
– inflow		**2,178,615**	**1,222,371**	**956,244**
Other foreign exchange forward contracts				
– inflow		**20,955**	**703**	**20,252**

2006

	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	6 months or less or on demand RMB'000	6-12 months RMB'000
Secured bank loans	1,091,123	1,105,484	1,062,086	43,398
Unsecured bank loans	590,591	594,185	21,229	572,956
Bank advances under discounted bills	109,013	109,013	109,013	–
Trade and other payables excluding advances from customers	1,286,516	1,286,516	1,286,516	–
	3,077,243	3,095,198	2,478,844	616,354

(Expressed in Renminbi Yuan)

29. Financial instruments (continued)

(c) Interest rate risk

Cash and cash equivalents, time deposits, pledged bank deposits and interest-bearing borrowings are the major types of the Group's financial instruments subject to interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments at the balance sheet date is as follows:

	2007		2006	
	Effective interest rates % (annual)	**RMB'000**	Effective interest rates % (annual)	RMB'000
Fixed rate instruments				
Time deposits	**3.42-4.03**	**209,907**	–	–
Pledged deposits	**3.33-5.43**	**386,218**	3.47	31,250
Bank loans	**5.47-10.13**	**(1,395,899)**	5.85-7.05	(1,790,727)
		(799,774)		(1,759,477)
Variable rate instruments				
Pledged deposits	**0.72-2.88**	**488,960**	0.72-2.25	1,095,968
Cash and cash equivalents	**0.72**	**340,295**	0.72	182,399
		829,255		1,278,367

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the balance sheet date would not affect profit or loss.

At 31 December 2007, it is estimated that a general increase/decrease of 10% (2006: 10%) in interest rates prevailing at the balance sheet date, with all other variables held constant, would decrease/ increase the Group's profit after tax and retained profits by approximately RMB 1,222,000 (2006: RMB 1,571,000). Other components of combined equity would not be affected by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 10% increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date.

29. Financial instruments (continued)

(d) 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.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	At 31 December			
	2007		2006	
	USD'000	**HKD'000**	USD'000	HKD'000
Trade and other receivables	**68,450**	**147,050**	56,857	167,554
Foreign exchange forward contracts held as fair value hedging instruments	**32,200**	**–**	–	–
Foreign exchange forward contracts held as cash flow hedging instruments	**298,490**	**–**	–	–
Other foreign exchange forward contracts	**(272,600)**	**–**	–	–
Pledged deposits	**37,215**	**–**	–	–
Time deposits	**2,041**	**–**	–	–
Cash and cash equivalents	**14,126**	**8,800**	4,342	3,561
Bank loans	**(77,682)**	**(136,158)**	(133,352)	–
Trade and other payables	**(106,987)**	**(1,825)**	(116,638)	(12,121)
Net exposure	**(4,747)**	**17,867**	(188,791)	158,994

29. Financial instruments (continued)

(d) Foreign currency risk (continued)

The following table indicates the approximate change in the Group's profit after tax in response to reasonably possibly changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

	At 31 December			
	2007		2006	
	Increase/ (decrease) in the relevant risk variable RMB'000	**Effect on profit after tax RMB'000**	Increase/ (decrease) in the relevant risk variable RMB'000	Effect on profit after tax RMB'000
USD	**6%**	**(3,252)**	3%	(40,909)
	(6)%	**3,252**	(3)%	40,909
HKD	**7%**	**1,083**	3%	4,433
	(7)%	**(1,083)**	(3)%	(4,433)

The sensitivity analysis has been determined assuming that the reasonably possible change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date.

(e) Fair value

The carrying amounts of significant financial assets and liabilities approximate to their respective fair values as at 31 December 2007.

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

The carrying values approximate fair value because of the short maturities of these instruments.

(Expressed in Renminbi Yuan)

29. Financial instruments (continued)

(e) Fair value (continued)

(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			
	2007		2006	
	Carrying amount RMB'000	**Fair value RMB'000**	Carrying amount RMB'000	Fair value RMB'000
Long-term bank loans	**–**	**–**	40,000	38,073

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

(f) 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 unrealised holding gains or losses are recognised immediately in profit or loss. For details of the exposure of futures contracts, please refer to note 19.

30. Immediate and ultimate holding company

The directors consider the immediate and ultimate holding company of the Company at 31 December 2007 to be Taiwan Tai-I, which is established in Taiwan.

(Expressed in Renminbi Yuan)

31. 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 conditions 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 conditions. 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 the income statement.

(Expressed in Renminbi Yuan)

32. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2007

At the date of issue of the consolidated financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the accounting period beginning on 1 January 2007 and which have not been adopted in preparing the consolidated financial statements:

	Effective for accounting periods beginning on or after
Revised IAS 1, Presentation of financial statements	1 January 2009
Revised IAS 23, Borrowing costs	1 January 2009
Revised IFRS 3, Business combinations	1 July 2009
Amendment to IFRS 2, Share-based payment-Vesting conditions and cancellations	1 January 2009
Amendments to IAS 27, Consolidated and separate financial statements	1 July 2009
IFRS 8, Operating Segments	1 January 2009
IFRIC 11, IFRS 2-Group and treasury share transactions	1 March 2009
IFRIC 12, Service concession arrangements	1 January 2008
IFRIC 13, Customer loyalty programmes	1 July 2008
IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	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. Up to the date of issuance of the consolidated financial statements, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

33. Non-adjusting post balance sheet events

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 11.