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)

Interim Report 2010

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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*

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

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
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 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, Yuexiu 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 2010
(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 2010 together with comparative figures for the corresponding period in 2009. The unaudited interim financial statements have not been audited but have been reviewed by the Company's Audit Committee.

		Six months ended 30 June	
		2010	2009
	Notes	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Turnover	*4*	**3,495,626**	1,735,698
Cost of sales		**(3,377,853)**	(1,708,241)
Gross profit		**117,773**	27,457
Other revenue		**5,916**	11,968
Other net income/(loss)	*5*	**2,198**	(3,150)
Distribution expenses		**(19,369)**	(9,057)
General and administrative expenses		**(24,630)**	(19,082)
Other operating expenses		**(4,114)**	(4,112)
Profit from operations		**77,774**	4,024
Finance costs	*6(i)*	**(30,002)**	(28,105)
Share of profit/(loss) of associate		**194**	(2,300)
Profit/(loss) before taxation	*6*	**47,966**	(26,381)
Income tax expenses	*7*	**(440)**	(1,767)
Profit/(loss) attributable to equity holders of the Company		**47,526**	(28,148)

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income for the period (after tax)			
Exchange differences on translation of financial statements of the Company outside the PRC		**499**	37
Cash flow hedge: net movement in hedging reserve		**8,046**	36,217
Total comprehensive income attributable to equity holders of the Company for the period		**56,071**	8,106
Basic and diluted earnings/(loss) per share (RMB)	*9*	**0.08**	(0.05)

CONSOLIDATED BALANCE SHEET

At 30 June 2010
(Expressed in Renminbi Yuan)

	Notes	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Unaudited)
Non-current assets			
Property, plant and equipment	*10*	**416,666**	428,014
Lease prepayments	*11*	**30,927**	31,346
Interest in associate	*12*	**18,944**	18,750
Deferred tax assets	*20*	**34,030**	26,081
		500,567	504,191
Current assets			
Inventories	*13*	**265,633**	211,477
Trade and other receivables	*14*	**1,396,083**	1,085,762
Derivative financial instruments	*15*	**17,289**	5,712
Pledged deposits	*16*	**279,483**	284,494
Time deposits	*17*	**429,583**	245,780
Cash and cash equivalents	*17*	**275,949**	287,268
		2,664,020	2,120,493
Current liabilities			
Bank loans	*18*	**1,282,112**	1,000,977
Trade and other payables	*19*	**1,184,828**	986,302
Derivative financial instruments	*15*	**6,744**	6,387
Income tax payable/(recoverable)		**2,530**	(1,284)
		2,476,214	1,992,382

CONSOLIDATED BALANCE SHEET

At 30 June 2010
(Expressed in Renminbi Yuan)

	Note	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Unaudited)
Net current assents		**187,806**	128,111
Total assets less current liabilities		**688,373**	632,302
Net assets		**688,373**	632,302
Capital and reserves			
Share capital	*21(a)*	**5,962**	5,962
Reserves	*21(b)*	**682,411**	626,340
Total equity		**688,373**	632,302

Approved and authorised for issue by the Board on 9 August 2010.

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 2010
(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Total equity at 1 January		**632,302**	557,429
Total comprehensive income for the period	*21(b)*	**8,545**	36,254
Net profit/(loss) for the period	*21(b)*	**47,526**	(28,148)
Total recognised income and expense for the period attributable to equity holders of the Company		**56,071**	8,106
Dividends declared and approved during the period		–	–
Movements in equity arising from capital transactions:			
Share repurchased			
– par value	*21(a)*	–	(4)
– premium paid	*21(a)*	–	(93)
		–	(97)
Total equity at 30 June		**688,373**	565,438

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2010

(Expressed in Renminbi Yuan)

		Six months ended 30 June	
		2010	2009
	Note	**RMB'000**	RMB'000
		(Unaudited)	(Unaudited)
Cash used in operating activities		**(30,896)**	(92,808)
PRC income tax paid		**(2,841)**	(4,414)
Net cash used in operating activities		**(33,737)**	(97,222)
Net cash (used in)/generated from investing activities		**(183,698)**	9,353
Net cash generated/(used in) from financing activities		**206,994**	(35,659)
Effect of foreign exchange rate changes on cash		**(878)**	6
Net decrease in cash and cash equivalents		**(11,319)**	(123,522)
Cash and cash equivalents at 1 January		**287,268**	291,016
Cash and cash equivalents at 30 June	*17*	**275,949**	167,494

Tai-I International Holding 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. BASIC 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 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 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 2009 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 2009 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 2009 annual financial statements. The 2009 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 2009 annual financial statements dated 12 March 2010.

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 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Amendments to IAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*

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

The amendments to IAS 39 have had no material impact on the Group's financial statements as the amendments were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.

- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.

Further details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  - If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- As a result of the adoption of IAS 27 (amended 2008), the following changes in policies will be applied as from 1 January 2010:

  – If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposals, respectively.

  – If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to IFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in IFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

In accordance with the transitional provisions in IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, Investments in associates, and IAS 31, Interests in joint ventures, the following policies will be applied as from 1 January 2010:

  – If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated

3. SEGMENT REPORTING

The Group manages its business by divisions, which are mainly organised by business lines (products and services). 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 Board 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 manufacturing and sale of bare copper wires and provision of processing services of bare copper wires.

- Magnet wires: The manufacturing and sale of magnet wires.

3. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Board monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interest in associate, deferred tax assets and other corporate assets. Segment liabilities include trade creditors, accruals and bills payable attributable to the manufacturing and sales activities of the individual segments and bank borrowings managed directly by the segments.

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 the "adjusted profit before taxation". To arrive at adjusted profit before taxation, the Group's earnings are adjusted for items not specifically attributed to individual segments, such as share of profits less losses of an associate, directors' and auditors' remuneration and other head office or corporate administration costs. Inter-segment sales are priced with reference to price charged to external parties for similar orders.

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.

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the six months ended 30 June 2010 and 2009 is set out below.

3. SEGMENT REPORTING (CONTINUED)

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

	Six months ended 30 June 2010		
	Bare copper wires RMB'000 (Unaudited)	Magnet wires RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	**2,514,616**	**981,010**	**3,495,626**
Inter-segment revenue	**873,024**	**–**	**873,024**
Reportable segment revenue	**3,387,640**	**981,010**	**4,368,650**
Reportable segment profit (adjusted profit before taxation)	**15,861**	**34,727**	**50,588**
Reportable segment assets	**2,617,409**	**1,357,110**	**3,974,519**
Reportable segment liabilities	**2,416,822**	**1,014,023**	**3,430,845**

	Six months ended 30 June 2009		
	Bare copper wires RMB'000 (Unaudited)	Magnet wires RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers	1,265,658	470,040	1,735,698
Inter-segment revenue	382,846	–	382,846
Reportable segment revenue	1,648,504	470,040	2,118,544
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	790	(25,167)	(24,377)
Reportable segment assets	2,002,853	1,083,902	3,086,755
Reportable segment liabilities	1,798,579	795,867	2,594,446

3. SEGMENT REPORTING (CONTINUED)

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

Revenue	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Reportable segment revenue	**4,368,650**	2,118,544
Elimination of inter-segment revenue	**(873,024)**	(382,846)
Consolidated turnover	**3,495,626**	1,735,698

Profit/(loss) before taxation	Six months ended 30 June 2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Reportable segment profit/(loss)	**50,588**	(24,377)
Elimination of inter-segment profits	**350**	1,278
Reportable segment profit derived from group's external customers and jointly controlled entity	**50,938**	(23,099)
Share of profits less losses of associates	**194**	(2,300)
Unallocated head office and corporate expenses	**(3,166)**	(982)
Consolidated profit/(loss) before taxation	**47,966**	(26,381)
Depreciation and amortisation	**14,855**	14,910
Finance costs	**26,677**	25,978

3. SEGMENT REPORTING (CONTINUED)

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

Assets	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Audited)
Reportable segment assets	**3,974,519**	3,001,537
Elimination of inter-segment receivables	**(958,364)**	(457,104)
	3,016,155	2,544,433
Interests in associates	**18,944**	18,750
Deferred tax assets	**34,030**	26,081
Unallocated head office and corporate assets	**95,458**	35,420
Total	**3,164,587**	2,624,684

Liabilities	At 30 June 2010 RMB'000 (Unaudited)	At 31 December 2009 RMB'000 (Audited)
Reportable segment liabilities	**3,430,845**	2,449,448
Elimination of inter-segment payable	**(958,364)**	(457,104)
	2,472,481	1,992,344
Unallocated head office and corporate liabilities	**3,733**	38
Total	**2,476,214**	1,992,382

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	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Sales of bare copper wires	**2,507,189**	1,279,338
Sales of magnet wires	**981,010**	442,703
Processing services	**7,427**	13,657
	3,495,626	1,735,698

The Group's operations are mostly located in the PRC. For the six months ended 30 June 2010, 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 INCOME/(LOSS)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net exchange gain/(loss)	**237**	(5,950)
Gain on sales of scrap materials	**764**	435
Loss on disposal of property, plant and equipment	**(12)**	(13)
Net gain on derivative financial instruments		
– Foreign exchange forward contracts	**1,209**	2,378
	2,198	(3,150)

6. PROFIT/(LOSS) BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(i) Finance cost		
Interest expenses	**26,677**	25,978
Letter of credit charges	**3,325**	2,127
Total borrowing costs	**30,002**	28,105

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

Profit before taxation is arrived at after charging: (continued)

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(ii) Staff cost		
Salaries, wages and other benefits	**23,048**	15,365
Contributions to defined contribution retirement schemes	**1,247**	1,215
	24,295	16,580

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(iii) Other items		
Cost of inventories	**3,296,866**	1,708,241
Depreciation	**14,449**	14,540
Amortisation of lease prepayments	**419**	418
Operating leases charges in respect of properties	**369**	376

7. INCOME TAX EXPENSE

Income tax expense represents:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax – PRC		
Provision for the period	**6,655**	–
Deferred tax		
Origination and reversal of temporary differences	**(6,215)**	1,767
	440	1,767

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.

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.

The provision for PRC income tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

According to the new tax law and Circular Guoshuifa [2007] No. 39 "Notice on Corporate Income Tax Rate for the Transitional Period", the income tax rates applicable to Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp"), and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper") 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.

7. INCOME TAX EXPENSE (CONTINUED)

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 30 June 2010.

Pursuant to the approvals obtained from the relevant PRC tax authorities, being production oriented enterprises established in an Economic and Technological Zone, Tai-I Jiang Corp and Tai-I Copper are entitled to a preferential income tax rate of 15% and are entitled to a tax concession period in which they are fully exempted from PRC income tax for two years commencing from 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. The tax holidays expired in 2009.

As a result of the completion of a reassessment by the tax authorities during 2008 of the annual PRC income tax filings from 2002 to 2007, the first profit-making year of Tai-I Copper was changed from 2004 to 2005. The first profit-making year of Tai-I Jiang Corp is 2005. Consequently, Tai-I Jiang Corp and Tai-I Copper were exempted from PRC income tax for 2005 and 2006, and are entitled to a 50% income tax reduction from 2007 to 2009. Therefore the applicable PRC income tax rates in 2007, 2008 and 2009 are 7.5%, 9% and 10% respectively.

8. DIVIDENDS

No dividends have been declared or paid by the Company for the six months ended 30 June 2010 and 2009.

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

The calculation of basic and diluted earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity holders of the Company of RMB47,526,000 (six months ended 30 June 2009: loss of RMB 28,148,000) and the weighted average of 596,158,000 (six months ended 30 June 2009: 596,158,000) ordinary shares in issue during the period.

10. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery, equipment and tools	Dies and moulds	Motor vehicles and other fixed assets	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Cost:						
At 31 December 2009	186,621	461,998	2,224	16,063	100	667,006
Additions	–	902	857	238	1,126	3,123
Transfer from construction in progress	–	–	–	–	–	–
Disposals	–	(3)	(937)	(119)	–	(1,059)
At 30 June 2010	186,621	462,897	2,144	16,182	1,266	669,070
Accumulated depreciation:						
At 31 December 2009	(40,577)	(184,958)	(1,184)	(12,273)	–	(238,992)
Depreciation in the period	(2,088)	(11,090)	(596)	(675)	–	(14,449)
Written back on disposal	–	3	937	97	–	1,037
At 30 June 2010	(42,665)	(196,045)	(843)	(12,851)	–	(252,404)
Net book value:						
At 30 June 2010	143,956	266,852	1,301	3,331	1,226	416,666
At 31 December 2009	146,044	277,040	1,040	3,790	100	428,014

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

(ii) As at 30 June 2010 buildings with book value of approximately RMB 85,198,000 (31 December 2009: RMB 86,485,000) were pledged to banks for certain banking facilities and bank loans.

(iii) As at 30 June 2010, machinery, equipment and tools with book value of approximately RMB 151,046,000 (31 December 2009: RMB 157,977,000), 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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
At 1 January	**31,346**	32,183
Less: Amortisation	**(419)**	(837)
At 30 June/31 December	**30,927**	31,346

As at 30 June 2010, land use rights with a carrying amount of approximately RMB 30,927,000 (31 December 2009: RMB 31,346,000) were pledged to a bank for certain banking facilities and bank loans.

12. INTEREST IN ASSOCIATE

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Share of net assets	**18,944**	18,750
Goodwill arising on acquisition	**10,370**	10,370
	29,314	29,120
Less: Impairment on goodwill	**(10,370)**	(10,370)
	18,944	18,750

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, held 30% equity interest in JCC-Taiyi as at 30 June 2010.

13. INVENTORIES

Inventories comprise:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Raw material	**105,654**	66,968
Work in progress	**40,826**	33,740
Finished goods	**112,056**	103,949
Low value consumables	**7,097**	6,820
	265,633	211,477

14. TRADE AND OTHER RECEIVABLES

		30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade receivables		**722,012**	525,526
Bills receivable		**151,318**	120,849
	(i)	**873,330**	646,375
Deposits and prepayments made to suppliers		**456,910**	373,488
Other receivables		**38,588**	33,565
Deposits for derivative financial instruments		**27,255**	32,334
		1,396,083	1,085,762

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

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Within 1 month	**489,061**	357,559
Over 1 month but less than 3 months	**321,753**	213,799
Over 3 months but less than 1 year	**60,335**	55,316
Over 1 year but less than 2 years	**11,425**	23,793
Over 2 years	**28,010**	33,162
	910,584	683,629
Less: Impairment losses for doubtful debts	**(37,254)**	(37,254)
	873,330	646,375

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 2010 (Unaudited)		31 December 2009 (Audited)	
	Assets RMB'000	**Liabilities RMB'000**	Assets RMB'000	Liabilities RMB'000
Copper futures contracts	**10,705**	**(6,744)**	2,278	(6,387)
Copper option contracts	**1,666**	**–**	–	–
Foreign exchange forward contracts	**4,918**	**–**	3,434	–
	17,289	**(6,744)**	5,712	(6,387)

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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Sales contracts		
Volume (tonne)	**1,730**	2,515
Notional contract value	**88,864**	125,690
Market value	**78,159**	132,077
Fair value	**10,705**	(6,387)

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Copper futures contracts (continued)

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Purchase contracts		
Volume (tonne)	**3,735**	1,065
Notional contract value	**179,413**	61,155
Market value	**172,669**	63,433
Fair value	**(6,744)**	2,278
	3,961	(4,109)
Contract maturity months	**August, September October, November, December 2010 and January 2011**	January, February March, April and May 2010

As at 30 June 2010, copper futures contracts designated as fair value hedges to inventories with unrealised gains of RMB 10,705,000 (2009: RMB 6,387,000) arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the year.

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2010, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised gain of RMB 5,095,000 (31 December 2009: RMB 121,000) arising from the changes in fair value of these derivative instruments are included in equity. Such unrealised gains are expected to be transferred to profit or loss when the designated forecast transactions occur. The unrealised loss assessed as ineffective of RMB 1,649,000 (31 December 2009: a gain of RMB 2,157,000) is recognised in the profit or loss for the period.

Copper option contracts

For copper option contracts that meet the requirements for hedge accounting, the Group's policy to designate the related derivative as a fair value hedge.

Nominated principal and relative terms of copper option contracts:

	As at 30 June 2010			
	Nominated principal USD'000	Exercise price USD'000	Premium RMB'000	Fair value RMB'000
Sell a call	$8,063	$8.27/tonne	2,003	1,666

Copper option contracts of the Group were designated as hedging to inventories and will be expired in September and October 2010.

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 2010 (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	6.7665	6.7747	(12,000)	(98)
3 to 6 months	6.7302	6.7514	(24,000)	(508)
6 months to 1 year	6.7390	6.7209	(12,000)	217
			(48,000)	(389)
Sell RMB/Buy US$				
Less than 3 months	6.7113	6.7852	12,000	888
3 to 6 months	6.6341	6.7649	24,000	3,138
6 months to 1 year	6.6315	6.7209	12,000	1,281
			48,000	5,307
			–	4,918

15. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

At 31 December 2009 (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	6.8114	6.8061	(28,300)	150
3 to 6 months	6.8197	6.7988	(39,442)	823
6 months to 1 year	6.7215	6.7669	(21,000)	953
			(88,742)	20
Sell RMB/Buy US$				
Less than 3 months	–	–	–	–
3 to 6 months	–	–	–	–
6 months to 1 year	6.5966	6.7863	18,000	3,414
			18,000	3,414
			(70,742)	3,414

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

An analysis of the pledged deposits is set out below:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Pledged deposits		
– Guarantee deposits for issuance of commercial bills and letters of credit	**279,483**	284,494

17. CASH AND CASH EQUIVALENTS

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

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Cash on hand	**82**	94
Deposits on demand	**275,867**	287,174
Time deposits	**429,583**	245,780
	705,532	533,048
Less: Time deposits with original maturity more than 3 months	**429,583**	245,780
Cash and cash equivalents in the consolidated cash flow statement	**275,949**	287,268

18. BANK LOANS

		30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Current			
Bank loans and borrowings			
– Secured	*(i)*	**1,146,619**	914,615
– Bank advances under discounted bills		**135,493**	86,362
		1,282,112	1,000,977

All bank loans during the period, on which interest was payable at fixed rates that ranged from 1.28% to 5.31% per annum (for the year ended 31 December 2009: 0.24% to 5.31%) were repayable within one year.

(i) Current secured bank loans as at 30 June 2010 were secured by the Group's buildings with a carrying amount of RMB 85,198,000 (31 December 2009: RMB 86,485,000), and land use rights with carrying amounts of RMB30,927,000 (31 December 2009: RMB 31,346,000).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 30 June 2010 were secured by the Group's pledged deposits and certain machinery, equipment and tools with carrying amounts of RMB 151,046,000 (31 December 2009: RMB157,977,000).

19. TRADE AND OTHER PAYABLES

		30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Trade creditors	*(i)*	**849,651**	542,603
Bills payable	*(ii)*	**244,313**	400,109
		1,093,964	942,712
Non-trade payables and accrued expenses		**77,900**	48,715
Other taxes payable		**12,964**	(5,125)
		1,184,828	986,302

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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Due within 3 months or on demand	**983,168**	796,643
Due after 3 months but within 6 months	**108,422**	145,225
Due after 6 months but within 1 year	**1,866**	111
Due after 1 year but within 2 years	**29**	127
Due after 2 years	**479**	606
	1,093,964	942,712

19. TRADE AND OTHER PAYABLES (CONTINUED)

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

(ii) As at 30 June 2010, certain bills payable outstanding were secured by the Group's machinery, equipment and tools with carrying amounts of RMB151,046,000 (31 December 2009: RMB157,977,000).

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 2010	(138)	8,196	15,461	(124)	2,686	26,081
Credited to profit or loss	219	–	8,211	–	(2,215)	6,215
Credited to reserves	1,483	–	–	251	–	1,734
At 30 June 2010 (unaudited)	1,564	8,196	23,672	(127)	471	34,030

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.

(Expressed in Renminbi Yuan)

21. SHARE CAPITAL AND RESERVES

(a) Share capital

	30 June 2010 (unaudited)		31 December 2009 (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	596,158,000	5,961,580	596,618,000	5,966,180
Shares repurchased	–	–	(460,000)	(4,600)
At 30 June/31 December	596,158,000	5,961,580	596,158,000	5,961,580
		RMB equivalent		RMB equivalent
		5,961,580		5,961,580

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 2009	213,077	386,600	26,259	(855)	(35,056)	(38,562)	551,463
Loss for the period	–	–	–	–	–	(28,148)	(28,148)
Total other comprehensive income	–	–	–	37	36,217	–	36,254
Share Repurchase	(93)	–	–	–	–	–	(93)
At 30 June 2009 (unaudited)	212,984	386,600	26,259	(818)	1,161	(66,710)	559,476
At 1 January 2010	213,003	386,600	26,259	(745)	440	783	626,340
Profit for the period	–	–	–	–	–	47,526	47,526
Total other comprehensive income	–	–	–	499	8,046	–	8,545
At 30 June 2010 (unaudited)	213,003	386,600	26,259	(246)	8,486	48,309	682,411

22. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2010 not provided for in the consolidated interim financial report are as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Contracted	**3,162**	–

(b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases in respect of property are payables as follows:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Less than one year	**319**	620
Between one and two years	**67**	9
Between two and three years	**4**	2
	390	631

For the six months ended 30 June 2010 the Group leased a number of properties under operating lease. None of the leases includes contingent rentals.

23. RELATED PARTY TRANSACTIONS

(a) No related party transactions were identified during the six months ended 30 June 2010 and 2009.

23. RELATED PARTY TRANSACTIONS

(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:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**2,495**	2,495

(c) 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 2010, there was no material outstanding contribution to post-employment benefit plans.

24. COMPARATIVE FIGURES (CONTINUED)

As a result of the application of IFRS 8, Operating segments, certain comparative figures have been adjusted to conform to current period's presentation.

25. SUBSEQUENT EVENT

On 7 June 2010, Winsino Investments Limited, a wholly-owned subsidiary of the Company ("the Purchaser"), Advanced Mode Limited ("the Vendor") and Mr. Lo Kai Bong ("the Vendor's Guarantor") entered into a Sale and Purchase Agreement, whereby the Purchaser has conditionally agreed to purchase the entire issued share capital, together with the assignment of a RMB60,000,000 Sale Loan of Liang Hui Holdings Limited for a total consideration of HK$96,000,000. The Consideration would be settled by way of the issue of promissory note in the principal amount equivalent to HK$96,000,000 by the Purchaser. At the Extraordinary General Meeting of the Company held on 14 July 2010, the Ordinary Resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder was duly passed by the Shareholders as an ordinary resolution by way of poll.

COMPARISON OF KEY FINANCIAL FIGURES FOR TWO PERIODS

Unit: RMB'000 **For the six months ended 30 June**

	2010	2009	Percent Increase/ (Decrease)
Revenue	**3,495,626**	1,735,698	101%
Gross profit	**117,773**	27,457	329%
Profit from operations	**77,774**	4,024	1833%
Profit/(loss) before taxation	**47,966**	(26,381)	282%
Profit/(loss) for the period	**47,526**	(28,148)	269%

TURNOVER BY PRODUCTS

Unit: RMB'000 **For the six months ended 30 June**

	2010		2009		Increase/(decrease)	
	Amount	**%**	Amount	%	Amount	%
Sales of bare copper wires	**2,507,189**	**71.72%**	1,279,338	73.71%	1,227,851	95.98%
Sales of magnet wires	**981,010**	**28.06%**	442,703	25.51%	538,307	121.60%
Processing services	**7,427**	**0.21%**	13,657	0.79%	(6,230)	(45.62%)
Total	**3,495,626**	**100.00%**	1,735,698	100.00%	1,759,928	101.40%

TURNOVER BY GEOGRAPHICAL REGION

Unit: RMB'000 **For the six months ended 30 June**

	2010		2009		Increase/(decrease)	
	Amount	**%**	Amount	%	Amount	%
Sales within China	**1,298,180**	**37.14%**	696,468	40.13%	601,712	86.39%
Sales outside China*	**2,197,446**	**62.86%**	1,039,230	59.87%	1,158,216	111.45%
Total	**3,495,626**	**100.00%**	1,735,698	100.00%	1,759,928	101.40%

* including indirect and direct export sales

FINANCIAL REVIEW

Turnover

For the six months ended 30 June 2010, the turnover of the Group amounted to RMB3,495,626,000 (six months ended 30 June 2009: RMB1,735,698,000), an increase of 101.40% as compared with the last corresponding period. The increase in the Group's revenue was due to the higher international copper price and growth of market demand. For example, the average LME copper price for the six months ended 30 June 2010 was US$7,130 per tonnes as compared to US$4,045 per tonnes for the six months ended 30 June 2009, representing an increase of US$3,085 per tonnes or 76%.

Turnover of bare copper wires and magnet wires was RMB2,507,189,000 and RMB981,010,000 respectively whereas the revenue of processing services was RMB7,427,000. Turnover of bare copper wires and magnet wires accounted for 71.72% and 28.06% of the total turnover of the Group respectively.

Gross profit

For the six months ended 30 June 2010, the gross profit was RMB117,773,000 (six months ended 30 June 2009: RMB27,457,000), representing an increase of approximately RMB90,316,000. When compared with the corresponding period of 2009, the gross profit of magnet wires and bare copper wires increased by approximately RMB10,118,000 and RMB84,461,000 respectively. This was due to increase of sales volume of the Group and enhanced margins.

Other net income/(loss)

For the six months ended 30 June 2010, the Group recorded other net income of RMB2,198,000 (six months ended 30 June 2009: other net loss of RMB3,150,000). The income was mainly attributable to net foreign exchange gain of RMB237,000 (six months ended 30 June 2009: net foreign exchange loss of RMB5,950,000). The Group used foreign exchange forward contracts to hedge against the foreign exchange exposures arising from the appreciation of Renminbi. As at 30 June 2010, the Group record gain on foreign exchange forward contracts of RMB1,209,000 (six months ended 30 June 2009: RMB2,378,000).

Finance costs

For the six months ended 30 June 2010, financial costs were approximately RMB30,002,000 (six months ended 30 June 2009: RMB28,105,000), representing an increase of RMB1,897,000. Financial costs of the Group were mainly applied in the payment of letters of credit and the repayment of short-term loans. The increase in financial costs for the period was mainly because: (i) the average copper price increased by nearly 76% when compared with the corresponding period of 2009, resulting in an increase in the amount related to letters of credit when compared with the corresponding period of 2009; (ii) the lower rates of inward and outward bills and loans.

Profit/(Loss) for the period

For the six months ended 30 June 2010, the net profit was approximately RMB47,526,000 (six months ended 30 June 2009: a loss of RMB28,148,000), representing an increase of RMB75,674,000.

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 2010, the Group maintained cash and cash equivalents amounted to RMB275,949,000 (31 December 2009: RMB287,268,000). The short term bank borrowing as at 30 June 2010 amounted to RMB1,282,112,000 (31 December 2009: RMB1,000,977,000), representing an increase of RMB281,135,000. As at 30 June 2010, the Group's current ratio was 107.58% (31 December 2009: 106.43%), 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 9.39% (31 December 2009: 6.99%).

Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper cathodes amounted to RMB279,483,000 as at 30 June 2010 (31 December 2009: RMB284,494,000), decreased by 1.76%. 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 goods sold and pays, US dollar and Renminbi for raw materials purchased. For the six months ended 30 June 2010, approximately 60.10%, 2.76% and 37.14% of the Group's turnover were denominated in US dollar, Hong Kong dollar and Renminbi, while approximately 63% and 37% of the Group's purchases were denominated in US dollar and Renminbi. For the six months ended 30 June 2010, the Group had a net foreign exchange gain of RMB237,000 (30 June 2009: a loss of RMB5,950,000).

The Group uses copper futures contracts to hedge its exposure against copper price fluctuations and foreign exchange forward contracts to hedge its exposure against foreign exchange fluctuations.

Pledged of assets

In order to obtain bank loans for working capital, certain Group's assets are pledged for the issuance of letters of credit and commercial bills. The carrying amount of the Group's assets pledged are as follows:

Assets	**30 June 2010 RMB'000**	31 December 2009 RMB'000	Purpose
Buildings	**85,198**	86,485	Bank loans
Land use rights	**30,927**	31,346	Bank loans
Pledged deposits	**279,483**	284,494	Letters of credits and commercial bills
Machinery, equipment and tools	**151,046**	157,977	Letters of credits and commercial bills
Total	**546,654**	560,302	

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 2010, 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	69,517	66,625
Repayment of short-term borrowings	44,000	44,000	-
General working capital	22,076	22,076	-
Total	220,762	154,137	66,625

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 2010 was 105.56% (31 December 2009: 67.88%). The current ratio (calculated as current assets divided by current liabilities) as at 30 June 2010 was 107.58% (31 December 2009: 106.43%). The Group continued to monitor debts in line with a 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 was 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 2010 and the year of 2009:

	Six months ended 30 June 2010 RMB'000	Year ended 31 December 2009 RMB'000
Buildings	–	-
Machinery, equipment and tools	902	1,450
Dies and moulds	857	1,020
Motor vehicles and other fixed assets	238	403
Construction in progress	1,126	16,711
	3,123	19,584

Material acquisition and disposal of subsidiaries or associated companies

On 7 June 2010, Winsino Investments Limited, a wholly-owned subsidiary of the Company ("the Purchaser"), Advanced Mode Limited ("the Vendor") and Mr. Lo Kai Bong ("the Vendor's Guarantor") entered into a Sale and Purchase Agreement, whereby the Purchaser has conditionally agreed to purchase the entire issued share capital, together with the assignment of a RMB60,000,000 Sale Loan of Liang Hui Holdings Limited for a total consideration of HK$96,000,000. The Consideration would be settled by way of the issue of promissory note in the principal amount equivalent to HK$96,000,000 by the Purchaser. At the Extraordinary General Meeting of the Company held on 14 July 2010, the Ordinary Resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder was duly passed by the Shareholders as an ordinary resolution by way of poll.

Significant investments

The Group has no significant investments held as at 30 June 2010.

Employees and remuneration policies

As at 30 June 2010, the Group employed 978 full-time employees (31 December 2009: 922). 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 conforms to the remuneration package of the executive Directors.

Commitments

(a) Capital commitments outstanding at 30 June 2010 not provided for in the consolidated interim financial report are as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Contracted, but not provided:		
Acquisition of plant, machinery and equipment	**3,162**	–

Commitments (Continued)

(b) At 30 June 2010, the total future minimum lease payments under non-cancellable operating leases in respect of property were payables as follows:

	30 June 2010 RMB'000	31 December 2009 RMB'000
Less than one year	**319**	620
Between one and two years	**67**	9
Between two and three years	**4**	2
	390	631

For the six months ended 30 June 2010, the Group leased a number of properties under operating leases. None of the leases includes contingent rentals.

Contingent liabilities

As at 30 June 2010, there were no significant contingent liabilities (31 December 2009: Nil).

INTERIM DIVIDEND

The Directors resolved not to declare an interim dividend for the six months ended 30 June 2010 (for the six months ended 30 June 2009: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

BUSINESS REVIEW

Growth of sales of bare copper wires and magnet wires

In the first half year, due to the effect of the active fiscal measures put forward by different countries and the higher copper price and growth of market needs, the sales volume of bare copper wire for the six months ended 30 June 2010 was 49,828 tonnes (six months ended 30 June 2009: 42,038 tonnes), representing an increase of 7,790 tonnes; the sales volume of magnet wire for the six months ended 30 June 2010 was 17,714 tonnes (six months ended 30 June 2009: 11,251 tonnes), representing an increase of 6,463 tonnes. Meanwhile, the processing service volume of bare copper wires decreased from 19,433 tonnes for the six months ended 30 June 2009 to 13,863 for the six months ended 30 June 2010, decreased by 5,570 tonnes.

For the six months ended 30 June 2010, the turnover of the Group amounted to RMB3,495,626,000 (six months ended 30 June 2009: RMB1,735,698,000), an increase of 101.40% as compared with the last corresponding period. The increase in the Group's revenue was due to the sales volume of bare copper wires and magnet wires increased 26.75% as compared with the last corresponding period and the higher international copper price in 2010. For example, the average LME copper price for the six months ended 30 June 2010 was US$7,130 per tonnes as compared to US$4,045 per tonnes for the six months ended 30 June 2009, representing an increase of US$3,085 per tonnes or 76%.

Copper processing service cost increased and reduced the business of commissioned processing service

The commissioned processing service of bare copper wires of the Group in the first half year was affected by increase in copper processing costs, and customers turning to lower processing costs of copper rods. The sales volume of processing services for the six months ended 2010 was 13,863 tonnes, a decrease of 5,570 tonnes as compared with the last corresponding period, the revenue of processing services also decreased to RMB7,427,000 for the six months ended 30 June 2010 from RMB13,657,000 of 2009.

BUSINESS OUTLOOK

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

Marketing enhancement plan of domestic market

The Group will fully leverage on the growth of domestic sales in China and the recovery of the international market to capture emerging market opportunities, enhance domestic market marketing management, identify new clients and boost the sales volume for the sake of enhancing the competitiveness of the Group. The Group will work more closely with clients of automobile magnet wires and internationally-renowned major clients of high frequency resistant magnet wires.

New product development plan

In order to enhance the profitability of the Group, we will actively develop high value-added downstream bare copper wire products. We will also develop green energy industry-related products with our high quality bare copper wires and sophisticated processing technologies to meet market demand in the future.

Production management and man power quality enhancement plans

The Group will continue to enhance its production management and the quality of man power in the second half year of 2010 to upgrade the production management efficiency and decrease the unit labour cost in order to strengthen the profitability of the Group. The Group plans to devote efforts to refined production plans. At the same time, the Group will devote further efforts to its safety management, energy saving, consumption reduction and environmental friendly production to enhance the overall competitiveness of the Group.

Energy saving and consumption reduction intensification

The Group will continue to carry out equipment modification projects and we have been working hard to implement energy saving and consumption reduction measures in the hope that we can further initiate projects in these areas.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2010, 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 of Hong Kong Limited (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 Listing 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 2010, so far as is known to the Directors 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 as recorded in the register of the Company required to be kept under section 336 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 members 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	195,487,000	32.79 (Note1)
Tai-I Electric Wire & Cable Co., Ltd ("Taiwan Tai-I")	Interest through controlled corporation	195,487,000	32.79 (Note1)
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)
Sumitomo Corporation	Interest through controlled corporation	34,418,000	5.77

Notes:

1. Taiwan Tai-I owns approximately 87.03% of the issued share capital of Tai-I (BVI).
2. The entire issued share capital of First Sense is owned by AIF.
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 2010, 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 2010.

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, the Company confirmed that all Directors have complied with the required standards as set out in the Model Code during the six months ended 30 June 2010.

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 2010.

AUDIT COMMITTEE

The Audit Committee of the Company comprises five independent non-executive Directors, 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 2010 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, 9 August 2010