INTERIM REPORT

2009

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)

CONTENTS

PAGE(S)

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

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

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Cayman Islands

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PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Eastern District of Guangzhou Economic and Technological Development Zone
Guangzhou
Guangdong Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 609
Grand Cayman
KY1-1107
Cayman Islands

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, Fengle Rd Sub-branch
Industrial and Commercial Bank of China, Huangpu Sub-branch
Hang Seng Bank Limited

STOCK CODE

1808

COMPANY WEBSITE ADDRESS

www.tai-i-int.com

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009
(Expressed in Renminbi Yuan)

The board (the "Board") of directors (the "Directors") of Tai-I International Holdings Limited (the "Company") announces the unaudited consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 together with comparative figures for the corresponding period in 2008. The unaudited interim financial statements has not been audited but has been reviewed by the Company's Audit Committee.

		Six months ended 30 June	
	Note	**2009** **RMB'000** **(Unaudited)**	2008 RMB'000 (Unaudited)
Turnover	*4*	**1,735,698**	3,636,970
Cost of sales		**(1,708,241)**	(3,572,154)
Gross profit		**27,457**	64,816
Other revenue		**11,986**	14,027
Other net (loss)/income	*5*	**(3,150)**	41,128
Distribution expenses		**(9,057)**	(10,632)
General and administrative expenses		**(19,082)**	(17,052)
Other operating expenses		**(4,112)**	(2,752)
Profit from operations		**4,024**	89,535
Finance costs	*6(i)*	**(28,105)**	(49,116)
Share of (loss)/profit of associate	*12*	**(2,300)**	36
(Loss)/profit before taxation	*6*	**(26,381)**	40,455
Income tax expenses	*7*	**(1,767)**	(7,709)
(Loss)/profit attributable to equity holders of the Company		**(28,148)**	32,746
Other comprehensive income for the period (after taxation)			
Exchange differences on translation of financial statements of companies outside the PRC		**37**	719
Cash flow hedge: net movement in hedging reserve		**36,217**	–
Total comprehensive income attributable to equity holders of the Company for the period		**8,106**	33,465
Basic and diluted (loss)/earnings per share (RMB)	*9*	**(0.05)**	0.06

CONSOLIDATED BALANCE SHEET

At 30 June 2009
(Expressed in Renminbi Yuan)

	Note	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*10*	**441,280**	437,767
Lease prepayments	*11*	**31,765**	32,183
Interest in associate	*12*	**15,244**	17,544
Deferred tax assets	*20*	**18,672**	24,411
		506,961	511,905
Current assets			
Inventories	*13*	**174,828**	230,525
Trade and other receivables	*14*	**821,287**	977,698
Derivative financial instruments	*15*	**16,849**	16,171
Pledged deposits	*16*	**457,225**	788,258
Time deposits	*17*	**228,750**	289,100
Cash and cash equivalents	*17*	**167,494**	291,016
		1,866,433	2,592,768
Current liabilities			
Bank loans	*18*	**806,777**	1,422,303
Trade and other payables	*19*	**995,328**	1,019,727
Derivative financial instruments	*15*	**13,022**	107,971
Income tax payable		**(7,171)**	(2,757)
		1,807,956	2,547,244

CONSOLIDATED BALANCE SHEET (CONTINUED)

At 30 June 2009

(Expressed in Renminbi Yuan)

	Note	**At 30 June 2009 RMB'000 (Unaudited)**	At 31 December 2008 RMB'000 (Audited)
Net current assets		**58,477**	45,524
Total assets less current liabilities		**565,438**	557,429
Net assets		**565,438**	557,429
Capital and reserves			
Share capital	*21*	**5,962**	5,966
Reserves	*21*	**559,476**	551,463
Total equity		**565,438**	557,429

Approved and authorised for issue by the Board on 26 August 2009.

On behalf of Board

LIN, Chi-Ta
Director

HUANG, Cheng-Roang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009
(Expressed in Renminbi Yuan)

	Note	Six months ended 30 June 2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Total equity at 1 January		**557,429**	833,345
Total comprehensive income for the period		**36,254**	719
Net (loss)/profit for the period		**(28,148)**	32,746
Total recognised income and expense for the period attributable to equity holders of the Company		**8,106**	33,465
Dividends declared and approved during the period		**–**	(32,338)
Movements in equity arising from capital transactions:			
Share repurchased			
– par value	*21*	**(4)**	–
– premium paid	*21*	**(93)**	–
		(97)	–
Total equity at 30 June		**565,438**	834,472

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2009
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2009	2008
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Cash (used in)/generated from operating activities		**(92,808)**	209,202
PRC income tax paid		**(4,414)**	(2,778)
Net cash (used in)/generated from operating activities		**(97,222)**	206,424
Net cash generated from investing activities		**9,353**	134,770
Net cash used in financing activities		**(35,659)**	(510,428)
Effect of foreign exchange rate changes on cash		**6**	(1,900)
Net decrease in cash and cash equivalents		**(123,522)**	(171,134)
Cash and cash equivalents at 1 January	*17*	**291,016**	340,295
Cash and cash equivalents at 30 June	*17*	**167,494**	169,161

Tai-I International Holdings Limited ("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.

1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim financial reporting" promulgated by the International Accounting Standards Board ("IASB").

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

1. BASIC OF PREPARATION (CONTINUED)

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from the 2008 annual financial statements. The 2008 annual financial statements are available from the Company's principal place of business in Hong Kong. The auditors have expressed an unqualified opinion on the 2008 annual financial statements dated 16 April 2009.

2. CHANGES IN ACCOUNTING POLICIES

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- Revised IAS 1, *Presentation of financial statements*
- Improvements to IFRSs (2008)
- Amendment to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly, controlled entity or associate*
- Amendment to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Revised IAS 23, *Borrowing costs*

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

The amendment to IAS 23 has had no material impact on the Group's financial statements as the amendment was consistent with the policy already adopted by the Group. The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. The amendments have not resulted in any significant changes to the Group's accounting policies. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report in as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purpose of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management (see Note 3). As this is the first period in which the Group has presented segment information in accordance with IFRS 8, additional explanation has been included in the interim financial report which explains the basis of preparation of the information. Corresponding amounts have also been provided on a basis consistent with the revised segment information.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- As a result of the adoption of Revised IAS 1, details of changes in equity during the period arising from transactions with equity holders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- The amendment to IAS 27 has removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre-or post-acquisition profits, will be recognised in the Company's profits or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. SEGMENT REPORTING

The Group manages its business by divisions, which are mainly organised by business lines. On first-time adoption of IFRS 8, Operating segments and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purpose of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Bare copper wires: The segment manufactures and sells bare copper wires with a diameter of 2.6mm and 8mm.

- Magnet wires: The segment manufactures and sells magnet wires with diameter mainly ranging from 0.04mm to 2.90mm and with different enamels.

(a) Segment results, assets and liabilities

In accordance with IFRS 8, segment information disclosed in the interim financial report has been prepared in a manner consistent with the information used by the Group's most senior executive management for the purpose of assessing segment performance and allocating resources between segments. In this regard, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segments assets include all tangible, intangible assets and current assets with the exception of other investments, pledged deposits, time deposits, cash and cash equivalents, deferred tax assets and other corporate assets. Segment liabilities include trade and bills payables, non-trade payables and accrued expenses attributable to the manufacturing and sales activities of the individual segments.

3. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as net finance income/expenses. To arrive at adjusted EBIT the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings, depreciation and amortisation used by the segments in their operations.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

3. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (continued)

	Six months ended and as at 30 June 2009		
	Bare copper wires RMB'000 (Unaudited)	Magnet wires RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	1,292,995	442,703	1,735,698
Inter-segment revenue	382,846	–	382,846
Reportable segment revenue	1,675,841	442,703	2,118,544
Reportable segment (loss)/profit (adjusted EBIT)	(26,178)	33,432	7,254
Reportable segment assets	2,110,887	1,379,159	3,490,046
Reportable segment liabilities	1,828,501	1,105,204	2,933,705

	Six months ended 30 June 2008		
	Bare copper wires RMB'000 (Unaudited)	Magnet wires RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	2,438,748	1,198,222	3,636,970
Inter-segment revenue	963,213	–	963,213
Reportable segment revenue	3,401,961	1,198,222	4,600,183
Reportable segment profit	6,848	43,651	50,499
Reportable segment assets	3,034,758	1,951,520	4,986,278
Reportable segment liabilities	2,558,870	1,592,248	4,151,118

3. SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Revenue	**(Unaudited)**	(Unaudited)
Reportable segment revenue	**2,118,544**	4,600,183
Elimination of inter-segment revenue	**(382,846)**	(963,213)
Consolidated turnover	**1,735,698**	3,636,970

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
Profit	**(Unaudited)**	(Unaudited)
Reportable segment profit	**7,254**	50,499
Elimination of inter-segment profits	**5,694**	2,549
Reportable segment profit derived from group's external customers and jointly controlled entity	**12,948**	53,048
Share of profits less losses of associates	**(2,300)**	36
Other revenue and net income	**8,818**	55,155
Depreciation and amortisation	**(14,958)**	(15,300)
Finance costs	**(28,105)**	(49,116)
Unallocated head office and corporate expenses	**(2,784)**	(3,368)
Consolidated (loss)/profit before taxation	**(26,381)**	40,455

3. SEGMENT REPORTING (CONTINUED)

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities (continued)

Assets	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Unaudited)
Reportable segment assets	**3,490,046**	4,138,870
Elimination of inter-segment receivables	**(1,151,400)**	(1,077,180)
	2,338,646	3,061,690
Interests in associates	**15,244**	17,544
Deferred tax assets	**18,672**	24,411
Unallocated head office and corporate assets	**832**	1,028
Consolidated total assets	**2,373,394**	3,104,673

Liabilities	At 30 June 2009 RMB'000 (Unaudited)	At 31 December 2008 RMB'000 (Unaudited)
Reportable segment liabilities	**2,933,705**	3,597,070
Elimination of inter-segment payable	**(1,151,400)**	(1,077,180)
	1,782,305	2,519,890
Current tax liabilities	**(7,171)**	(2,757)
Unallocated head office and corporate liabilities	**32,822**	30,111
Consolidated total liabilities	**1,807,956**	2,547,244

4. 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 period is as follows:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of bare copper wires	**1,279,338**	2,430,141
Sales of magnet wires	**442,703**	1,198,222
Processing services	**13,657**	8,607
	1,735,698	3,636,970

The Group's operations are mostly located in the PRC. For the six months ended 30 June 2009, a substantial proportion of the Group's products were sold to its customers for further processing, which were eventually exported to overseas countries.

5. OTHER NET (LOSS)/INCOME

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net exchange (loss)/gain	**(5,950)**	40,599
Gain on sales of scrap materials	**435**	604
(Loss)/gain on disposal of property, plant and equipment	**(13)**	(41)
Net gain/(loss) on derivative financial instruments		
– Copper futures contracts	**–**	(7,864)
– Foreign exchange forward contracts	**2,378**	7,352
Others	**–**	478
	(3,150)	41,128

6. (LOSS)/PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Finance cost		
Interest expenses	**25,978**	44,555
Letter of credit charges	**2,127**	4,561
Total borrowing costs	**28,105**	49,116

6. (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(ii) Staff cost		
Salaries, wages and other benefits	**15,365**	21,321
Contributions to defined contribution retirement schemes	**1,215**	1,575
	16,580	22,896

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(iii) Other items		
Cost of inventories	**1,708,241**	3,572,154
Depreciation	**14,540**	14,882
Amortisation of lease prepayments	**418**	418
Operating leases charges in respect of properties	**376**	1,229

7. INCOME TAX EXPENSE

Income tax expense represents:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC		
Provision for the period	**–**	9,512
Deferred tax		
Origination and reversal of temporary differences	**1,767**	(1,803)
	1,767	7,709

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 period.

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

Pursuant to the approvals obtained from the relevant PRC tax authorities, being production oriented enterprises established in an Economic and Technological Zone, Tai-I Jiang Corp (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.

7. INCOME TAX EXPENSE (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 takes 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 was changed from 2004 to 2005, and Tai-I Copper is exempted from PRC income tax for the years 2005 and 2006. 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%, 9% and 10% for the years 2007, 2008 and 2009 respectively.

The new tax rate was considered to determine the Group's deferred tax assets and liabilities as at 30 June 2009.

8. DIVIDENDS

Dividends attributable to the previous financial year, approved and paid during the period:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the interim period, of HK 6 cents per ordinary share	**–**	32,338

9. BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

The calculation of basic and diluted loss per share for the six months ended 30 June 2009 is based on the loss attributable to equity holders of the Company of RMB28,148,000 (six months ended 30 June 2008: profit of RMB32,476,000) and the weighted average of 596,158,000 (six months ended 30 June 2008: 600,000,000) ordinary shares in issue during the period.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (unaudited)	Machinery, equipment and tools RMB'000 (unaudited)	Dies and moulds RMB'000 (unaudited)	Motor vehicles and other fixed assets RMB'000 (unaudited)	Construction in progress RMB'000 (unaudited)	Total RMB'000 (unaudited)
Cost:						
At 31 December 2008	186,621	444,177	4,366	15,773	223	651,160
Additions	–	1,149	168	38	16,771	18,066
Transfer from construction in progress	–	16,834	–	–	(16,834)	–
Disposals	–	(80)	(1,631)	(41)	–	(1,752)
At 30 June 2009	186,621	462,080	2,903	15,770	100	667,474
Accumulated depreciation:						
At 31 December 2008	(36,348)	(163,518)	(2,694)	(10,833)	–	(213,393)
Depreciation in the period	(2,105)	(10,670)	(951)	(814)	–	(14,540)
Disposals	–	72	1,632	35	–	1,739
At 30 June 2009	(38,453)	(174,116)	(2,013)	(11,612)	–	(226,194)
Net book value:						
At 30 June 2009	148,168	287,964	890	4,158	100	441,280
At 31 December 2008	150,273	280,659	1,672	4,940	223	437,767

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

(ii) As at 30 June 2009 buildings with book value of approximately RMB87,772,201 (31 December 2008: RMB89,059,000) were pledged to banks for certain banking facilities and bank loans.

(iii) As at 30 June 2009, machinery, equipment and tools with book value of approximately RMB164,477,575 (31 December 2008: RMB170,546,000), were pledged to banks for letters of credit and commercial bills issued which were subsequently converted to short-term trust receipt loans.

11. LEASE PREPAYMENTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
At 1 January	**32,183**	33,020
Less: Amortisation	**(418)**	(837)
At 30 June/31 December	**31,765**	32,183

As at 30 June 2009, land use rights with a carrying amount of approximately RMB31,764,614.30 (31 December 2008: RMB32,183,000) were pledged to a bank for certain banking facilities and bank loans.

12. INTEREST IN ASSOCIATE

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Share of net assets	**15,244**	17,544
Goodwill arising on acquisition	**10,370**	10,370
	25,614	27,914
Less: Impairment on goodwill	**(10,370)**	(10,370)
	15,244	17,544

Interest in associate represents investment 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 (Guangzhou) Co., Ltd., held 30% equity interest in JCC-Taiyi as at 30 June 2009.

13. INVENTORIES

Inventories comprise:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Raw material	**44,067**	31,056
Work in progress	**28,051**	25,145
Finished goods	**96,173**	168,408
Low value consumables	**6,537**	5,916
	174,828	230,525

As at 30 June 2009, inventories with a carrying amount of RMB50,000,000 (31 December 2008: 100,000,000) were pledged to a bank for certain banking facilities and bank loans.

14. TRADE AND OTHER RECEIVABLES

		30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade receivables		**337,081**	325,732
Bills receivable		**87,579**	151,384
	(i)	**424,660**	477,166
Deposits and prepayments made to suppliers		**326,116**	376,681
Other receivables		**33,077**	61,343
Deposits for derivative financial instruments		**37,434**	62,558
		821,287	977,698

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Within 1 month	**203,752**	357,773
Over 1 month but less than 3 months	**153,277**	55,646
Over 3 months but less than 1 year	**55,376**	58,467
Over 1 year but less than 2 years	**28,591**	26,475
Over 2 years	**20,918**	16,009
	461,914	514,370
Less: Impairment losses for doubtful debts	**(37,254)**	(37,254)
	424,660	477,116

During the period, 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.

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2009 (Unaudited)		31 December 2008 (Audited)	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Copper futures contracts	**4,533**	**(93)**	–	(37,519)
Foreign exchange forward contracts	**12,316**	**(12,929)**	16,171	(70,452)
	16,849	**(13,022)**	16,171	(107,971)

Copper futures contracts

For copper futures contracts that meet the requirements for hedge accounting, 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:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Sales contracts		
Volume (tonne)	**100**	75
Notional contract value	**3,529**	1,469
Market value	**4,074**	1,575
Fair value	**(545)**	(106)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Purchase contracts		
Volume (tonne)	**1,040**	4,165
Notional contract value	**35,695**	133,939
Market value	**40,680**	96,526
Fair value	**4,985**	(37,413)
	4,440	(37,519)
Contract maturity months	**August, September October, November, December 2009 and January 2010**	January, February March, April May, June, July and November 2009

The market value of futures contracts is based on quoted market price at the balance sheet date. As at 30 June 2009, copper futures contracts designated as fair value hedges to inventories with unrealised gains of RMB14,976,303 (31 December 2008: loss of RMB109,000) arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the period.

As at 30 June 2009, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised losses of RMB Nil (31 December 2008: RMB26,980,000) arising from the changes in fair value of these derivative instruments are included in equity. Such unrealised losses are expected to be transferred to profit or loss when the designated forecast transactions occur. The portion assessed as ineffective of RMB Nil (31 December 2008: RMB10,430,000) is recognised in the profit or loss for the period.

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Foreign exchange forward contracts

For foreign exchange forward contracts that meet the requirements for hedge accounting, 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 30 June 2009 (unaudited)

	Weighted average market rate	Weighted average contracted rate	Notional amount US$'000	Fair value RMB'000
Buy RMB/Sell US$				
Less than 3 months	6.8236	6.7269	(149,850)	(14,483)
3 to 6 months	6.8219	6.8827	(74,000)	4,498
6 months to 1 year	6.8182	6.8222	(72,442)	289
			(296,292)	(9,696)
Sell RMB/Buy US$				
Less than 3 months	6.8307	6.5747	40,000	10,238
3 to 6 months	6.8583	6.8963	27,000	(1,026)
6 months to 1 year	6.8581	6.9010	3,000	(129)
			70,000	9,083
			(226,292)	(613)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2008 (Audited)

	Weighted average market rate	Weighted average contracted rate	Notional amount US$'000	Fair value RMB'000
Buy RMB/Sell US$				
Less than 3 months	6.8343	6.6953	(188,800)	(26,234)
3 to 6 months	6.8394	6.6675	(159,000)	(27,332)
6 months to 1 year	6.8745	6.7805	(216,000)	(20,307)
			(563,800)	(73,873)
Sell RMB/Buy US$				
Less than 3 months	6.8460	6.5231	9,000	2,906
3 to 6 months	6.8626	6.6031	21,000	5,450
6 months to 1 year	6.8823	6.6780	55,000	11,236
			85,000	19,592
			(478,800)	(54,281)

The above derivatives are measured at fair value based on the valuation provided by banks at the balance sheet date. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting, the net (losses)/gains arising from changes in the fair value were all recognised in the profit or loss account for the period.

16. PLEDGED DEPOSITS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Pledged deposits		
– Guarantee deposits for issuance of commercial bills and letters of credit	**457,225**	788,258
– Pledged as securities for bank loans	**–**	–
	457,225	788,258

17. CASH AND CASH EQUIVALENTS

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

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Cash on hand	**142**	155
Deposits on demand	**146,855**	290,861
Time deposits	**249,247**	289,100
	396,244	580,116
Less: Time deposits with original maturity more than 3 months	**228,750**	289,100
Cash and cash equivalents in the consolidated cash flow statement	**167,494**	291,016

18. BANK LOANS

		30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Current			
Bank loans and borrowings			
– Secured	*(i)*	**318,446**	1,281,205
– Unsecured		**–**	–
– Bank advances under discounted bills		**488,331**	141,098
		806,777	1,422,303

The loans from banks as at 30 June 2009, on which interest was payable at fixed rates that ranged from 4.86% to 5.31% per annum (31 December 2008: 1.96% to 8.96%) were repayable within one year.

(i) Current secured bank loans as at 30 June 2009 were secured by the Group's buildings with a carrying amount of RMB87,772,201 (31 December 2008: RMB89,059,000), land use rights with carrying amounts of RMB31,764,614.30 (31 December 2008: RMB32,183,000) and certain inventories with carrying amounts of RMB71,430,000 (31 December 2008: 100,000,000).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 30 June 2009 were secured by the Group's pledged deposits and certain machinery, equipment and tools with carrying amounts of RMB164,477,575 (31 December 2008: RMB170,546,000).

19. TRADE AND OTHER PAYABLES

		30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Trade creditors	*(i)*	**514,362**	621,722
Bills payable	*(ii)*	**437,412**	302,956
		951,744	924,728
Non-trade payables and accrued expenses		**40,456**	93,593
Other taxes payable		**3,098**	1,406
		995,328	1,019,727

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 payable with the following ageing analysis as of the balance sheet date:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Due within 3 months or on demand	**732,894**	682,118
Due after 3 months but within 6 months	**217,918**	231,996
Due after 6 months but within 1 year	**331**	219
Due after 1 year but within 2 years	**158**	229
Due after 2 years	**473**	116
	951,774	924,728

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits.

(ii) As at 30 June 2009, certain bills payable outstanding were secured by the Group's machinery, equipment and tools with carrying amounts of RMB164,477,575 (31 December 2008: RMB170,546,000).

20. DEFERRED TAX

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

	Unrealised (gain)/loss on derivative financial instruments	Impairment losses for doubtful debt	Unutilised tax losses	Cash flow hedge	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009	7,861	3,725	1,778	3,843	7,204	24,411
Credited to profit or loss	(6,736)	–	9,232	–	(4,263)	(1,767)
Credited to reserves	–	–	–	(3,972)	–	(3,972)
At 30 June 2009 (unaudited)	1,125	3,725	11,010	(129)	2,941	18,672

Deferred income tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is considered probable.

(a) Deferred tax liabilities not recognised

At 30 June 2008, temporary differences relating to the undistributed profits of the PRC subsidiaries amounted to RMB32,746,000. Deferred tax liabilities of RMB3,274,600 have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that profits will not be distributed in the foreseeable future.

(Expressed in Renminbi Yuan)

21. SHARE CAPITAL AND RESERVES

(a) Share capital

	30 June 2009 (unaudited)		31 December 2008 (audited)	
	Number of shares	Amount HK$	Number of shares	Amount HK$
Authorised:				
Ordinary shares of HK$0.01 each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Issued and fully paid:				
At 1 January	596,618,000	5,966,180	600,000,000	6,000,000
Shares repurchased	(460,000)	(4,600)	(3,382,000)	(33,820)
At 30 June/31 December	596,158,000	5,961,580	596,618,000	5,966,180

21. SHARE CAPITAL AND RESERVES (CONTINUED)

(b) Reserves

	Attributable to equity holders of the Company						
	Share premium	Merger reserve	PRC Statutory reserve	Exchange reserve	Hedging reserve	Retained earnings/ (accumulated losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2008	214,762	418,938	26,259	(2,478)	–	169,864	827,345
Dividends declared and approved	–	–	–	–	–	(32,338)	(32,338)
Profit for the period	–	–	–	–	–	32,746	32,746
Total other comprehensive income	–	–	–	719	–	–	719
At 30 June 2008 (unaudited)	214,762	418,938	26,259	(1,759)	–	170,272	828,472
At 1 January 2009	219,043	386,600	26,259	(855)	(35,056)	(38,562)	557,429
Dividends declared and approved	–	–	–	–	–	–	–
Loss for the period	–	–	–	–	–	(28,148)	(28,148)
Total other comprehensive income	–	–	–	37	36,217	–	36,254
Shares repurchased	(97)	–	–	–	–	–	(97)
At 30 June 2009 (unaudited)	218,946	386,600	26,259	(818)	1,161	(66,710)	565,438

22. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2009 not provided for in the consolidated interim financial report are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted, but not provided:		
Acquisition of plant, machinery and equipments	**327**	16,582

(b) At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Less than one year	**319**	858
Between one and two years	**67**	128
Between two and three years	**4**	9
	390	995

For the six months ended 30 June 2009 the Group leased a number of properties under operating lease. None of the leases includes contingent rentals.

23. RELATED PARTY TRANSACTIONS

(a) 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:

	Six months ended 30 June	
	2009	2008
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**2,495**	794

(b) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plan organised by municipal government for its employees. As at 30 June 2009, there was no material outstanding contribution to post-employment benefit plans.

24. COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 2.

COMPARISON OF KEY FINANCIAL FIGURES FOR QUARTER 1 AND QUARTER 2

Unit: RMB'000

	Quarter 1/ 2009	Quarter 2/ 2009	Increase/ (decrease) Amount	As at 30 June 2009
Revenue	705,210	1,030,488	325,278	1,735,698
Gross Profit	(18,450)	45,907	64,357	27,457
(Loss)/profit from operation	(28,599)	30,322	58,921	4,024
(Loss)/profit before taxation	(45,765)	19,383	65,148	(26,381)
(Loss)/profit for the year	(47,910)	19,762	67,672	(28,148)

TURNOVER BY PRODUCTS

Unit: RMB'000

	Quarter 1/2009		Quarter 2/2009		Increase/(decrease)	
	Amount	%	Amount	%	Amount	%
Sales of bare copper wire	512,177	72.63	767,161	74.45	254,984	49.78
Sales of magnet wire	186,247	26.41	256,457	24.89	70,210	37.70
Processing services	6,786	0.96	6,870	0.67	84	1.24
Total	705,210	100	1,030,488	100	325,278	46.12

TURNOVER BY GEOGRAPHICAL REGION

Unit: RMB'000

	Quarter 1/2009		Quarter 2/2009		Increase/(decrease)	
	Amount	%	Amount	%	Amount	%
Sales within China	298,843	42.38	399,042	38.72	100,199	33.53
Sales outside China*	406,367	57.62	631,446	61.38	225,079	55.39
Total	705,210	100	1,030,488	100	325,278	46.12

* including indirect and direct export sales

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2009, the Group recorded turnover of RMB1,735,698,000 (six months ended 30 June 2008: RMB3,636,970,000). The Group recorded a lower turnover for the six months ended 30 June 2009 because the first quarter of 2009 was still under the impact of the financial crisis and the momentum of the market recovery was not strong enough. However, turnover of the Group for the second quarter of 2009 delivered a major upturn when the copper price became stable and the growth of domestic market demand within China was apparent in April 2009.

Turnover of bare copper wires and magnet wires was RMB1,279,338,000 and RMB442,703,000 respectively whereas the revenue of processing services recorded RMB13,657,000, increased by approximately RMB5,050,000. Turnover of bare copper wires and magnet wires accounted for 73.71 % and 25.51 % of the total turnover of the Group respectively.

Gross profit

For the six months ended 30 June 2009, the gross profit was RMB27,457,000 (six months ended 30 June 2008: RMB64,816,000), representing a decrease of approximately RMB37,359,000. When compared with the corresponding period of 2008, the gross profit of magnet wires and bare copper wires increased by approximately RMB3,545,000 and decreased by approximately RMB36,607,000 respectively.

The Group recorded a negative gross profit of RMB18,450,000 for the first quarter of 2009. It was because the depressed market was still under the impact of the economic downturn, hampering the recovery of orders from downstream manufacturers which in turn resulting in a diminishing need for the Group's products and a delay in the shipment of copper orders with high unit prices. All these contributed to the higher weighted average copper cost of the Group's bare copper wires.

In the second quarter of 2009, the gross profit of the Group increased to RMB45,907,000. The reasons were that the copper price became stable and the market demand increased in the quarter, thereby bringing about a major upturn in the gross profit of the Group.

Other net (loss)/income

For the six months ended 30 June 2009, the Group recorded other net loss of RMB3,150,000 (six months ended 30 June 2008: other net income of RMB41,128,000). The main loss was attributable to net foreign exchange loss of RMB5,950,000 (six months ended 30 June 2008: net foreign exchange gain of RMB40,599,000). The Group used foreign exchange forward contracts to manage the foreign exchange exposures arising from the appreciation of Renminbi. As at 30 June 2009, the Group record gain on foreign exchange forward contracts of RMB2,378,000 (six months ended 30 June 2008: RMB7,352,000).

Finance costs

For the six months ended 30 June 2009, financial costs were approximately RMB28,105,000 (six months ended 30 June 2008: RMB49,116,000), representing a decrease of RMB21,011,000. Financial costs of the Group were mainly applied in the payment of documentary of letters of credit and the repayment of short-term loans. The decrease in financial costs for the period was mainly attributed to: (i) the average copper price dropped by nearly 50% when compared with the corresponding period of 2008, resulting in a decrease in the amount related to documentary of letters of credit when compared with the corresponding period of 2008; (ii) the lowered rates of inward and outward bills and loans.

(Loss)/Profit attributable to equity holders of the Company

For the six months ended 30 June 2009, the net loss was approximately RMB28,148,000 (six months ended 30 June 2008: a profit of RMB32,746,000), representing a drop of RMB60,894,000.

The Group recorded a net loss of RMB47,910,000 for the first quarter of 2009 whereas the net profit for the second quarter of 2009 increased to RMB19,762,000. Since the copper price became stable and the market demand increased in the second quarter of 2009, the Group's profit for the quarter delivered a major upturn.

Liquidity and financial resources

The Group's working capital is funded by the cash generated by internal operating activities or short term bank borrowings. As at 30 June 2009, the Group maintained cash and cash equivalent amounted to RMB167,494,000 (31 December 2008: RMB291,016,000). The short term bank borrowing as at 30 June 2009 amounted to RMB806,777,000 (31 December 2008: RMB1,422,303,000). As at 30 June 2009, the Group current ratio was 103.23% (31 December 2008: 101.79%), and the Group's net gearing ratio (balance of total borrowings less cash and cash equivalent, time deposits and pledged deposits divided by total assets and multiplied by 100%) was -1.97% (31 December 2008: 1.74%).

Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper cathodes amounted to RMB457,225,000 as at 30 June 2009 (31 December 2008: RMB788,258,000), decreased by 42%. During the period, pledged deposits were required by the banks for the issuance of letters of credit and commercial bills.

Foreign exchange

The Group receives US dollar, Hong Kong dollar and Renminbi for the good sold, and pays US dollar and Renminbi for raw materials purchase. For the six months ended 30 June 2009, approximately 57.60%, 2.20% and 40.10% of the Group's turnover were denominated in US dollar, Hong Kong dollar and Renminbi, while approximately 65.30% and 34.70% of the Group's purchases were denominated in US dollar and in Renminbi. For the six months ended 30 June 2009, the Group has a net foreign exchange loss of RMB5,950,000 (30 June 2008: a gain of RMB40,599,000).

Pledged of assets

In order to obtain bank loans for working capital, letters of credit and commercial bills to transform into short-term credit loan, the carrying amount of the Group's assets pledged are as follows:

Assets	30 June 2009 RMB'000	31 December 2008 RMB'000	Purpose
Buildings	**87,772**	89,059	Bank loans
Land use rights	**31,765**	32,183	Bank loans
Inventories	**50,000**	100,000	Letters of credits, commercial bills and bank loans
Pledged deposits	**457,225**	788,258	Letters of credits and commercial bills
Machinery, equipment and tools	**164,478**	170,546	Letters of credits and commercial bills
Total	**791,240**	1,180,046	

Use of proceeds

The proceeds from the issuance of new shares by the Company in January 2007, net of listing expenses, were approximately HK$220,762,000. As at 30 June 2009, the net proceeds were utilised in the following manner:

	Per prospectus HK$'000	Amount Utilised HK$'000	Balance HK$'000
Expansion of production capacity			
– Upgrading of existing production facilities	18,544	18,544	–
– Acquisition of new production facilities or related businesses	136,142	48,558	87,584
Repayment of short-term borrowings	44,000	44,000	–
General working capital	22,076	22,076	–
Total	220,762	133,178	87,584

The unutilised balance was placed in short-term deposits with banks.

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 total equity less declared dividend) as at 30 June 2009 was 32.20% (31 December 2008: 61.54%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2009 was 103.23 % (31 December 2008: 101.79%). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit to ensure that funds are timely collected.

Capital expenditure

The Group's capital expenditures were mainly for the acquisition of property, plant and equipment. The following table shows the Group's capital expenditures for the six months ended 30 June 2009 and the year of 2008:

	Six months ended 30 June 2009 RMB'000	Year ended 31 December 2008 RMB'000
Buildings	**–**	13
Machinery, equipment and tools	**1,149**	410
Dies and moulds	**168**	1,438
Motor vehicles and other fixed assets	**38**	346
Construction in progress	**16,711**	223
	18,066	2,430

Material acquisition and disposal of subsidiaries or associated companies

The Group has not made any material acquisition or disposal or subsidiaries or associated companies during the period under review.

Significant investments

The Group has no significant investments held as at 30 June 2009.

Employees and remuneration policies

As at 30 June 2009, the Group employed 920 full-time employees in the PRC (31 December 2008: 986). There is no significant change in the Group's salaries and remuneration policies during the period. The remuneration package of employees is determined by reference to their performance, experience, their positions, duties and responsibilities in the Group and the prevailing market conditions. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC.

The executive Directors' remuneration package is determined by the Board with reference to their duties and responsibilities and market rate. The proposals made by the Remuneration Committee will be examined by the Board to ensure it conformed to the remuneration package of the executive Directors.

Commitments

(a) Capital commitments outstanding at 30 June 2009 not provided for in the consolidated interim financial report are as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Contracted, but not provided:		
Acquisition of plant, machinery and equipments	**327**	16,582

Commitments (Continued)

(b) At 30 June 2009, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Less than one year	**319**	858
Between one and two years	**67**	128
Between two and three years	**4**	9
	390	995

For the six months ended 30 June 2009, the Group leased a number of properties under operating lease. None of the leases includes contingent rentals.

Contingent liabilities

As at 30 June 2009, there was no significant contingent liabilities (31 December 2008: Nil).

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2009 (for the six months ended 30 June 2008: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2009, the Company repurchased 460,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.185 to HK$0.196 per share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Details of the repurchases are as follows:

Month/Year	Number of shares repurchased	Purchase price per share Highest	Purchase price per share Lowest	Aggregate purchase consideration
		HK$	HK$	HK$
March 2009	460,000	0.196	0.185	88,302
Total	460,000			88,302

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

BUSINESS REVIEW

The momentum of the market recovery was not strong enough due to the first quarter of 2009 was still under the impact of the economic downturn. However, the copper price became stable in the second quarter 2009 and the market demand in China increased gradually. The sales volume of bare copper wires for the six months ended 30 June 2009 was 42,038 tonnes (six months ended 30 June 2008: 42,610 tonnes), representing a decrease of 572 tonnes. On the other hand, the sales volume of magnet wires for the six months ended 30 June 2009 was 11,251 tonnes (six months ended 30 June 2008: 19,193 tonnes), representing a decrease of 7,942 tonnes. Meanwhile, the processing service volume of bare copper wires increased by 40.59 % from 13,822 tonnes for the six months ended 30 June 2008 to 19,433 tonnes for the six months ended 30 June 2009, increased by 5,611 tonnes.

BUSINESS REVIEW (Continued)

For the six months ended 30 June 2009, the revenue of the Group amounted to RMB1,735,698,000 (six months ended 30 June 2008: RMB3,636,970,000), representing a decrease of 52.28% when compared with the corresponding period of 2008. It was because the sales volume of bare copper wire and magnet wire was 13.78 % lower than that of the corresponding period of 2008. Moreover, the lowered international copper price in 2009 was also a main cause of the decrease. For example, the average LME copper price for the six months ended 30 June 2009 was US$4,045 per tonnes as compared to US$8,119 per tonnes for the six months ended 30 June 2008, representing a decrease of US$4,074 per tonnes or 50%.

Optimizing the Structure of Bare Copper Wires Business and Expanding the Business of Commissioned Processing Service

The commissioned processing service of bare copper wires of the Group was further developed in the first half of 2009, achieving a sales volume of 19,433 tonnes which increased by 40.59% when compared with 13,822 tonnes of the corresponding period of 2008. In addition, the revenue of processing services also increased to RMB13,657,000 from RMB8,607,000 of 2008 and the profit margin also increased to 54.19% from 43.97% of 2008. Since the fluctuated copper price had no effect on commissioned processing services, the expansion of this arm was beneficial to the optimal business structure of the Group.

Modifying Facilities to Increase 33% Capacity

The plan for the modification of facilities to increase production capacity of Tai-I Jiang Corp, a subsidiary of the Company, completed in March 2009. As a result, the Group owned a worldwide patented SCR continuous casting and rolling production system with an annual capacity from 150,000 to 200,000 tonnes, and enjoyed the competitive advantages of having facilities featuring excellent functions, high capacity, sophisticated production techniques, prime quality products and low costs. This effectively increased the proportion of the Group's sales and processing activities in China, which in turn enhanced the Group's profitability, enabled the Group to capture the opportunity brought by the growth of the domestic demand in China and to achieve the goal of sales of all volume produced.

Focusing on the Domestic Market of Magnet Wires in China and Increasing the Proportion of Domestic Market

The government of China implemented the schemes of "Home Appliances to Rural Area" and "Home Appliances to Urban Area" in order to boost the domestic demand. The Company was able to capitalize on these initiatives by adjusting the client mix for the sake of expanding the domestic sales of magnet wires in China.

From the end of 2008, Tai-I Copper continued to promote itself in various industrial sectors focusing on domestic sales, including major players of the business of home appliances, electronics, automobiles, tooling machineries and heavy electricity, and it also spent almost six months in exploring the market, providing potential clients with samples and applying for certification. It was believed that the second half of 2009 would be the harvest time and orders for domestic sales were expected to increase.

Striving for the Best Quality to Minimize Complaints from Clients

The technical and quality control departments of the Group had been relentless in improving the quality of magnet wires, which was effective in reducing complaints. Consequently, complaints from clients of magnet wires were minimized in the first half of 2009.

Business Outlook

On-going future plans for sustainable development of the Group:

Improvement in Marketing Initiative

In the second half of 2009, the Group will make use of incentive policies launched by the government, namely "Home Appliances, Automobiles and Agricultural Machineries to Rural Area", to leverage on market opportunities, strengthen its marketing management, explore new clients and boost up its sales volume. The above initiatives will certainly enhance the competitiveness of the Group. In addition, the Group will maintain the close working relationship with the premium and major clients of its "high frequency resistance" magnet wires in the international market and those of its automobile magnet wires.

Improvement in Production Management

In order to strengthen the management of production activities, lower the management and operating costs and improve the efficiency in production management for the sake of boosting the Group's profitability, the Group intends to implement a refined production scheme in the second half of 2009. Moreover, the Group will further focus on its safety management, energy saving, consumption reduction and environment friendly production to enhance its competitiveness as a whole.

Enhancement of Energy Saving and Consumption Reduction

Tai-I Jiang Corp, a subsidiary of the Group, modified the combustion device of the SCR continuous casting and rolling production system and recycled the surplus heat energy of the furnace for reuse. It is expected that energy costs of approximately RMB4,700,000 can be saved per year. Besides, the Group will spare no effort in energy saving and consumption reduction so as to introduce further schemes in this respect.

Improvement in Efficiency of Internal Management

The Group will continue to improve the efficiency of internal management and to focus on the consolidation and development of the MIS system, namely the production system, business system and the system of account receivable. All these will contribute to the improvement in the management standard of the Group. At the same time, the Group will also strengthen the training of various departments to further upgrade the quality of its staff.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2009, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to be have under such provision of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") ("Model Code").

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES

At 30 June 2009, 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:

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES (Continued)

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

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company
Tai-I International (BVI) Limited ("Tai-I (BVI)")	Beneficial owner	229,905,000	38.56 (Note 1)
Tai-I Electric Wire & Cable Co., Ltd ("Taiwan Tai-I")	Interest through controlled corporation	229,905,000	38.56 (Note 1)
First Sense International Limited ("First Sense")	Beneficial owner	102,015,000	17.11 (Note 2)
AIF Capital Asia III, L.P. ("AIF")	Interest through controlled corporation	102,015,000	17.11 (Note 2)
Green Island Industries Limited ("Green Island")	Beneficial owner	67,500,000	11.32 (Note 3)
Liu Tianni	Interest through controlled corporation	67,500,000	11.32 (Note 3)

Notes:

1. Taiwan Tai-I owns approximately 74% of the issued capital of Tai-I (BVI).
2. The entire issued share capital of First Sense is owned by AIF Capital Asia III, L.P..
3. The entire issued share capital of Green Island is owned by Liu Tianni.

SUBSTANTIAL SHAREHOLDERS INTERESTS IN SHARES (Continued)

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

   As at 30 June 2009, 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 30 June 2009.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted 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 six months ended 30 June 2009.

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 Listing Rules.

In the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the six months ended 30 June 2009.

AUDIT COMMITTEE

The Audit Committee of the Company comprises five independent non-executive Directors of the Company, namely Mr. Tsay Yang-Tzong (as chairman), Mr. Cheng Yang-Yi, Mr. Kang Jung-Pao, Mr. Atsushi Kanayama and Mr. Yan Minghe. The unaudited interim results of the Group for the six months ended 30 June 2009 have been reviewed by the Audit Committee of the Company.

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

Hong Kong, 26 August 2009