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)

2010
ANNUAL REPORT

Contents

Financial Highlights

Comparison of Key Financial Figures for Two Years

Unit: RMB'000	For the year ended 31 December **2010**	 2009
Continuing Operations		
Turnover	**39,522**	—
Gross profit	**13,136**	—
Profit/(loss) before taxation	**659**	(5,295)
Loss from continuing operations	**(285)**	(5,295)
Profit from discontinued operations	**77,498**	44,640
Profit for the year	**77,213**	39,345

Corporate Information

Board of Directors

Executive Directors

King Pak Fu *(Chairman)*
Tsang To
Lo Kai Bong

Independent Non-executive Directors

Lam Ting Lok
Hu Gin Ing
Zhang Xiaoman

Company Secretary

Chan Yuen Ying, Stella *ACIS, ACS, HKIoD*

Authorised Representatives

Tsang To
Chan Yuen Ying, Stella *ACIS, ACS, HKIoD*

Audit Committee

Lam Ting Lok *(Chairman)*
Hu Gin Ing
Zhang Xiaoman

Remuneration Committee

Tsang To *(chairman)*
Lam Ting Lok
Hu Gin Ing
Zhang Xiaoman

Nomination Committee

Lo Kai Bong *(chairman)*
Lam Ting Lok
Hu Gin Ing
Zhang Xiaoman

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 Share Registrar and Transfer Office

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

The Bank of East Asia Limited

Stock Code

1808

Chronological of Events in 2010

1. In September 2010, the acquisition of interests in Liang Hui Holdings Limited and its subsidiaries ("Liang Hui Group") which are mainly engaged in the sale and provision of integrated business software solutions in the People's Republic of China (the "PRC").

2. In November 2010, Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper") was accredited as a National Import & Export Quality Integrity Enterprise by CIQA China Entry-Exit inspections and Quarantine Association (a total of 83 enterprises in Guangdong Province accredited).

3. In December 2010, Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") was accredited as one of the Top Ten Industrial Growth Enterprises in Guangzhou Development Zone by the Government of Guangzhou Development Zone.

4. In December 2010, the Company and its subsidiaries ("the Group") completed restructuring and the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interests in the bare copper wires and magnet wires business) to Tai-I International (Bermuda) Limited ("Tai-I Bermuda"), a wholly-owned subsidiary of the Company.

   Following the completion of the distribution in specie of the shares of Tai-I Bermuda by the Company to its shareholders on 11 February 2011 ("Distribution in Specie"), Tai-I Bermuda ceased to be a subsidiary of the Company.

Biographies of Directors

Executive Directors

Mr. King Pak Fu (景百孚), aged 40, was appointed as an executive Director and the Chairman of the Company on 18 February 2011 and 12 March 2011 respectively. He is also a director of certain subsidiaries of the Company. Mr. King is experienced in property development and corporate management. He is currently the managing director of 昂展投資諮詢有限公司 (Advanced Investment Holdings Limited), a private company established under the laws of the PRC with limited liability and 90% equity interest of which is owned by Mr. King. Mr. King does not hold any directorship in any public listed companies in the last three years. Mr. King is interested in 604,355,000 shares of the Company held through Affluent Start Holdings Investment Limited ("Affluent Start"), in which he is its sole beneficial owner and sole director. Save as disclosed above, Mr. King does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO").

Save as disclosed above, Mr. King does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Mr. King has no fixed term of service with the Company but will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "Articles"). The appointment of Mr. King can be terminated by one month's advance notice in writing by either party. Mr. King is entitled to a director's remuneration of HK$600,000 per annum which is determined by the Board with reference to the recommendation of the remuneration committee of the Company (the "Remuneration Committee") based on his qualifications, experience and duties and responsibilities in the Group.

Mr. Tsang To (曾濤), aged 35, was appointed as an executive Director on 18 February 2011. He is also the chairman of the Remuneration Committee and a director of a subsidiary of the Company. Mr. Tsang is a partner of a PRC law firm. Mr. Tsang holds a bachelor's degree in laws from Xiamen University (廈門大學) and a master's degree in laws from the University of London. He is admitted as a solicitor to the High Court of Hong Kong as well as a PRC qualified lawyer. Mr. Tsang is currently an independent director of THT Heat Transfer Technology Inc. (Stock Code: THTI), a company listed on the NASDAQ Stock Market. Save as disclosed above, Mr. Tsang does not hold any directorship in any public listed companies in the last three years. Mr. Tsang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Tsang does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Tsang has no fixed term of service with the Company but will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. The appointment of Mr. Tsang can be terminated by one month's advance notice in writing by either party. Mr. Tsang is entitled to a director's remuneration of HK$600,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

Mr. Lo Kai Bong (盧啟邦), aged 31, was appointed as an executive Director on 30 March 2011. He is also the chairman of the nomination committee of the Company (the "Nomination Committee") and a director of certain subsidiaries of the Company. Mr. Lo was a director of Telecom Business during the period from 2003 to 2009 and the senior vice president of CEC Telecom Co., Ltd. (a wholly-owned subsidiary of Qiao Xing Mobile Communication Co., Ltd. (NYSE: QXM)) during the period from 2005 to 2009. He holds a bachelor degree in arts from The University of Winnipeg in Canada. Mr. Lo does not hold any directorship in any public listed companies in the last three years. He does not have any interest in the shares of the Company within the meaning of Part XVof the SFO.

Biographies of Directors

Mr. Lo does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Lo has no fixed term of service with the Company but will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. The appointment of Mr. Lo can be terminated by one month's advance notice in writing by either party. Mr. Lo is entitled to a director's remuneration of HK$600,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

Independent Non-Executive Directors

Mr. Lam Ting Lok (林庭樂), aged 38, was appointed as an independent non-executive Director on 12 March 2011. He is also the chairman of the audit committee of the Company ("Audit Committee") and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Lam has over 15 years' experience in the accounting and financial industry. He has extensive experience in IPO, M&A, fund raising and corporate advisory. He started his career in an international audit firm in 1995 and then devoted himself in the corporate finance and fund management fields since 2000. He holds a bachelor's degree in Business Administration from The Chinese University of Hong Kong. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a charterholder of the Chartered Financial Analyst. Mr. Lam does not hold any directorship in any public listed companies in the last three years. Mr. Lam does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Lam does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Lam entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. The appointment of Mr. Lam can be terminated by two months' advance notice in writing by Mr. Lam or by one month's advance notice in writing by the Company. Mr. Lam is entitled to a director's remuneration of HK$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

Ms. Hu Gin Ing (胡競英), aged 52, was appointed as an independent non-executive Director on 12 March 2011. She is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Ms. Hu has been the chief executive officer of Pacific Global Management Asia Limited since January 2011. She holds a master degree in business administration from Florida International University, United States of America ("U.S.A."), a master degree in sciences from Barry University, U.S.A. and a bachelor degree from National Taiwan University, major in foreign language. Ms. Hu is a member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants in the State of Maryland, U.S.A.. Ms. Hu has been a director of NHL CPA Ltd., Hong Kong since January 2005. She has also been a director of GigaMedia Limited (shares of which are traded on NASDAQ in U.S.A. under the ticker symbol of GIGM) since July 2003. She had over 15 years of experience in accounting and finance. Save as disclosed above, Ms. Hu does not hold any directorship in any public listed companies in the last three years. Ms. Hu does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Ms. Hu does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Ms. Hu entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. The appointment of Ms. Hu can be terminated by two months' advance notice in writing by Ms. Hu or by one month's advance notice in writing by the Company. Ms. Hu is entitled to a director's remuneration of HK$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on her qualifications, experience and duties and responsibilities in the Group.

Mr. Zhang Xiaoman（張小滿）, aged 29, was appointed as an independent non-executive Director on 12 March 2011. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Zhang is a partner of a law firm in China. Mr. Zhang holds a bachelor's degree in laws from Peking University. He is a qualified lawyer in China. Mr. Zhang does not hold any directorship in any public listed companies in the last three years. Mr. Zhang does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Zhang does not have any relationship with any Directors, senior management, substantial or controlling shareholders of the Company. Mr. Zhang entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles. The appointment of Mr. Zhang can be terminated by two months' advance notice in writing by Mr. Zhang or by one month's advance notice in writing by the Company. Mr. Zhang is entitled to a director's remuneration of HK$240,000 per annum which is determined by the Board with reference to the recommendation of the Remuneration Committee based on his qualifications, experience and duties and responsibilities in the Group.

Management Discussion and Analysis

Financial Review

As a result of the acquisition of Liang Hui Group on 10 September 2010, the Group have the following three reportable segments:

- Software business: Provision of integrated business software solutions in the PRC.
- Bare copper wires: The manufacturing and sale of bare copper wires and provision of processing services of copper wires.
- Magnet wires: The manufacturing and sale of magnet wires.

Following the completion of the agreement dated 8 November 2010 entered into between the Company, Tai-I International (BVI) Limited ("Tai-I BVI"), Mr. Hsu Shou-Hsin, Affluent Start and Mr. King Pak Fu in respect of, among others, the acquisition of the aggregate interest of 195,487,000 shares of the Company held by Tai-I BVI, and the subscription by Affluent Start of 210,000,000 shares of the Company, and Distribution In Specie on 11 February 2011, the Group's principal activities being software business providing integrated business software solutions in the PRC as continuing operations ("Software Business"); and Tai-I Bermuda Group continued to carry on the business of manufacture and sale of bare copper wires and magnet wires in the PRC as discontinued operations ("Copper Wires Business").

Turnover

Software Business

From 11 September 2010 to 31 December 2010, the Group recorded a turnover of RMB39,522,000, of which turnover from software maintenance and other services amounted to RMB36,694,000, and turnover from sale of software products and others amounted to RMB2,828,000.

Copper Wires Business

For the year ended 31 December 2010, the revenue of the Group amounted to approximately RMB7,256,079,000 (2009: RMB4,369,621,000), representing an increase of 66% from last year. The increase in the Group's revenue was due to the sales volume of bare copper wires and magnet wires of the Group rose while that of processing services fell and the turnover of the Group increased by RMB2,886,458,000 as a result of the increase in international average copper prices (London Metal Exchange ("LME") annual average copper price rose 46% to USD7,534.78 per tonne in 2010 from USD5,149.71 per tonne in 2009).

Sales volume of bare copper wires of the Group amounted to 102,192 tonnes of 2010, increasing by 15,436 tonnes (or a growth rate of 17.8%) as compared with 86,756 tonnes of 2009; sales volume of magnet wires amounted to 35,303 tonnes of 2010, increasing by 8,814 tonnes (or a increase of approximately 33.3%) as compared with 26,489 tonnes of 2009; volume of processing services amounted to 27,385 tonnes of 2010, decreasing by 8,199 tonnes (or a decrease of 23%) as compared with 35,584 tonnes of 2009.

Revenue of bare copper wires for 2010 recorded at RMB5,264,132,000 (2009: RMB3,166,888,000), increasing by RMB2,097,244,000. Revenue of magnet wires for 2010 recorded at RMB1,977,354,000 (2009: RMB1,178,376,000), representing an increase of RMB798,978,000. However, revenue of processing services of bare copper wires recorded at RMB14,593,000 in 2010 (2009: RMB24,357,000), reducing by approximately RMB9,764,000.

Gross profit

Software Business

From 11 September 2010 to 31 December 2010, the Group recorded a gross profit of RMB13,136,000, of which gross profit from maintenance of software and other services amounted to RMB11,940,000, and gross profit from sale of software products and others amounted to RMB1,196,000.

Copper Wires Business

For the year ended 31 December 2010, the Group recorded a gross profit of RMB211,807,000 (2009: RMB131,416,000), increasing by approximately RMB80,391,000. Gross profit of magnet wires increased by RMB50,575,000 compared with that of 2009; gross profit of bare copper wires increased by RMB36,289,000 compared with that of 2009; gross profit of processing services decreased by RMB6,473,000 compared with that of 2009.

Other revenue

For the year ended 31 December 2010, other revenue of the Group which included in the profit from discontinued operations was approximately RMB14,701,000 (2009: RMB17,541,000). Other revenue mainly represented interest incomes of RMB10,865,000 for the year ended 31 December 2010 (2009: RMB13,291,000), the decrease in interest incomes was mainly due to the decrease in the weighted average balances of time deposits and pledged deposits; and government grants of RMB3,233,000 for the year ended 31 December 2010 (2009: RMB4,008,000).

Other net loss

Other net loss of the Group was approximately RMB6,537,000 (of which, approximately RMB5,183,000 was included in the profit from discontinued operations) for the year ended 31 December 2010 (2009: RMB2,810,000), which was mainly attributable to net loss on foreign exchange of RMB91,000 (net loss on exchange for 2009: RMB8,266,000), net loss on derivative financial instruments — copper futures contracts of approximately RMB10,009,000 (net gain for 2009: RMB589,000), net gain on derivative financial instruments — foreign exchange forward contracts of approximately RMB4,127,000 (net gain for 2009: approximately RMB3,301,000), net loss on derivative financial instruments — put option of approximately RMB1,101,000 (2009: Nil), net loss on change of fair value of the promissory note of approximately RMB150,000 (2009: Nil) and other income such as the sale of scrap copper of RMB1,019,000 (2009: RMB1,730,000).

Finance costs

Finance costs of the Group which included in the profit from discontinued operations for the year ended 31 December 2010 was approximately RMB63,728,000 (2009: RMB48,626,000), representing an increase of approximately RMB15,102,000. The increase in finance costs was mainly due to interest expenses of approximately RMB56,882,000 (2009: RMB43,273,000) which represented an increase of approximately RMB13,609,000. The finance costs of the Group were mainly arising from letters of credit for copper purchase from the international market and short term financing facilities for copper purchase within China. The finance costs of the Group was increased as compared with that of 2009 due to: (1) the financing amount of 2010 was higher than that of 2009 because international copper prices were higher than those in 2009; and (2) the average interest rate of 2010 was also higher than that of 2009. Besides, the issuance fees of letters of credit was recorded at approximately RMB6,846,000 (2009: RMB5,353,000), representing an increase of approximately RMB1,493,000.

Profit for the year

The Group recorded a profit of approximately RMB77,213,000 for the year ended 31 December 2010 versus a profit of RMB39,345,000 in 2009.

Final Dividend

The Board did not recommend a final dividend for the year ended 31 December 2010 (2009: Nil).

Return on Shareholder's Equity

For the year ended 31 December 2010, the Group achieved a profit for the year of RMB77,213,000 (2009: a profit of RMB39,345,000) and a return on shareholders' equity of 10.88% (2009: 6.61%), shareholders' return on shareholders' equity increased by 4.27 basic point from last year.

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 31 December 2010, the Group maintained cash and cash equivalent amounted to RMB222,760,000 (2009: RMB287,268,000). The short term bank borrowing as at 31 December 2010 amounted to RMB1,541,933,000 (2009: RMB1,000,977,000). As at 31 December 2010, the Group current ratio was 129.81% (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 16.61% (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 RMB550,289,000 as at 31 December 2010 (2009: RMB284,494,000), increased by 93%. During 2010, pledged deposits were required by the banks for the issuance of letters of credit and commercial bills.

Foreign Exchange

The Group's revenue is mainly denominated in US dollar, Hong Kong dollar and Renminbi while it pays US dollar and Renminbi for raw materials purchase. For the year ended 31 December 2010, 58.17%, 2.67% and 39.16% of the Group's revenue were denominated in US dollar, Hong Kong dollar and Renminbi, while 60.51% and 39.49% of its payments were denominated in US dollar and Renminbi. For the year ended 31 December 2010, the Group has a net foreign exchange loss of RMB91,000 (2009: a loss of RMB8,266,000).

Pledge of Assets

In order to obtain bank loans for working capital, letters of credit and commercial bills would be transformed into short-term credit loan subsequently. The carrying amount of the Group's assets pledged is as follows:

	As at 31 December		
Assets	**2010**	2009	**Purpose**
	RMB'000	RMB'000	
Buildings	**83,911**	86,485	Bank loans
Land use rights	**30,509**	31,346	Bank loans
Bank deposits	**550,289**	284,494	Letters of credit and commercial bills
Machinery, equipment and tools	**144,320**	157,977	Letters of credit and commercial bills
Total	**809,029**	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 HKD220,762,000. As at 31 December 2010, the net proceeds were utilized in the following manner:

	Per prospectus	**Amount utilised**	**Balance as at 31 December 2010**
	HKD'000	HKD'000	HKD'000
Expansion of production capacity of the Group, of which:			
— Upgrading of existing production facilities	18,544	18,544	—
— Acquisition of new production facilities or related business	136,142	66,394	69,748
Repayment of short-term borrowings	44,000	44,000	—
General working capital	22,076	22,076	—
Total	220,762	151,014	69,748

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

Capital Structure

Prior to the decision to make the Distribution In Specie, the Group adopts a prudent treasury policy, and its net debt-to-adjusted capital ratio (calculated as bank loans less pledged deposits and cash and cash equivalent plus unaccrued proposed dividend then divided by adjusted capital) as at 31 December 2010 was 108.36% (2009: 67.88%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2010 was 129.81% (2009: 106.43%). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected. Following the decision to make the Distribution In Specie, the Group's capital significantly reduced and the objectives, policies and processes for capital management is currently being reviewed by the management.

Capital Expenditure

The Group's capital expenditures were mainly for the acquisition of properties, plant and equipment. The following table shows the Group's capital expenditures for the year ended 31 December 2010 and 2009:

	For the year ended 31 December	
	2010	2009
	RMB'000	RMB'000
Building	**10**	—
Machinery, equipment and tools	**5,700**	1,450
Dies and moulds	**2,114**	1,020
Motor vehicles and other fixed assets	**853**	403
Construction in progress	**2,389**	16,711
	11,066	19,584

Commitments

(i) Capital commitments

The Group has no significant capital commitments as at 31 December 2010.

(ii) Lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2010 **RMB'000**	2009 RMB'000
Less than one year	**1,419**	9
Between one and two years	**826**	9
Between two and three years	**187**	2
	2,432	20

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

Contingent Liabilities

As at 31 December 2010, there was no significant contingent liability (2009: Nil).

Business Review

Software Business

The Group recorded a turnover of RMB39,522,000 for the period from 11 September 2010 to 31 December 2010 due to the continuing growing business in the provision of upgrade and maintenance services for Oracle's database products distributed in the PRC. The Group also provides customized development of applications as a value-added service to customers, and sells self-developed firewall and other software products.

Copper Wires Business

The increase of sales volume of bare copper wires and magnet wires of the Group in 2010 was affected by the growth of China's domestic demand due to the effect of the active economic incentive schemes put forward by the Chinese government and the higher copper price. The sales volume of bare copper wires of the Group rose by 15,436 tonnes to 102,192 tonnes of 2010 from 86,756 tonnes of 2009, representing an increase of 17.8% over 2009; the sales volume of magnet wires rose by 8,814 tonnes to 35,303 tonnes of 2010 from 26,489 tonnes of 2009, representing an increase of 33.3% over 2009.

For the year ended 31 December 2010, the turnover of the Group amounted to RMB7,256,079,000 (2009: RMB4,369,621,000), an increase of 66% as compared with the last year. The increase in the Group's revenue was due to the sales volume of bare copper wires and magnet wires increased 21.4% as compared with 2009 and the higher international copper price. For example, the LME annual average copper price in 2010 was US$7,534.78 per tonne as compared to US$5,149.71 per tonne in 2009, representing an increase of 46%.

Management Discussion and Analysis

The commissioned processing service of bare copper wires of the Group affected by increase of copper processing cost, customers turning to lower processing cost of copper rods. The sales volume of processing services for the year ended 31 December 2010 was 27,385 tonnes, a decrease of 8,199 tonnes as compared with the last corresponding period, the revenue of processing services also decreased to RMB14,593,000 for the year ended 31 December 2010 from RMB24,357,000 of 2009.

Outlook

Following the completion of Distribution in Specie on 11 February 2011, we will focus on our Software Business, the Group is a renowned professional data life service providers in the PRC. We have a large client base in the PRC who use Oracle's databases and an experienced technical team which can provide prompt and effective services.

As demand in the information technology industry in the PRC continues to grow rapidly, the Group will continue to adhere to the concept of data life services development and focus on the development of software maintenance and value-added services in the next two to three years, and explore other markets with huge demand for data management such as health, education, energy and manufacture industries. At the same time, by using on the "cloud" technologies and tools and acquiring Internet Data Center, they will establish a large-scale cloud computing data center base for the self-development and acquire industry-based cloud applications, with the aim to better provide high-efficiency data life services to the users.

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Comprehensive Income Data

	For the year ended 31 December				
	2010	2009 (Restated)	2008 (Restated)	2007 (Restated)	2006 (Restated)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	**39,522**	—	—	—	—
Costs of sales	**(26,386)**	—	—	—	—
Gross profit	**13,136**	—	—	—	—
(Loss)/profit from continuing operations	**(285)**	(5,295)	9,782	(28,818)	—
Profit/(loss) from discontinued operations	**77,498**	44,640	(218,208)	140,323	120,798
Profit/(Loss) for the year	**77,213**	39,345	(208,426)	111,505	120,798
Profit/(Loss) attributable to minority interests	**—**	—	—	—	41,318
Profit/(Loss) for the year attributable to equity holders of the Company	**77,213**	39,345	(208,426)	111,505	79,480
Basic and diluted earnings/(loss) per share (RMB)					
— from continuing and discontinued operations	**0.13**	0.07	(0.35)	0.19	0.18

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Balance Sheet Data

	At 31 December				
	2010	2009	2008	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**33,303**	504,191	511,905	536,674	514,551
Assets classified as held for distribution	**3,223,865**	—	—	—	—
Current assets	**3,281,578**	2,120,493	2,592,768	3,197,723	3,110,353
Liabilities classified as held for distribution	**(2,517,214)**	—	—	—	—
Current liabilities	**(2,528,032)**	(1,992,382)	(2,547,244)	(2,894,454)	(3,081,348)
Net current assets	**753,546**	128,111	45,524	303,269	29,005
Total assets less current liabilities	**786,849**	632,302	557,429	839,943	543,556
Non-current liabilities	**(77,287)**	—	—	(6,598)	(40,000)
Net assets	**709,562**	632,302	557,429	833,345	503,556
Total equity attributable to equity holders of the Company	**709,562**	632,302	557,429	833,345	503,556
Minority interests	**—**	—	—	—	—
Total equity	**709,562**	632,302	557,429	833,345	503,556

	At 31 December				
	2010	2009	2008	2007	2006
Profitability ratios					
Return on shareholder's equity *(note 1)*	**10.88%**	6.61%	(29.97%)	16.68%	27.26%
Return on assets *(note 2)*	**2.37%**	1.37%	(6.10%)	3.03%	3.97%
Liquidity ratios					
Current ratio *(note 3)*	**129.81%**	106.43%	101.79%	110.48%	100.94%
Receivables turnover days *(note 4)*	**53.02**	46.92	44.56	64.15	45.61
Inventory turnover days *(note 5)*	**11.84**	19.03	16.22	19.28	12.01
Payable turnover days *(note 6)*	**45.29**	80.41	64.87	74.35	57.35
Capital adequacy ratios					
Net gearing ratio *(note 7)*	**16.90%**	6.99%	1.74%	(0.79%)	14.38%

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

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

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

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

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

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

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

Corporate Governance Report

The Company is committed to maintain good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in order to enhance the shareholders' value. The board of Directors of the Company (the "Board") emphases on maintaining a quality Board with balance of skill set of directors, better transparency and effective accountability system in order to enhance shareholders' value.

Corporate Governance Practice

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("Listing Rules") as its own code of corporate governance practices.

In the opinion of the Directors, the Company was in compliance with the code provisions set out in the CG Code during the year ended 31 December 2010.

Corporate Governance Framework

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

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

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

Directors' Securities Transactions

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

Having made specific enquiry of all Directors, all the Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2010.

Corporate Governance Report

Board of Directors

The Board currently consists of six Directors including three executive Directors and three independent non-executive Directors:

Executive Directors
Mr. King Pak Fu *(Chairman)*
Mr. Tsang To
Mr. Lo Kai Bong

Independent Non-executive Directors
Mr. Lam Ting Lok
Ms. Hu Gin Ing
Mr. Zhang Xiaoman

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board and has met the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographies of the Directors are set out on pages 5 to 7 under the section headed "Biographies of Directors".

Chairman and Chief Executive Officer
During the year ended 31 December 2010, the posts of the Chairman and the Chief Executive Officer were separately held by two persons with a clear division of responsibilities.

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

Following the resignation of Mr. Huang Cheng-Roang (the former Chairman) and Mr. Lin Chi-Ta (the former Chief Executive Officer) on 12 March 2011, Mr. King Pak Fu was appointed as the Chairman of the Company and the Company has not appointed a chief executive officer. The roles and functions of the chief executive officer have been performed by Mr. King Pak Fu, Mr. Tsang To and Mr. Lo Kai Bong, executive Directors of the Company, collectively. The Board believes that such arrangement is for the benefits of the Group as it enables the three Directors with different expertise to make contributions to the Group.

Non-executive Directors
The three independent non-executive Directors have obtained academic and professional qualifications in respective fields such as accounting, finance and legal. With their experience gained from various sectors, they provide strong support towards effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given a confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules. The three independent non-executive Directors are appointed for a term of one year from 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term, and are subject to retirement by rotation in accordance with the Articles.

Board Meetings

The Company planned in advance four scheduled Board meetings a year at approximately quarterly intervals in order to make sure all Directors could plan in advance their availability to attend the scheduled Board meetings. During the regular meetings of the Board, the Board reviewed the operation and financial performance and reviewed and approved the annual and interim results.

During the year ended 31 December 2010, the Board held 5 meetings. All Directors are given an opportunity to include any matters in the agenda for regular Board meetings, and are given sufficient time to review documents and information relating to matters to be discussed in Board meetings in advance.

Name of Directors	Number of attendance
Executive Directors	
— Mr. King Pak Fu* *(Chairman)*	—/—
— Mr. Tsang To*	—/—
— Mr. Lo Kai Bong**	—/—
— Mr. Huang Cheng-Roang+	5/5
— Mr. Lin Chi-Ta+	5/5
— Mr. Du Chi-Ting+	5/5
— Mr. Huang Kuo-Feng+	5/5
Independent Non-executive Directors	
— Mr. Lam Ting Lok#	—/—
— Ms. Hu Gin Ing#	—/—
— Mr. Zhang Xiaoman#	—/—
— Mr. Kang Jung-Pao+	5/5
— Mr. Cheng Yang-Yi+	5/5
— Mr. Tsay Yang-Tzong+	5/5
— Mr. Yan Minghe+	5/5
— Mr. Atsushi Kanayama+	5/5

* These Directors were appointed on 18 February 2011.

\# These Directors were appointed on 12 March 2011.

** This Director was appointed on 30 March 2011.

\+ These Directors resigned on 12 March 2011, 5 meetings were held during the year.

Board minutes are kept by the Company Secretary and are open for inspection by the Directors. Every member of the Board is entitled to have access to documents and related information of the Board and has unrestricted access to the advice and services of the Company Secretary, and has the liberty to seek external professional advice if so required.

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

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference on 18 December 2006. The Remuneration Committee currently consists of one executive Director, Mr. Tsang To (as chairman), and three independent non-executive Directors, namely Mr. Lam Ting Lok, Ms. Hu Gin Ing and Mr. Zhang Xiaoman.

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

During the year ended 31 December 2010, the Remuneration Committee held 1 meeting for reviewing the remuneration packages of the Directors and senior management.

Name of members	**Number of attendance**
Mr. Tsang To* *(chairman)*	—/—
Mr. Lam Ting Lok**	—/—
Ms. Hu Gin Ing**	—/—
Mr. Zhang Xiaoman**	—/—
Mr. Lin Chi-Ta#	1/1
Mr. Kang Jung-Pao#	1/1
Mr. Cheng Yang-Yi#	1/1
Mr. Tsay Yang-Tzong#	1/1
Mr. Yan Minghe#	1/1
Mr. Atsushi Kanayama#	1/1

* This member was appointed on 18 February 2011.

** These members were appointed on 12 March 2011.

These members resigned on 12 March 2011, 1 meeting was held during the year.

The emolument payable to Directors will depend on their respective contractual terms under the service agreements, if any, and as recommended by the Remuneration Committee. Details of the Directors' remuneration are set out in note 12 to the consolidated financial statements.

Nomination Committee

The Company established the Nomination Committee with written terms of reference on 18 December 2006. The Nomination Committee currently consists of one executive Director, Mr. Lo Kai Bong (as chairman), and three independent non-executive Directors, namely Mr. Lam Ting Lok, Ms. Hu Gin Ing and Mr. Zhang Xiaoman.

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

During the year ended 31 December 2010, the Nomination Committee held 1 meeting to assess the independence of the independent non-executive Directors and the Directors re-elected at the 2010 annual general meeting of the Company before put forth for discussion and approval by the Board, and also reviewed the composition of the Board.

Name of members	Number of attendance
Mr. Lo Kai Bong* *(chairman)*	—/—
Mr. Lam Ting Lok**	—/—
Ms. Hu Gin Ing**	—/—
Mr. Zhang Xiaoman**	—/—
Mr. Lin Chi-Ta#	1/1
Mr. Kang Jung-Pao#	1/1
Mr. Cheng Yang-Yi#	1/1
Mr. Tsay Yang-Tzong#	1/1
Mr. Yan Minghe#	1/1
Mr. Atsushi Kanayama#	1/1

* This member was appointed on 30 March 2011.

** These members were appointed on 12 March 2011.

These members resigned on 12 March 2011, 1 meeting was held during the year.

Corporate Governance Report

Audit Committee

The Company established the Audit Committee with written terms of reference on 18 December 2006. The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman.

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

The Audit Committee meets the external auditor at least two times a year to discuss any area of concern during the audits or review. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual reports.

During the year ended 31 December 2010, the Audit Committee held 2 meetings.

Name of members	Number of attendance
Mr. Lam Ting Lok* *(chairman)*	—/—
Ms. Hu Gin Ing*	—/—
Mr. Zhang Xiaoman*	—/—
Mr. Tsay Yang-Tzong#	2/2
Mr. Kang Jung-Pao#	2/2
Mr. Cheng Yang-Yi#	2/2
Mr. Yan Minghe#	2/2
Mr. Atsushi Kanayama#	2/2

* These members were appointed on 12 March 2011.

\# These members resigned on 12 March 2011, 2 meetings were held during the year.

During the year ended 31 December 2010, the Audit Committee reviewed the annual and interim results of the Group together with the auditor of the Company, which were in the opinion of the Audit Committee that the preparation of such results complied with the applicable accounting standards and the Listing Rules.

Internal Control

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

Auditor's Remuneration

During the year under review, the remuneration paid/payable to the auditor of the Group is set out below:—

Services rendered	**Fee paid/payable**
	RMB'000
Audit services	4,347

Directors' Responsibilities for the Financial Statements

The Board acknowledges its responsibility to prepare the Company's financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 December 2010, the Board has selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Investors' Relations

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. Information of the Company is disseminated to the shareholders in the following manner:

- delivery of the interim and annual reports to all shareholders;

- publication of announcements on the interim and annual results on the Stock Exchange website, and issue of other announcements and shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

- the general meeting of the Company is also an effective communication channel between the Board and shareholders.

Voting by Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. As such, all the resolutions set out in the notice of the forthcoming annual general meeting of the Company ("AGM") will be voted by poll.

Directors' Report

Principal Activities

The Company's principal business is investment holdings. As a result of the acquisition of Liang Hui Group on 10 September 2010, before the completion of the Distribution In Specie on 11 February 2011, its subsidiaries were principally engaged in the provision of integrated business software solution and the production and sale of bare copper wires and magnet wires and provision of processing services. After completion of the Distribution In Specie, the remaining subsidiaries of the Company are principally engaged in the development of computer software and related matters in China.

The Group's revenue is derived solely from the business activities of the subsidiaries in the PRC. An analysis of the Group's revenue for the year ended 31 December 2010 is set out in note 4 to the consolidated financial statements.

Financial Statements

The result of the Group for the year ended 31 December 2010 and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 34 to 108.

Dividends

The Board did not recommend the payment of a final dividend for the year ended 31 December 2010 (2009: Nil).

Distributable Reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB467,784,000 (2009: RMB406,253,000).

Share Capital

Details of the movements in the share capital during the year are set out in note 32 to the consolidated financial statements.

Pre-emptive Rights

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Group Financial Summary

A summary of the results and the assets and liabilities of the Group for the past five financial years is set out on pages 15 to 16 of this report.

Charitable Donations

During the year, the Group made no charitable donations (2009: RMB30,000).

Fixed Assets

Details of movements in fixed assets are set out in note 17 to the consolidated financial statements.

Directors

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

Executive Directors

Mr. King Pak Fu *(Chairman)*	(appointed on 18 February 2011)
Mr. Tsang To	(appointed on 18 February 2011)
Mr. Lo Kai Bong	(appointed on 30 March 2011)
Mr. Huang Cheng-Roang	(resigned on 12 March 2011)
Mr. Lin Chi-Ta	(resigned on 12 March 2011)
Mr. Du Chi-Ting	(resigned on 12 March 2011)
Mr. Huang Kuo-Feng	(resigned on 12 March 2011)

Independent Non-executive Directors

Mr. Lam Ting Lok	(appointed on 12 March 2011)
Ms. Hu Gin Ing	(appointed on 12 March 2011)
Mr. Zhang Xiaoman	(appointed on 12 March 2011)
Mr. Kang Jung-Pao	(resigned on 12 March 2011)
Mr. Cheng Yang-Yi	(resigned on 12 March 2011)
Mr. Tsay Yang-Tzong	(resigned on 12 March 2011)
Mr. Yan Minghe	(resigned on 12 March 2011)
Mr. Atsushi Kanayama	(resigned on 12 March 2011)

In accordance with the Article 86(3), Mr. King Pak Fu, Mr. Tsang To, Mr. Lo Kai Bong, Mr. Lam Ting Lok, Ms. Hu Gin Ing and Mr. Zhang Xiaoman shall retire from office as Directors and, being eligible, offer themselves for re-election at the AGM.

Directors' Service Contracts

Each independent non-executive Director has entered into an appointment letter with the Company on 11 March 2011 for an initial term of one year commencing on 12 March 2011, which is automatically renewable for successive term of one year upon the expiry of the said term. The appointment of each of the independent non-executive Directors can be terminated by two months' advance notice in writing by the respective independent non-executive Director or by one month's advance notice in writing by the Company.

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

Directors' Report

Confirmation of Independence

The Company has received from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are being independent.

Share Option Scheme

The Company has approved the adoption of the 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.

The principal terms of the Scheme are summarized as follows:

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

As at the date of this report, the total number of shares available for issue under the Scheme is 60,000,000 shares, which represents 10.06% of the existing issued shares.

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

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

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

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

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

Details of the Scheme are set out in the Prospectus of the Company dated 28 December 2006. Apart from the Scheme mentioned above, there were no other arrangements to which the Company or its subsidiaries was a party to enable the Directors to acquire such right in any other body corporate.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

Directors' Interests in Contracts

Winsino Investments Limited, a wholly-owned subsidiary of the Company, has entered into a management agreement (the "Management Agreement") on 10 September 2010 with Advance Mode Limited ("Advance Mode"), a company wholly and beneficially owned Mr. Lo Kai Bong, an executive Director of the Company nominated on 30 March 2011, for the appointment of Advance Mode as its management consultant to oversee and operate the business activities of software business of the Group at a consideration as set out in the Management Agreement for a term of 18 months commenced from 10 September 2010 or such other date as stipulated in the Management Agreement.

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

Directors' Interests in Shares

As at 31 December 2010, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the 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 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.

Substantial Shareholders Interests in Shares

As at 31 December 2010, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company
Affluent Start	Beneficial owner	405,487,000	68.02 (Note1)
King Pak Fu	Interest through controlled corporation	405,487,000	68.02 (Note1)
Tai-I BVI	Beneficial owner	195,487,000	32.79 (Note2)
Tai-I Electric Wire & Cable Co., Ltd. ("Taiwan Tai-I")	Interest through controlled corporation	195,487,000	32.79 (Note2)
First Sense International Limited ("First Sense")	Beneficial owner	102,015,000	17.11 (Note3)
AIF Capital Asia III, L.P. ("AIF")	Interest through controlled corporation	102,015,000	17.11 (Note3)
Green Island Industries Limited ("Green Island")	Beneficial owner	67,500,000	11.32 (Note4)
Liu Tianni	Interest through controlled corporation	67,500,000	11.32 (Note4)
Sumitomo Corporation	Beneficial owner	34,418,000	5.77

Notes:

1. The entire issued share capital of Affluent Start is owned by Mr. King Pak Fu. By virtue of entering into the agreement dated 8 November 2010 between the Company, Tai-I BVI, Mr. Hsu Shou-Hsin, Affluent Start and Mr. King Pak Fu in respect of , among others, the acquisition of the aggregate interest of 195,487,000 shares of the Company held by Tai-I BVI, and the subscription by Affluent Start of 210,000,000 shares of the Company, each of Affluent Start and King Pak Fu is deemed to be interested in these 405,487,000 shares of the Company under the SFO.

2. The entire issued share capital of Tai-I BVI is owned by Taiwan Tai-I.

3. The entire issued share capital of First Sense is owned by AIF.

4. The entire issued share capital of Green Island is owned by Ms. Liu Tianni.

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

As at 31 December 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 31 December 2010.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules 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 standard set out in the Model Code during the year ended 31 December 2010.

Connected Transactions

For the year ended 31 December 2010, the Group has the following connected transactions:

(a) On 16 April 2009, the Company entered into a conditional framework agreement ("Framework Agreement") with Taiwan Tai-I in relation to the purchase of high voltage power wires and cables (the "Products") by the Company or entities designated by the Company from Taiwan Tai-I or the party designated by Taiwan Tai-I as supplier. The caps ("Caps") of the purchase of the Products are of HK$380 million from the day (i.e. 2 June 2009) on which the condition precedent of the Framework Agreement is completed to 31 December 2009 and of HK$760 million for each of the two financial years ending 31 December 2011. Pursuant to Chapter 14A of the Listing Rules, the transactions contemplated under the Framework Agreement constitute continuing connected transactions of the Company and is subject to reporting, announcement and independent shareholders' approval requirement. The Framework Agreement, the Caps and the transactions contemplated under the Framework Agreement have been approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 2 June 2009.

    For the year ended 31 December 2010, there was no transaction entered into by the Company for the purchase of the Products under the Framework Agreement.

    The Company and Taiwan Tai-I entered into a termination agreement on 23 December 2010 to terminate the Framework Agreement. The termination agreement had been approved by an ordinary resolution of the shareholders of the Company at the extraordinary general meeting held on 8 February 2011.

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

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

Subsidiaries and Associate

Particulars of the subsidiaries and associate of the Company as at 31 December 2010 are set out in note 20 and note 22 to the consolidated financial statements.

Bank loans

Particulars of bank loans of the Group as at 31 December 2010 are set out in note 28 to the consolidated financial statements.

Directors' Emoluments

Details of the remuneration of the Directors for year 2010 are set out in note 12 to the consolidated financial statements.

Major Customers and Suppliers

Contracts with the Group's five largest suppliers combined by value, accounted for 74% in value of total purchases during the year ended 31 December 2010, while contracts with the Group's largest supplier by value, accounted for 22% in value of total purchases during the year ended 31 December 2010. Contracts with the Group's five largest customers combined by value accounted for 16% in value of the turnover during the year ended 31 December 2010, while contracts with the Group's largest customer by value accounted for 5% in value of the turnover during the year ended 31 December 2010.

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

Human Resources and Staff Remuneration

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

For the year ended 31 December 2010, total staff cost for the year was approximately RMB59,931,000, of which contributions to defined contribution retirement schemes were approximately RMB3,120,000. The Group has been able to retain and motivate outstanding technological and management talents through remuneration at a competitive level, as well as training and development plans.

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

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

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as required under the Listing Rules during the year.

Upon the close of the Listco Offer on 11 March 2011, Affluent Start and the parties acting in concert with it are interested in an aggregate of 645,355,000 shares (representing approximately 80.05% of the total issued share capital and voting rights of the Company as at that day). Therefore, approximately 19.95% of the entire issued share capital of the Company are held by the public. Accordingly, the Company cannot fulfill the minimum public float requirement as set out under Rule 8.08 of the Listing Rules. The Company had made an application to the Stock Exchange for a waiver from strict compliance with Rule 8.08 of the Listing Rules.

Affluent Start has notified the Company that, on 28 March 2011, it has disposed of 41,000,000 shares (representing approximately 5.09% of the entire issued share capital of the Company) to Independent Third Parties on market.

As at 28 March 2011, Affluent Start after the aforesaid disposal, held an aggregate of 604,355,000 shares (representing approximately 74.97% of the existing issued share capital of the Company) and there are 201,803,000 shares (representing approximately 25.03% of the existing issued share capital of the Company) in public hands. Accordingly, the Company has fulfilled the minimum public float requirement under Rule 8.08 of the Listing Rules.

Audit Committee

The Company established the Audit Committee on 18 December 2006 with written terms of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee comprises three independent non-executive Directors of the Company, Mr. Lam Ting Lok (as chairman), Ms. Hu Gin Ing and Mr. Zhang Xiaoman.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2010.

Auditor

The financial statements for the year ended 31 December 2010 have been audited by the Group's auditor, KPMG and an unqualified opinion report was issued on 30 March 2011. A resolution will be submitted to the AGM to reappoint KPMG as auditor of the Company.

On behalf of the Board
Tai-I International Holdings Limited
King Pak Fu
Chairman

Hong Kong, 30 March 2011

Independent Auditor's Report

KPMG

Independent auditor's report to the shareholders of
Tai-I International Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tai-I International Holdings Limited ("the Company") and its subsidiaries (together referred to as "the Group") set out on pages 34 to 108, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

30 March 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000 (Restated (Note 10))
Continuing operations			
Turnover	4	**39,522**	—
Cost of sales		**(26,386)**	—
Gross profit		**13,136**	—
Other net loss	6	**(1,354)**	(16)
Distribution expenses		**(1,989)**	—
General and administrative expenses		**(9,117)**	(5,262)
Other operating expenses	7	**(17)**	(17)
Profit/(loss) before taxation	8	**659**	(5,295)
Income tax expenses	9(i)	**(944)**	—
Loss from continuing operations		**(285)**	(5,295)
Discontinued operations			
Profit from discontinued operations (net of income tax)	10	**77,498**	44,640
Profit for the year	14	**77,213**	39,345
Other comprehensive income for the year (after tax)			
Exchange difference on translation of overseas operations		**1,680**	110
Cash flow hedge: net movement in the hedging reserve		**(1,633)**	35,496
Total comprehensive income for the year attributable to equity holders of the Company		**77,260**	74,951
Basic and diluted earnings/(loss) per share (RMB)			
— from continuing and discontinued operations	16	**0.13**	0.07
— from continuing operations	16	**(0.0005)**	(0.0089)
— from discontinued operations	16	**0.13**	0.07

The notes on pages 40 to 108 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2010

(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	17	**1,640**	428,014
Lease prepayments	18	**—**	31,346
Intangible assets	19	**11,954**	—
Goodwill	21	**19,541**	—
Interest in an associate	22	**—**	18,750
Deferred tax assets	30	**168**	26,081
		33,303	504,191
Current assets			
Inventories	23	**3,321**	211,477
Trade and other receivables	24	**37,287**	1,085,762
Derivative financial instruments	25	**6,430**	5,712
Pledged deposits	26	**—**	284,494
Time deposits	27	**—**	245,780
Cash and cash equivalents	27	**10,675**	287,268
Assets classified as held for distribution	11	**3,223,865**	—
		3,281,578	2,120,493
Current liabilities			
Bank loans	28	**—**	1,000,977
Trade and other payables	29	**7,968**	986,302
Derivative financial instruments	25	**—**	6,387
Income tax payables/(recoverables)	9(iii)	**2,850**	(1,284)
Liabilities classified as held for distribution	11	**2,517,214**	—
		2,528,032	1,992,382
Net current assets		**753,546**	128,111
Total assets less current liabilities		**786,849**	632,302
Non-current liabilities			
Promissory note	31	**77,287**	—
		77,287	—
NET ASSETS		**709,562**	632,302
Capital and reserves			
Share capital	32(b)	**5,962**	5,962
Reserves	32(c)	**703,600**	626,340
Total equity		**709,562**	632,302

Approved and authorised for issue by the board of directors on 30 March 2011.

On behalf of the Board of Directors

King Pak Fu
Director

Tsang To
Director

The notes on pages 40 to 108 form part of these consolidated financial statements.

Statement of Financial Position

At 31 December 2010

(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000
Non-current assets			
Property, plant and equipment	17	—	23
Investment in subsidiaries	20	—	659,630
		—	659,653
Current assets			
Trade and other receivables	24	**304**	202
Cash and cash equivalents	27	**235**	688
Assets classified as held for distribution	20	**687,272**	—
		687,811	890
Current liabilities			
Trade and other payables	29	**1,062**	38
Amount due to a subsidiary		—	35,287
		1,062	35,325
Net current assets /(liabilities)		**686,749**	(34,435)
NET ASSETS		**686,749**	625,218
Capital and reserves			
Share capital	32(b)	**5,962**	5,962
Reserves	32(a)	**680,787**	619,256
Total equity		**686,749**	625,218

Approved and authorised for issue by the board of directors on 30 March 2011.

On behalf of the Board of Directors

King Pak Fu
Director

Tsang To
Director

The notes on pages 40 to 108 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

(Expressed in Renminbi Yuan)

	Attributable to equity holders of the Company							
	Share capital	**Share premium**	**Merger reserve**	**PRC Statutory reserve**	**Exchange reserve**	**Hedging reserve**	**Retained earnings/ (accumu-lated losses)**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	32(a)	32(c)(i)	32(c)(ii)	32(c)(iii)	32(c)(iv)	32(c)(v)		
At 1 January 2009	5,966	213,077	386,600	26,259	(855)	(35,056)	(38,562)	557,429
Profit for the year	—	—	—	—	—	—	39,345	39,345
Cash flow hedges: effective portion of changes in fair value								
— realised portion	—	—	—	—	—	7,837	—	7,837
— unrealised portion (note 25(a))	—	—	—	—	—	121	—	121
— deferred tax debited (note 30)	—	—	—	—	—	(124)	—	(124)
Cash flow hedges: transfer from equity to profit or loss								
— in cost of sales	—	—	—	—	—	27,662	—	27,662
Exchange differences on translation of financial statements of companies outside the PRC	—	—	—	—	110	—	—	110
Shares repurchased	(4)	(74)	—	—	—	—	—	(78)
At 31 December 2009	5,962	213,003	386,600	26,259	(745)	440	783	632,302
At 1 January 2010	**5,962**	**213,003**	**386,600**	**26,259**	**(745)**	**440**	**783**	**632,302**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**77,213**	**77,213**
Cash flow hedges: effective portion of changes in fair value								
— realised portion	**—**	**—**	**—**	**—**	**—**	**29,815**	**—**	**29,815**
— unrealised portion (note 25(a))	**—**	**—**	**—**	**—**	**—**	**(1,561)**	**—**	**(1,561)**
— deferred tax debited (note 30)	**—**	**—**	**—**	**—**	**—**	**(1,908)**	**—**	**(1,908)**
Cash flow hedges: transfer from equity to profit or loss	**—**	**—**	**—**	**—**	**—**	**(27,979)**	**—**	**(27,979)**
Appropriation of PRC statutory reserve	**—**	**—**	**—**	**1,526**	**—**	**—**	**(1,526)**	**—**
Exchange differences on translation of financial statements of companies outside the PRC	**—**	**—**	**—**	**—**	**1,680**	**—**	**—**	**1,680**
At 31 December 2010	**5,962**	**213,003**	**386,600**	**27,785**	**935**	**(1,193)**	**76,470**	**709,562**

The notes on pages 40 to 108 form part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010

(Expressed in Renminbi Yuan)

	Note	**2010 RMB'000**	2009 RMB'000
Operating activities			
Profit/(loss) before taxation from continuing operations		**659**	(5,295)
Profit before taxation from discontinued operations		**84,113**	39,003
Operating profit before taxation		**84,772**	33,708
Adjustments for:			
— Impairment losses for doubtful debts		**9,447**	—
— Impairment loss for stock provision		**1,123**	—
— Depreciation		**30,474**	29,173
— Share of profit of associate		**(416)**	(1,206)
— Amortisation of lease prepayments		**837**	837
— Amortisation of intangible assets		**1,803**	—
— Interest income		**(10,865)**	(13,291)
— Loss on disposal of property, plant and equipment		**349**	164
— Finance costs		**63,728**	48,626
— Unrealised loss on derivative financial instruments		**8,290**	675
— Foreign exchange loss		**7,883**	10,455
Operating profit before changes in working capital		**197,425**	109,141
(Increase)/decrease in inventories		**(31,936)**	19,048
Increase in trade and other receivables		**(410,435)**	(80,680)
Decrease in trade and other payables		**(50,628)**	(149,699)
Decrease in bank advances under discounted bills		**(198,913)**	(54,736)
Cash used in operating activities		**(494,487)**	(156,926)
PRC income tax paid		**(8,066)**	(4,414)
PRC income tax refund received		**—**	5,887
Net cash used in operating activities		**(502,553)**	(155,453)
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(7,293)**	(19,584)
Proceeds from disposal of property, plant and equipment		**57**	—
Proceeds from foreign exchange forward contracts		**2,582**	30,251
Payments in respect of foreign exchange forward contracts		**(206)**	(8,392)
Decrease in time deposits		**27,461**	43,320
Interest received		**8,592**	24,950
Acquisition of subsidiaries	21	**7,771**	—
Net cash generated from investing activities		**38,964**	70,545

The notes on pages 40 to 108 form part of these consolidated financial statements.

Consolidated Cash Flow Statement *(continued)*

For the year ended 31 December 2010

(Expressed in Renminbi Yuan)

	Note	2010 RMB'000	2009 RMB'000
Cash flow from financing activities			
Proceeds from interest-bearing loans and borrowings		**3,792,858**	2,221,354
Repayment of interest-bearing loans and borrowings		**(3,052,989)**	(2,587,944)
Finance costs paid		**(76,673)**	(56,046)
(Increase)/decrease in pledged deposits		**(265,795)**	503,764
Payment for repurchase of shares		**—**	(78)
Net cash generated from financing activities		**397,401**	81,050
Effect of foreign exchange rate changes on cash		**1,680**	110
Net decrease in cash and cash equivalents		**(64,508)**	(3,748)
Cash and cash equivalents at the beginning of year		**287,268**	291,016
Cash and cash equivalents at the end of year	27	**222,760**	287,268
Represented by:			
Continuing operation	27	**10,675**	287,268
Discontinued operation	11	**212,085**	—
		222,760	287,268

The notes on pages 40 to 108 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan)

1. Significant accounting policies

Tai-I International Holdings Limited ("the Company") is a company incorporated in the Cayman Islands as an exempted company with limited liability on 20 April 2006 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 11 January 2007.

On 8 November 2010, the Company's holding company (Tai-I International (BVI) Limited ("Tai-I BVI")), Affluent Start Holdings Investment Limited ("Affluent Start"), Mr. Hsu Shou-Hsin, Mr. King Pak Fu and the Company entered into a share transfer and the subscription agreement (the "Agreement"), pursuant to which Affluent Start agreed to acquire 195,487,000 shares of the Company from Tai-I BVI, representing approximately 32.79% of the then issued share capital of the Company, and subscribe for 210,000,000 new shares at a cash consideration of HK$0.06 per share of the Company, representing approximately 35.23% of the then issued share capital of the Company and approximately 26.05% of the issued share capital of the Company as enlarged by the subscription of new shares. Completion of the Agreement was subject to the completion of a proposal to restructure the Group (the "Group Restructuring").

Pursuant to the Group Restructuring completed on 23 December 2010, the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interests in the bare copper wires and magnet wires business) to Tai-I International Bermuda Co., Ltd. ("Tai-I Bermuda"), a wholly-owned subsidiary of the Company which was incorporated in Bermuda on 9 November 2010, and the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited to Tai-I Bermuda for a consideration of HK$1.00 with the consent of Tai-I Copper (BVI) Limited.

As a result of the completion of the Group Restructuring, (i) the Company's principal activities being software business providing integrated business software solutions in the PRC; and (ii) Tai-I Bermuda and its subsidiaries (the "Tai-I Bermuda Group") continued to carry on the business of manufacture and sale of bare copper wires and magnet wires in the PRC.

Following the completion of the Group Restructuring and the Agreement, the Company proposed to distribute all of its Tai-I Bermuda's shares to the shareholders of the Company on a pro rata basis ("Distribution In Specie"). Completion of Distribution In Specie was subject to an approval by independent shareholders of the Company.

Pursuant to the resolution passed by the independent shareholders in the extraordinary general meeting held on 8 February 2011, the Agreement and Distribution In Specie were approved. On 11 February 2011, the Agreement and Distribution In Specie were completed. As a result, Affluent Start held 405,487,000 shares of the Company and became the holding company of the Company and the shareholders of the Company received the shares of Tai-I Bermuda on the basis of one share of Tai-I Bermuda for one share of the Company held.

Details of the Group Restructuring, the Agreement and Distribution In Specie are set out in a circular of the Company dated 18 January 2011.

1. Significant accounting policies (Continued)

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for the derivative financial instruments which are stated at their fair value, as explained in the accounting policies set out below (see note 1(f)).

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

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

Judgements made by management in the application of IFRS that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 39.

1. Significant accounting policies (Continued)

(c) Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group's loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(d)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(k)(i)), unless the investment is classified as held for sale or held for distribution (or included in a disposal group that is classified as held for sale or held for distribution) (see note 1(v)).

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. An interest in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(e) and 1(k)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

1. Significant accounting policies (Continued)

(d) Associates (Continued)

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

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

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see note 1(d)).

In the Company's statement of financial position, investments in associates are stated at cost less impairment losses (see note 1(k)), unless classified as held for sale or held for distribution (or included in a disposal group that is classified as held for sale or held for distribution) (see note 1(v)).

(e) Goodwill

Good will represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(k)(ii)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

1. Significant accounting policies (Continued)

(f) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as copper futures contracts, copper options contracts and foreign exchange forward contracts to hedge its risks associated with copper price and foreign currency fluctuations. The use of derivative financial instruments is governed by the Group's risk management policies as summarised in note 36, which provide written principles on the use of derivative financial instruments consistent with the Group's risk management strategy. Such derivative instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

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

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

1. Significant accounting policies (Continued)

(f) Derivative financial instruments and hedging (Continued)

Fair value hedges

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

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flow of a highly probable forecast transaction, the effective portion of any gain or loss on remeasurement of the derivative financial instrument to fair value is recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gain or loss is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For cash flow hedges, other than those covered by the preceding two policy statements, the associated gain or loss is removed from equity and recognised in profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised immediately in profit or loss.

(g) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)(ii)):

— buildings held for own use which are situated on leasehold land, where the fair value of the building could be measured separately from the fair value of the leasehold land at the inception of the lease (see note 1(i)); and

— other items of plant and equipment.

1. Significant accounting policies (Continued)

(g) Property, plant and equipment (Continued)

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs (see note 1(u)).

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

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

—	Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion. The estimated useful lives are 40 years.	
—	Machinery, equipment and tools	20 years
—	Dies and moulds	1-2 years
—	Motor vehicles and other fixed assets	3-8 years

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

Construction in progress represents buildings, various plant and equipment under construction and pending installation, and is stated at cost less impairment losses (see note 1(k)(ii)). Cost comprises direct costs of construction as well as interest charges, and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges during the construction period.

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

No depreciation is provided in respect of construction in progress.

(h) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 1 (k)(ii)).

1. Significant accounting policies (Continued)

(h) Intangible assets (Continued)

Other development expenditure is recognised as an expense in the period in which it is incurred. Other intangible assets that are acquired by the group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite and impairment losses (see note 1(k)(ii))).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives, except the customer contracts, which is amortised when the economic benefits of the assets are expected to be consumed. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Firewall patents	10 years
—	Customer relationships	4 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group's intangible assets that are determined to have an indefinite useful life comprise trademarks.

(i) Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and impairment losses (see note 1(k)(ii)). Amortisation is charged to profit or loss on a straight-line basis over the terms of the respective leases.

(j) Operating lease charges

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

1. Significant accounting policies (Continued)

(k) Impairment of assets

(i) Impairment of investment in equity securities and trade and other receivables

Investment in equity securities and other current receivables that are stated at cost are reviewed at each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is determined and recognised as follows:

— For the investment in subsidiaries and an associate (including those recognised using the equity method (see note 1 (d)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

— For current receivables carried at amortised cost, the impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset, where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the carrying amount of the financial assets exceeding that which would have been determined had no impairment loss been recognised in prior years.

1. Significant accounting policies (Continued)

(k) Impairment of assets (Continued)

(ii) Impairment of other assets

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

— property, plant and equipment;
— intangible assets;
— pre-paid interests in leasehold land classified as being held under an operating lease; and
— goodwill

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

— *Calculation of recoverable amount*

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

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan)

1. Significant accounting policies (Continued)

(l) Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated cost necessary to make the sale.

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

(m) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 1(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts (see note 1(k)(i)).

(n) Cash and cash equivalents

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

(o) Trade and other payables

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

1. Significant accounting policies (Continued)

(p) Income tax

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

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

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

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

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

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

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

1. Significant accounting policies (Continued)

(p) Income tax (Continued)

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

(q) Provisions and contingent liabilities

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

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

(r) Revenue recognition

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

(i) Sale of goods

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

(ii) Processing service income

Processing service income is recognised when the related service is rendered.

(iii) Software maintenance services and other services

Software maintenance services and other services are provided in the form of fixed-price contracts. Sales of these services are recognised in the period the services are provided, using a straight-line basis over the term of contract.

(iv) Sales of standard software and hardware

Sales of standard software and hardware are recognised when the Group has delivered the products to customer; the customer has accepted the products and collectability of the related receivables is reasonably assured.

1. Significant accounting policies (Continued)

(r) Revenue recognition (Continued)

(v) Multiple element arrangements

The Group offers certain arrangements whereby a customer can purchase software together with certain of the related maintenance and other services. When such multiple element arrangements exist, the total arrangement consideration is allocated to each element based on their relative fair values, as determined based on the current market price of each of the elements when sold separately. The revenue relating to the service elements, which represent their relative fair value in relation to the fair value of each of the elements in the arrangement, are recognised on a straight-line basis over the service period.

(vi) Interest income

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

(vii) Government grants

Unconditional government grants are recognised in profit or loss when the grants become receivable. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(s) Employee benefits

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

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

(t) Translation of foreign currencies

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

Foreign currency transactions during the year are translated into functional currencies at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

1. Significant accounting policies (Continued)

(t) Translation of foreign currencies (Continued)

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

(u) Borrowing costs

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

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

(v) Non-current assets held for sale or held for distribution and discontinued operations

(i) Non-current assets held for sale or held for distribution

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of the subsidiary are classified as held for sale when the above criteria for classification as held for sale or distribution are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale or held for distribution, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale or held for distribution and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale or held for distribution, would continue to be measured in accordance with the policies set out elsewhere in note 1.

1. Significant accounting policies (Continued)

(v) Non-current assets held for sale or held for distribution and discontinued operations (Continued)

(i) Non-current assets held for sale or held for distribution (Continued)

Impairment losses on initial classification as held for sale or held for distribution, and on subsequent remeasurement while held for sale or held for distribution, are recognised in profit or loss. As long as a non-current asset is classified as held for sale or held for distribution, or is included in a disposal group that is classified as held for sale or held for distribution, the non-current asset is not depreciated or amortised.

A non-current asset (or disposal group) classified as held for sale or held for distribution is presented separately from other assets in the statement of financial position. The liabilities of the disposal group classified as held for sale or held for distribution are presented separately from other liabilities in the statement of financial position. Those assets and liabilities are not offset and presented as a single amount.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the income statement, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(w) Related parties

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

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

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

1. Significant accounting policies (Continued)

(w) Related parties (Continued)

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

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

(v) the party is a close family member of a party referred to in 1(w)(i) or is an entity under the control, joint control or significant influence of such individuals; or

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

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

(x) Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Board of Directors ("Board") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type of class of customers the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation 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 IFRS 5, *Non-current assets held for sale and discontinued operations — plan to sell the controlling interest in a subsidiary*
- Amendment to IAS 39, *Financial instruments: Recognition and measurement — eligible hedged items*
- Improvements to IFRSs (2009)
- IFRIC 17, *Distributions of non-cash assets to owners*

2. Changes in accounting policies (Continued)

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

The amendment to IAS 39 has had no material impact on the Group's financial statements as the amendment and the Interpretation's conclusions 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.

- The impact of the majority of the revisions to IFRS 3, IAS 27 and IFRIC 17 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, a disposal of a subsidiary or a non-cash distribution) 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.

  — Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

2. Changes in accounting policies (Continued)

- 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: (Continued)

  — 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 interests 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.

- 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 end of reporting period 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)

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

- In addition, as a result of the adoption of amendments to IFRS 5, non-current assets (or disposal group) are classified as held for distributions to owners when they are available for immediate distribution in their present condition and the distribution is highly probable.

3. Segment reporting

The Group manages its business by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

Continuing operations:

- Software business: Provision of integrated business software solutions in the PRC.

3. Segment reporting (Continued)

Discontinued operations:

- Bare copper wires: The manufacturing and sale of bare copper wires and provision of processing services of copper wires.

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

(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 prices 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.

3. Segment reporting (Continued)

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

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 year ended 31 December 2010 is set out below.

	Bare copper wires (Discontinued)		Magnet wires (Discontinued)		Software business		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**5,278,726**	3,191,245	**1,977,353**	1,178,376	**39,522**	—	**7,295,601**	4,369,621
Inter-segment revenue	**1,749,533**	989,092	**—**	—	**—**	—	**1,749,533**	989,092
Reportable segment revenue	**7,028,259**	4,180,337	**1,977,353**	1,178,376	**39,522**	—	**9,045,134**	5,358,713
Reportable segment profit (adjusted profit before taxation)	**25,129**	23,755	**56,060**	23,550	**5,639**	—	**86,828**	47,305
Interest income from bank deposits	**9,327**	7,584	**715**	5,675	**17**	—	**10,059**	13,259
Interest expense	**30,471**	20,910	**26,411**	22,363	**—**	—	**56,882**	43,273
Depreciation and amortisation for the year	**11,032**	11,054	**19,691**	18,881	**2,378**	—	**33,101**	29,935
Reportable segment assets	**2,378,787**	2,068,623	**1,222,487**	932,914	**64,338**	—	**3,665,612**	3,001,537
Additions to non-current segment assets during the year	**1,871**	18,140	**8,675**	1,444	**15,975**	—	**26,521**	19,584
Reportable segment liabilities	**2,334,999**	1,840,456	**836,183**	608,992	**9,745**	—	**3,180,927**	2,449,448

3. Segment reporting (continued)

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

	2010 RMB'000	2009 RMB'000
Revenue		
Reportable segment revenue	**9,045,134**	5,358,713
Elimination of inter-segment revenue	**(1,749,533)**	(989,092)
Discontinued operations	**(7,256,079)**	(4,369,621)
Total	**39,522**	—
Profit/(loss) before taxation		
Reportable segment profit before taxation	**86,828**	47,305
Elimination of inter-segment loss/(profits)	**2,508**	(1,910)
Reportable segment profit derived from the Group's external customers	**89,336**	45,395
Share of profit of associate	**416**	1,206
Unallocated head office and corporate expenses	**(4,980)**	(12,893)
Discontinued operations	**(84,113)**	(39,003)
Total	**659**	(5,295)
Assets		
Reportable segment assets	**3,665,612**	3,001,537
Elimination of inter-segment receivables	**(653,968)**	(457,104)
	3,011,644	2,544,433
Interests in associates	**19,166**	18,750
Deferred tax assets	**20,586**	26,081
Unallocated head office and corporate assets	**263,485**	35,420
Total	**3,314,881**	2,624,684
Liabilities		
Reportable segment liabilities	**3,180,927**	2,449,448
Elimination of inter-segment payables	**(653,968)**	(457,104)
	2,526,959	1,992,344
Unallocated head office and corporate liabilities	**78,360**	38
Total	**2,605,319**	1,992,382

4. Turnover

The principal activities of the Group are the provision of integrated business software solutions, manufacturing and sale of bare copper wires and magnet wires and provision of processing services in the PRC.

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

	2010	2009
	RMB'000	RMB'000
Continuing operations		
Software maintenance and other services	**36,694**	—
Sale of software products and others	**2,828**	—
	39,522	—
Discontinued operations		
Sales of bare copper wires	**5,264,132**	3,166,888
Sales of magnet wires	**1,977,354**	1,178,376
Processing services	**14,593**	24,357
	7,256,079	4,369,621

The Group's operations are mostly located in the PRC. During the year, a substantial proportion of the Group's products from discontinued operations were sold to its customers for further processing and eventual export to overseas countries.

5. Other revenue

Discontinued operations

	2010	2009
	RMB'000	RMB'000
Interest income	**10,865**	13,291
Government grants	**3,233**	4,008
Others	**603**	242
	14,701	17,541

Government grants represent unconditional discretionary grants received from local Chinese government authorities in recognition of the Group's contribution to the development of the local economy during the year.

6. Other net loss

Continuing operations

	2010 RMB'000	2009 RMB'000
Net loss on derivative financial instruments (note 25(d))	**(1,101)**	—
Change in fair value of promissory note (note 31)	**(150)**	—
Net exchange loss	**(120)**	(16)
Others	**17**	—
	(1,354)	(16)

Discontinued operations

	2010 RMB'000	2009 RMB'000
Net exchange gain/(loss)	**29**	(8,250)
Gain on sales of scrap materials	**1,019**	1,730
Loss on disposal of property, plant and equipment	**(349)**	(164)
Net (loss)/gain on derivative financial instruments		
— copper futures contracts	**(10,009)**	589
— foreign exchange forward contracts	**4,127**	3,301
	(5,183)	(2,794)

7. Other operating expenses

Continuing operations

	2010 RMB'000	2009 RMB'000
Bank charges	**17**	17
	17	17

Discontinued operations

	2010 RMB'000	2009 RMB'000
Bank charges	**3,230**	1,689
Others	**4,756**	4,019
	7,986	5,708

8. Profit/(loss) before taxation

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

(i) Finance costs

Discontinued operations

	2010 RMB'000	2009 RMB'000
Interest expenses	**56,882**	43,273
Letter of credit charges	**6,846**	5,353
	63,728	48,626

(ii) Staff costs

	Continuing operations		Discontinued operations	
	2010 RMB'000	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Salaries, wages and other benefits	**2,894**	807	**53,917**	41,082
Contributions to defined contribution retirement schemes (note 34)	**62**	—	**3,058**	3,078
	2,956	807	**56,975**	44,160

(iii) Other items

Continuing operations

	2010 RMB'000	2009 RMB'000
Cost of inventories (note 23)	**1,632**	—
Auditors' remuneration — audit services	**1,163**	—
Depreciation	**587**	74
Amortisation of intangible assets	**1,803**	—
Impairment losses for stock	**1,123**	—
Operating lease charges in respect of properties	**1,112**	148

8. Profit/(loss) before taxation (Continued)

(iii) Other items (Continued)

Discontinued operations

	2010 **RMB'000**	2009 RMB'000
Cost of inventories[#] (note 23)	**7,044,272**	4,238,205
Auditors' remuneration — audit services	**3,184**	1,814
Depreciation[#]	**29,887**	29,099
Amortisation of lease prepayments[#]	**837**	837
Impairment losses for doubtful debts	**9,447**	—
Operating lease charges in respect of properties	**1,815**	483

[#] Cost of inventories includes RMB73,978,000 for the year ended 31 December 2010 (2009: RMB59,181,000), relating to staff costs, depreciation and amortisation of lease prepayments, which are included in the respective total amounts disclosed separately above and in note 8(ii) for each of these types of expenses.

9. Income tax (expenses)/credit

(i) Income tax credit in the consolidated statement of comprehensive income represents:

	Continuing operations		**Discontinued operations**	
	2010 **RMB'000**	2009 RMB'000	**2010** **RMB'000**	2009 RMB'000
Current tax-PRC				
Provision for the year	**(1,112)**	—	**(2,860)**	—
Deferred tax				
Origination and reversal of temporary differences (note 30)	**168**	—	**(3,755)**	5,637
	(944)	—	**(6,615)**	5,637

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

No provision for Hong Kong profits tax has been made for the year as the Group does not have assessable profits subject to Hong Kong Profits Tax during the year.

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.

9. Income tax (expenses)/credit (Continued)

(i) Income tax credit in the consolidated statement of comprehensive income represents: (Continued)

According to the Corporate Income Tax Law of the PRC 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") are increasing from 15% to 25% over a five year transitional period, being 20% for 2009, 22% for 2010, 24% for 2011 and 25% from 2012.

Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM") and Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM") are entitled to a preferential income tax rate of 15% for 2010 and 2011 as they were awarded high-tech status by the respective tax authorities.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2010.

(ii) Reconciliation between income tax credit and accounting profit/(loss) at applicable tax rates:

	Continuing operations		**Discontinued operations**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Profit/(loss) before taxation	**659**	(5,295)	**84,113**	39,003
Notional tax on profit/(loss) before tax, calculated at rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (Continuing operations: 2010 and 2009: 25%; Discontinued operations: 2010: 22%, 2009: 20%)	**(165)**	1,324	**(18,505)**	(7,801)
Effect of tax on profit/(loss) in holding companies	**(929)**	(1,324)	**560**	1,921
Effect of share of profit of associate	**—**	—	**92**	241
Effect of non-deductible expenses	**(412)**	—	**(1,043)**	(639)
Effect of additional deduction for qualified expenses	**—**	—	**2,502**	—
Effect of change in tax rate	**—**	—	**477**	11,915
Effect of tax concessions	**562**	—	**—**	—
Recognition of previously unrecognised tax losses	**—**	—	**9,302**	—
	(944)	—	**(6,615)**	5,637

9. Income tax (expenses)/credit (Continued)

(iii) Taxation in the consolidated statement of financial position represents:

	The Group		
	2010		2009
	Continuing operations	Liabilities held for distribution (note 11)	
	RMB'000	RMB'000	RMB'000
At 1 January	—	(1,284)	(2,757)
Provision for income tax for the year	1,112	2,860	—
Acquisition of subsidiaries	1,867	—	—
Amounts (paid)/received	(129)	(7,937)	1,473
At 31 December	2,850	(6,361)	(1,284)

10. Discontinued operations

As a result of the completion of Distribution In Specie as set out in note 1, Tai-I Bermuda Group ceased to be subsidiaries of the Company.

Accordingly, Tai-I Bermuda Group is accounted for as discontinued operations and classified as held for distribution to owners as at 31 December 2010. The comparative statement of comprehensive income in these consolidated financial statements has been re-presented to show the discontinued operations separately from continuing operations.

10. Discontinued operations (Continued)

Results of discontinued operations

	Note	2010 RMB'000	2009 RMB'000
Turnover	4	**7,256,079**	4,369,621
Cost of sales		**(7,044,272)**	(4,238,205)
Gross profit		**211,807**	131,416
Other revenue	5	**14,701**	17,541
Other net loss	6	**(5,183)**	(2,794)
Distribution expenses		**(23,724)**	(18,628)
General and administrative expenses		**(42,190)**	(35,404)
Other operating expenses	7	**(7,986)**	(5,708)
Profit before operations		**147,425**	86,423
Finance costs	8(i)	**(63,728)**	(48,626)
Share of profit of associate	22	**416**	1,206
Profit before taxation		**84,113**	39,003
Income tax (expenses)/credit	9(i)	**(6,615)**	5,637
Profit for the year		**77,498**	44,640

	2010 RMB'000	2009 RMB'000
Cash flows from/(used in) discontinued operations		
Net cash used in operating activities	**(503,524)**	(155,739)
Net cash from investing activities	**37,056**	70,545
Net cash from financing activities	**397,401**	81,128
Net cash flows for the year	**(69,067)**	(4,066)

11. Assets/(liabilities) held for distribution to owners

As set out in notes 1 and 10 to the consolidated financial statements, the Group is committed to distribute its equity interest in the Tai-I Bermuda Group via a Distribution In Specie following the completion of the Group Restructuring and the Agreement. The net assets and attributable goodwill of the Tai-I Bermuda Group at 31 December 2010 were as follow:

	Note	2010 RMB'000
Assets classified as held for distribution		
Property, plant and equipment	17	**408,258**
Lease prepayments	18	**30,509**
Interest in an associate	22	**19,166**
Deferred tax assets	30	**20,418**
Inventories	23	**242,839**
Trade and other receivables	24	**1,498,749**
Derivative financial instruments	25	**23,233**
Pledged deposits	26	**550,289**
Time deposits	27	**218,319**
Cash and cash equivalents	27	**212,085**
		3,223,865
Liabilities classified as held for distribution		
Bank loans	28	**(1,541,933)**
Trade and other payables	29	**(947,979)**
Derivative financial instruments	25	**(33,663)**
Income tax recoverable	9(iii)	**6,361**
		(2,517,214)

12. Directors' remuneration

Details of directors' remuneration are as follows:

Year ended 31 December 2010

Name of directors	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Total RMB'000
Executive directors				
Mr. Huang Cheng Roang	**43**	**458**	**37**	**538**
Mr. Lin Chi Ta	**43**	**671**	**50**	**764**
Mr. Huang Kuo Feng	**43**	**373**	**30**	**446**
Mr. Du Chi Ting	**43**	**379**	**33**	**455**
Independent non-executive directors				
Mr. Kang Jung Pao	**204**	**—**	**—**	**204**
Mr. Cheng Yang Yi	**204**	**—**	**—**	**204**
Mr. Tsay Yang Tzong	**204**	**—**	**—**	**204**
Mr. Yan Ming He	**204**	**—**	**—**	**204**
Mr. Atsushi Kanayama	**204**	**—**	**—**	**204**
Total	**1,192**	**1,881**	**150**	**3,223**

Year ended 31 December 2009

Name of directors	Fee RMB'000	Basic salaries, allowances and other benefits RMB'000	Bonus RMB'000	Total RMB'000
Executive directors				
Mr. Huang Cheng Roang	29	455	28	512
Mr. Lin Chi Ta	14	649	37	700
Mr. Huang Kuo Feng	29	352	26	407
Mr. Du Chi Ting	14	390	21	425
Independent non-executive directors				
Mr. Kang Jung Pao	211	—	—	211
Mr. Cheng Yang Yi	211	—	—	211
Mr. Tsay Yang Tzong	211	—	—	211
Mr. Yan Ming He	211	—	—	211
Mr. Atsushi Kanayama	211	—	—	211
Total	1,141	1,846	112	3,099

12. Directors' remuneration (Continued)

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

	2010	2009
Nil to RMB1,000,000	**9**	9

There were no amounts paid during the year (2009: Nil) to the directors in connection with their retirement from employment with the Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2009: Nil).

13. Individuals with highest emoluments

The five highest paid individuals of the Group include 2 directors of the Company during the year ended 31 December 2010 (2009: 2), whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Group are as follows:

	2010 **RMB'000**	2009 RMB'000
Basic salaries, allowances and other benefits	**2,969**	2,259
Bonus	**112**	17
	3,081	2,276
Number of senior management	**3**	3

The above individuals' emoluments are within the band of Nil to RMB1,000,000.

There were no amounts paid during the year to the five highest paid employees in connection with their retirement from employment with the Group, or inducement to join (2009: Nil).

14. Profit for the year

The consolidated profit for the year attributable to equity holders of the Company includes a loss of RMB3,715,000 (2009: RMB5,295,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2010 RMB'000	2009 RMB'000
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	**(3,715)**	(5,295)
Company's loss for the year (note 32(a))	**(3,715)**	(5,295)

15. Dividends

No dividend has been declared or paid by the Company for the year ended 31 December 2010 (2009: Nil).

16. Basic and diluted earnings/(loss) per share

The calculation of basic and diluted earnings per share for the year ended 31 December 2010 is based on the profit attributable to equity holders of the Company of RMB77,213,000 (2009: RMB39,345,000) and the weighted average of 596,158,000 (2009: 596,246,806) shares in issue during the year, calculated as follows:

(i) Profit attributable to equity shareholders of the Company

	2010 RMB'000	2009 RMB'000
Loss for the year from continuing operations	**(285)**	(5,295)
Profit for the year from discontinued operations	**77,498**	44,640
Profit for the year attributable to equity holders of the Company	**77,213**	39,345

(ii) Weighted average number of shares

	2010 Number of shares	2009 Number of shares
Ordinary shares issued at 1 January	**596,158,000**	596,618,000
Effect of shares repurchased	**—**	(371,194)
Weighted average number of shares at 31 December	**596,158,000**	596,246,806

There were no dilutive potential ordinary shares in issue as at 31 December 2010 (2009: Nil).

17. Property, plant and equipment

The Group

	Buildings RMB'000	Machinery, equipment and tools RMB'000	Dies and moulds RMB'000	Motor vehicles and other fixed assets RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
Cost:						
At 1 January 2009	186,621	444,177	4,366	15,773	223	651,160
Additions	—	1,450	1,020	403	16,711	19,584
Transfer from CIP	—	16,834	—	—	(16,834)	—
Disposals	—	(463)	(3,162)	(113)	—	(3,738)
At 31 December 2009	186,621	461,998	2,224	16,063	100	667,006
At 1 January 2010	186,621	461,998	2,224	16,063	100	667,006
Acquisition of subsidiaries (note 21)	—	688	—	1,010	—	1,698
Additions	10	5,700	2,114	853	2,389	11,066
Transfer from CIP	—	224	—	—	(224)	—
Disposals	—	(13,460)	(1,239)	(856)	—	(15,555)
Classification to assets held for distribution (note 11)	(186,631)	(454,398)	(3,099)	(15,607)	(2,265)	(662,000)
At 31 December 2010	—	752	—	1,463	—	2,215
Accumulated depreciation:						
At 1 January 2009	(36,348)	(163,518)	(2,694)	(10,833)	—	(213,393)
Charge for the year	(4,229)	(21,750)	(1,652)	(1,542)	—	(29,173)
Written back on disposal	—	310	3,162	102	—	3,574
At 31 December 2009	(40,577)	(184,958)	(1,184)	(12,273)	—	(238,992)
Charge for the year	(4,178)	(23,394)	(1,423)	(1,479)	—	(30,474)
Written back on disposal	—	13,163	1,239	747	—	15,149
Classification to assets held for distribution (note 11)	44,755	194,914	1,368	12,705	—	253,742
At 31 December 2010	—	(275)	—	(300)	—	(575)
Net book value:						
At 31 December 2010	**—**	**477**	**—**	**1,163**	**—**	**1,640**
At 31 December 2009	146,044	277,040	1,040	3,790	100	428,014

17. Property, plant and equipment (Continued)

The Company

	Motor vehicles and other fixed assets RMB'000
Cost:	
At 1 January, 31 December 2009 and 2010	358
Accumulated depreciation:	
At 1 January 2009	(261)
Charge for the year	(74)
At 31 December 2009	(335)
Charge for the year	(23)
At 31 December 2010	(358)
Net book value:	
At 31 December 2010	—
At 31 December 2009	23

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

(ii) As at 31 December 2010, buildings with a carrying amount of RMB83,911,000 (2009: RMB86,485,000), were pledged to a bank for certain banking facilities and bank loans (see note 28).

(iii) As at 31 December 2010, machinery, equipment and tools with carrying amounts of RMB144,320,000 (2009: RMB157,977,000), were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term bank loans (see note 28).

18. Lease prepayments

	The Group	
	2010	2009
	RMB'000	RMB'000
At 1 January	**31,346**	32,183
Less: Amortisation	**(837)**	(837)
Classification to assets held for distribution (note 11)	**(30,509)**	—
At 31 December	**—**	31,346

Lease prepayments represent payments for land use rights of two pieces of land situated in the PRC on which the Group's buildings are erected. The two leases run for an initial period of 50 years commencing on 23 May 1997.

As at 31 December 2010 land use rights with a carrying amount of RMB30,509,000 (2009: RMB31,346,000) were pledged to a bank for certain banking facilities and bank loans (see note 28).

19. Intangible assets

	The Group				
	Customer relationships	**Customer contracts**	**Trademarks**	**Firewall patents**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
At 1 January 2009, 31 December 2009 and 1 January 2010	—	—	—	—	—
Acquisition of subsidiaries (note 21)	7,262	3,015	2,815	665	13,757
At 31 December 2010	**7,262**	**3,015**	**2,815**	**665**	**13,757**
Accumulated amortisation					
At 1 January 2009, 31 December 2009 and 1 January 2010	—	—	—	—	—
Amortisation during the year	(557)	(1,090)	—	(156)	(1,803)
At 31 December 2010	**(557)**	**(1,090)**	**—**	**(156)**	**(1,803)**
Net book value					
At 31 December 2010	**6,705**	**1,925**	**2,815**	**509**	**11,954**
At 31 December 2009	—	—	—	—	—

20. Investments in subsidiaries

	The Company 2010 RMB'000	2009 RMB'000
Unlisted shares, at cost	**687,272**	659,630
Classification as assets held for distribution	**(687,272)**	—
	—	659,630

Details of the principal subsidiaries at 31 December 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Indirect %	Registered capital (in thousands)	Principal activities
Continuing operations					
Winsino Investments Limited ("Winsino")	BVI	100%	—	—	Investment Holding
Liang Hui Holdings Limited ("Liang Hui")	BVI	—	100%	—	Investment Holding
Oriental LegendMaker Technology Ltd. ("OLM")	HK	—	100%	HK$10	Investment Holding
Beijing Orient LegendMaker Software Development Co., Ltd. ("Beijing OLM")	PRC	—	100%	RMB60,000	Provision of integrated business software solutions
Chengdu Orient LegendMaker Information Industry Co., Ltd. ("Chengdu OLM")	PRC	—	100%	RMB30,000	Provision of integrated business software solutions
Shanghai Orient LegendMaker Technology Co., Ltd. ("Shanghai OLM")	PRC	—	100%	RMB1,000	Provision of integrated business software solutions

20. Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct	Indirect	Registered capital	Principal activities
		%	%	(in thousands)	
Discontinued operations					
Tai-I Bermuda	Bermuda	100%	—	—	Investment holding
Tai-I Copper (BVI) Limited ("Tai-I Copper (BVI)")	BVI	—	100%	US$25,150	Investment holding
United Development International Limited ("United Development")	BVI	—	100%	US$4,221.50	Investment Holding
Supreme Union Management Limited ("Supreme Union")	HK	—	100%	HK$32,547.70	Investment Holding
Tai-I International (HK) Limited ("Tai-I HK")	HK	—	100%	HK$6,000	Investment holding
Tai-I Jiang Corp	PRC	—	100%	US$44,720	Manufacture and sale of bare copper wires
Tai-I Copper	PRC	—	100%	US$50,760	Manufacture and sale of magnet wires

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

21. Acquisition of subsidiaries and goodwill

On 7 June 2010, Winsino, a wholly owned subsidiary of the Company, Advance Mode Limited and Mr. Lo Kai Bong entered into an agreement, pursuant to which Winsino agreed to acquire the entire issued share capital of Liang Hui and the shareholder loan of RMB60,000,000 advanced by Advance Mode Limited to Liang Hui (the "Acquisition"). Upon the completion of the Acquisition on 10 September 2010, Liang Hui and its subsidiaries ("Liang Hui Group") have become wholly owned subsidiaries of the Company, which are principally engaged in the provision of integrated business software solutions in the PRC.

Details of the Acquisition are set out in a circular of the Company dated 28 June 2010. Mr. Lo Kai Bong was appointed as an executive director of the Company on 30 March 2011.

21. Acquisition of subsidiaries and goodwill (Continued)

The Acquisition has been accounted for under the purchase method. Liang Hui Group has contributed profit before taxation of approximately RMB5,639,000 to the Group for the period from the acquisition date to 31 December 2010. The Company allocated the purchase price to identifiable assets acquired and liabilities assumed based on their estimated far values. Management determined the fair values of the identifiable assets acquired and liabilities assumed based on valuations performed by an independent appraiser. Goodwill of approximately RMB19,541,000 was recognised in respect of the Acquisition. The following table summarises the aggregate purchase price allocation of the fair value of the identifiable assets acquired and liabilities assumed in respect of the Acquisition at the Acquisition date (10 September 2010):

	Identifiable assets acquired and liabilities assumed
	RMB'000
Property, plant and equipment (note 17)	1,698
Intangible assets (note 19) (i)	13,757
Inventories	3,870
Trade and other receivables	46,328
Derivative financial instruments (iii)	7,531
Cash and cash equivalents	7,771
Trade and other payables	(21,492)
Income tax payables	(1,867)
	57,596
Goodwill	19,541
Satisfied by: Promissory note (note 31) (ii)	77,137
Net inflow of cash and cash equivalents in respect of the Acquisition	7,771

(i) Intangible assets arising from the Acquisition mainly represented 1) the brand name of Orient LegendMaker registered in the PRC recognised as trademarks amounting to approximately RMB2,815,000 with an infinite estimated useful life; 2) customer relationships recognised amounting to approximately RMB7,262,000 with an estimated useful life of 4 years; 3) outstanding customer contracts amounting to RMB3,015,000 to be amortised on a revenue-based method; and 4) firewall patents amounting to approximately RMB665,000 with remaining useful life of 1.5 years.

(ii) The consideration for the Acquisition was satisfied by the issuance of an 18 months promissory note with a principal amount of HK$96,000,000. The amount of the promissory note was initially recorded at its fair value on the Acquisition date.

(iii) Derivative financial instruments arising from the Acquisition represented the fair value of a put option granted by Advance Mode Limited to the Company on the Acquisition date. Upon exercise of the put option, the Company is entitled to transfer to Advance Mode Limited all acquired shares and shareholder loans any time on or before the expiry of 18 months from the Acquisition date, and the promissory note issued (note 31) shall be returned to the Company for cancellation.

22. Interest in an associate

	The Group	
	2010	2009
	RMB'000	RMB'000
Share of net assets	**19,166**	18,750
Goodwill arising on acquisition	**10,370**	10,370
	29,536	29,120
Less: Impairment of goodwill	**(10,370)**	(10,370)
	19,166	18,750
Classification to assets as held for distribution (note 11)	**(19,166)**	—
At 31 December	**—**	18,750

The interest in an 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, United Development, held 30% equity interest in JCC-Taiyi as at 31 December 2010.

A summary of financial information based on the audited management accounts of the associate is shown as follows:

2010

	Assets	**Liabilities**	**Revenue**	**Profit after tax**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
100 percent	**459,715**	**(395,830)**	**630,385**	**1,387**
The Group's effective interest	**137,915**	**(118,749)**	**189,116**	**416**

2009

	Assets	Liabilities	Revenue	Profit after tax
	RMB'000	RMB'000	RMB'000	RMB'000
100 percent	345,646	(283,147)	325,782	4,020
The Group's effective interest	103,694	(84,944)	97,735	1,206

23. Inventories

Inventories comprise:

	The Group		
	2010		2009
	Continuing operations	**Assets held for distribution** (note 11)	
	RMB'000	**RMB'000**	RMB'000
Raw materials	**—**	**93,410**	66,968
Work in progress	**—**	**37,308**	33,740
Finished goods	**—**	**105,394**	103,949
Standard software	**4,412**	**—**	—
Low value consumables	**32**	**6,727**	6,820
	4,444	**242,839**	211,477
Less: Stock provision	**(1,123)**	**—**	—
	3,321	**242,839**	211,477

The net realisable value of the majority of the inventories is closely related to the commodity market price for copper.

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

	The Group			
	Continuing operations		**Discontinued operations**	
	2010	2009	**2010**	2009
	RMB'000	RMB'000	**RMB'000**	RMB'000
Carrying amount of inventories sold	**1,632**	—	**7,071,561**	4,263,138
Realised gain on derivative financial instruments	**—**	—	**(27,289)**	(24,933)
	1,632	—	**7,044,272**	4,238,205

24. Trade and other receivables

		The Group 2010 Continuing operations	The Group 2010 Assets held for distribution (note 11)	The Group 2009	The Company 2010	The Company 2009
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	(i)	**17,229**	**682,152**	525,526	**—**	—
Bills receivable (note 28(ii))	(i)	**—**	**360,269**	120,849	**—**	—
		17,229	**1,042,421**	646,375	**—**	—
Deposits and prepayments made to suppliers	(ii)	**16,090**	**344,723**	373,488	**—**	—
Other receivables		**3,968**	**60,922**	33,565	**304**	202
Deposits for derivative financial instruments	(iii)	**—**	**50,683**	32,334	**—**	—
		37,287	**1,498,749**	1,085,762	**304**	202

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

Invoice date	The Group 2010 Continuing operations RMB'000	The Group 2010 Assets held for distribution (note 11) RMB'000	The Group 2009 RMB'000
Within 1 month	**9,756**	**512,776**	357,559
Over 1 month but less than 3 months	**4,400**	**409,164**	213,799
Over 3 months but less than 1 year	**1,982**	**117,132**	55,316
Over 1 year but less than 2 years	**486**	**814**	23,793
Over 2 years	**605**	**28,101**	33,162
	17,229	**1,067,987**	683,629
Less: Impairment losses for doubtful debts	**—**	**(25,566)**	(37,254)
	17,229	**1,042,421**	646,375

24. Trade and other receivables (Continued)

(i) (Continued)

The movement in the allowance for doubtful debts during the year is as follows:

	The Group 2010 Assets held for distribution (note 11) RMB'000	2009 RMB'000
At 1 January	**37,254**	37,254
Impairment loss recognised during the year	**12,498**	3,624
Reversed due to recovery during the year	**(3,051)**	(3,624)
Written-off during the year	**(21,135)**	—
At 31 December	**25,566**	37,254

During the year, credit terms granted to customers were different. 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 and integrated business software solutions, credit terms granted ranged from 30 days to 60 days. The credit terms granted to each customer vary depending on the customers' relationship with the Group, its creditworthiness and settlement record.

(ii) According to the terms of purchase of copper plate entered into with the Group's suppliers, the Group is usually required to place certain deposits and/or make prepayment prior to delivery. Those deposits are generally refundable upon termination of the respective purchase contracts. The prepayments made are to offset with the invoiced amount of the copper plate delivered.

(iii) The Group has placed deposits with futures agents for copper futures contracts and copper option contracts entered into in the normal course of business.

25. Derivative financial instruments

	The Group				
	2010			2009	
	Continuing operations RMB'000	Assets held for distribution (note 11) RMB'000	Liabilities held for distribution (note 11) RMB'000	Assets RMB'000	Liabilities RMB'000
Unrealised copper futures contracts (a)					
— under cash flow hedge accounting	**—**	**12,576**	**(14,137)**	121	—
— under fair value hedge accounting	**—**	**—**	**(82)**	—	(6,387)
— not qualifying for hedge accounting	**—**	**5,272**	**(10,568)**	2,157	—
	—	**17,848**	**(24,787)**	2,278	(6,387)
Option contracts (b)					
— not qualifying for hedge accounting	**—**	**—**	**(8,876)**	—	—
Foreign exchange forward contracts (c)					
— not qualifying for hedge accounting	**—**	**5,385**	**—**	3,434	—
Put option (d)	**6,430**	**—**	**—**	—	—
	6,430	**23,233**	**(33,663)**	5,712	(6,387)

25. Derivative financial instruments (Continued)

(a) Copper futures contracts

The Group enters into copper futures contracts traded on the Shanghai Futures Exchange and London Metal Exchange. For copper futures contracts that meet the requirements for hedge accounting (see note 1(f)), the Group's policy is to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Sales contracts		
Volume (tonne)	**4,165**	2,515
Notional contract value	**243,540**	125,690
Market value	**268,447**	132,077
Fair value	**(24,907)**	(6,387)
Purchase contracts		
Volume (tonne)	**2,550**	1,065
Notional contract value	**159,157**	61,155
Market value	**177,125**	63,433
Fair value	**17,968**	2,278
Net fair value	**(6,939)**	(4,109)
Contract maturity months	**January, February, March, April, May, June, July, August and December 2011**	January, February, March, April and May 2010

The market value of futures contracts is based on quoted market prices at the balance sheet date. The commodity price risk related to the price of copper is discussed in note 36 (e).

As at 31 December 2010, copper futures contracts designated as fair value hedges to inventories with unrealised losses of RMB82,000 (2009: RMB6,387,000) arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the year.

25. Derivative financial instruments (Continued)

(a) Copper futures contracts (Continued)

As at 31 December 2010, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised loss of RMB1,561,000 (2009: a gain of RMB121,000) arising from the changes in fair value of these derivative instruments are included in equity. Such unrealised gains/(losses) are expected to be transferred to profit or loss when the designated forecast transactions occur. The portion assessed as ineffective of unrealised loss of RMB5,296,000 (2009: a gain of RMB2,157,000) is recognised in the profit or loss for the year.

(b) Copper options contracts

The Group entered into certain copper options contracts in 2010 which are not qualified for hedging accounting. The notional contract value and the related terms are summarised as follows:

At 31 December 2010

	The Group					
	Volume	**Exercise price**	**Contract maturity month**	**Fair value**	**Premium received**	**Loss**
	(tonne)	USD'000		RMB'000	RMB'000	RMB'000
Sell call option	675	8.5/tonne	March 2011	(7,181)	1,692	(5,489)
Sell put option	300	7.75/tonne	April 2011	(1,207)	1,061	(146)
Sell put option	200	8.25/tonne	January 2011	(297)	297	—
Sell put option	100	8.0/tonne	January 2011	(112)	112	—
Sell put option	50	8.25/tonne	January 2011	(79)	79	—
	1,325			(8,876)	3,241	(5,635)

25. Derivative financial instruments (Continued)

(c) Foreign exchange forward contracts

For foreign exchange forward contracts that meet the requirements for hedge accounting (see note 1(f)), the Group's policy is to designate the related derivative as a fair value hedge or cash flow hedge. The notional contract value and the related terms are summarised as follows:

At 31 December 2010

	The Group			
	Weighted average contracted rate	Weighted average market rate	Notional amount US$'000	Fair value RMB'000
Buy RMB/Sell US$				
Less than 3 months	6.6757	6.5885	(24,000)	2,091
3 to 6 months	6.5992	6.5571	(9,000)	379
6 months to 1 year	6.5426	6.5212	(36,000)	773
			(69,000)	3,243
Sell RMB/Buy US$				
Less than 3 months	6.6003	6.6068	24,000	156
3 to 6 months	6.5517	6.5809	9,000	263
6 months to 1 year	6.4832	6.5470	27,000	1,723
			60,000	2,142
			(9,000)	5,385

25. Derivative financial instruments (Continued)

(c) Foreign exchange forward contracts (Continued)

At 31 December 2009

	The Group			
	Weighted average contracted rate	Weighted average market 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)	3,434

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 (see note 1(f)), the net gains/(losses) arising from changes in the fair value were all recognised in the profit or loss account for the year. The foreign currency risk related to these contracts is discussed in note 36 (d).

(d) Put option

As at 31 December 2010, the unrealised loss of RMB1,101,000 arising from the changes in the fair value of the put option arising from the Acquisition (note 21) are recognised in the profit or loss.

26. Pledged deposits

Pledged deposits can be analysed as follows:

	The Group	
	2010	2009
	Assets held for distribution (note 11)	
	RMB'000	RMB'000
Guarantee deposits for issuance of commercial bills and letters of credit (Notes 28 and 29)	**550,289**	284,494

Pledged deposits earn interest at a rate ranging from 0.36% to 2.25% per annum (2009: 0.36% to 1.98%).

27. Cash and cash equivalents

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

	The Group			The Company	
	2010		2009	**2010**	2009
	Continuing operations	**Assets held for distribution** (note 11)			
	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Cash on hand	**263**	**96**	94	**2**	2
Deposits on demand	**10,412**	**211,989**	287,174	**233**	686
Time deposits	**—**	**218,319**	245,780	**—**	—
	10,675	**430,404**	533,048	**235**	688
Less: Time deposits with original maturity more than 3 months	**—**	**218,319**	245,780	**—**	—
Cash and cash equivalents in the consolidated cash flow statement	**10,675**	**212,085**	287,268	**235**	688

28. Bank loans

		The Group	
		2010	2009
		Liabilities held for distribution (note 11)	
		RMB'000	RMB'000
Current			
Bank loans and borrowings			
— Secured	(i)	**1,256,658**	914,615
— Bank advances under discounted bills	(ii)	**285,275**	86,362
		1,541,933	1,000,977

All bank loans during the year are interest-bearing, with fixed rates that ranged from 0.24% to 5.31% during the year ended 31 December 2010 (2009: 0.24% to 5.31%).

(i) Current secured bank loans as at 31 December 2010 were secured over the Group's buildings with a carrying amount of RMB83,911,000 (2009: RMB86,485,000) and land use rights with carrying amounts of RMB30,509,000 (2009: RMB31,346,000).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2010 and 2009 were secured by the Group's pledged deposits (see note 26) and certain machinery, equipment and tools with carrying amounts of RMB144,320,000 (2009: RMB157,977,000).

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

29. Trade and other payables

		The Group 2010 Continuing operations RMB'000	The Group 2010 Liabilities held for distribution (note 11) RMB'000	The Group 2009 RMB'000	The Company 2010 RMB'000	The Company 2009 RMB'000
Trade creditors	(i)	**4,670**	**718,032**	542,603	**—**	—
Bills payable	(ii)	**—**	**154,610**	400,109	**—**	—
		4,670	**872,642**	942,712	**—**	—
Non-trade payables and accrued expenses		**1,988**	**63,024**	48,715	**1,062**	38
Other taxes payable/ (recoverable)		**1,310**	**12,313**	(5,125)	**—**	—
		7,968	**947,979**	986,302	**1,062**	38

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:

	The Group 2010 Continuing operations RMB'000	The Group 2010 Liabilities held for distribution (note 11) RMB'000	The Group 2009 RMB'000
Due within 3 months or on demand	**4,670**	**812,154**	796,643
Due after 3 months but within 6 months	**—**	**59,910**	145,225
Due after 6 months but within 1 year	**—**	**38**	111
Due after 1 year but within 2 years	**—**	**105**	127
Due after 2 years	**—**	**435**	606
	4,670	**872,642**	942,712

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 26). As at 31 December 2010, outstanding letters of credit included in trade creditors amounted to RMB299,446,000 (2009: RMB676,358,000).

(ii) Certain bills payable outstanding as at 31 December 2010 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB144,320,000 (2009: RMB157,977,000).

30. Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are shown as follows:

The Group

	Unrealised (gain)/loss on derivative financial instruments	Impairment losses for doubtful debt	Impairment losses for stock	Unutilised tax losses under PRC statutory report	Cash flow hedges	Others	Total
	RMB'000	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)/charged to profit or loss	(7,999)	4,471	—	13,683	—	(4,518)	5,637
Credited to reserves	—	—	—	—	(3,967)	—	(3,967)
At 31 December 2009	(138)	8,196	—	15,461	(124)	2,686	26,081
At 1 January 2010	**(138)**	**8,196**	**—**	**15,461**	**(124)**	**2,686**	**26,081**
(Credited)/charged to profit or loss	**(1,772)**	**(2,061)**	**168**	**2,374**	**—**	**(2,296)**	**(3,587)**
Debited to reserves	**—**	**—**	**—**	**—**	**(1,908)**	**—**	**(1,908)**
Classification to liabilities held for distribution	**1,910**	**(6,135)**	**—**	**(17,835)**	**2,032**	**(390)**	**(20,418)**
At 31 December 2010	**—**	**—**	**168**	**—**	**—**	**—**	**168**

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

31. Promissory note

In connection with the Acquisition of Liang Hui, Winsino issued a non-transferrable, interest-free promissory note with a principal amount of HK$96,000,000. The promissory note is payable upon the expiry of a period of 18 months from the date of issuance unless the put option described in note 21 (iii) is exercised by Winsino in which event, the promissory note shall be returned to Winsino for cancellation. The promissory note is held in escrow and is subject to a potential downward adjustment based on a profit guarantee given by Advance Mode Limited and Mr. Lo Kai Bong. Advance Mode Limited and Mr. Lo Kai Bong unconditionally warranted to Winsino that the audited consolidated net profit after tax for the year ended 31 December 2010 of Beijing OLM would not be less than HK$16,000,000. If there was any shortfall, the consideration for the Acquisition and the principal amount of the promissory note would be reduced by an amount equivalent to six times the amount of such shortfall.

The fair value of the promissory note on the date of issue was approximately RMB77,137,000. An unrealised loss of RMB150,000 arising from the changes in fair value of the promissory note, including the impact of the time value and the possibility of any reduction to the principal arising from the profit warranty, is recognised in the profit or loss for the year ended 31 December 2010.

32. Share capital and reserves

(a) The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of charges in equity. Details of the charges in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

		Attributable to equity holders of the Company					
		Share capital	**Share premium**	**Contributed surplus**	**Exchange reserve**	**Accumulated losses**	**Total**
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2009		5,966	213,077	432,658	(2,118)	(19,036)	630,547
Loss for the year (note 14)		—	—	—	—	(5,295)	(5,295)
Exchange difference on translation of financial statements of the Company		—	—	—	44	—	44
Shares repurchased		(4)	(74)	—	—	—	(78)
At 31 December 2009		5,962	213,003	432,658	(2,074)	(24,331)	625,218
At 1 January 2010		**5,962**	**213,003**	**432,658**	**(2,074)**	**(24,331)**	**625,218**
Loss for the year (note 14)		**—**	**—**	**—**	**—**	**(3,715)**	**(3,715)**
Transfer of intercompany balances	(i)	**—**	**—**	**64,065**	**—**	**—**	**64,065**
Exchange difference on translation of financial statements of the Company		**—**	**—**	**—**	**1,181**	**—**	**1,181**
Shares repurchased		**—**	**—**	**—**	**—**	**—**	**—**
At 31 December 2010		**5,962**	**213,003**	**496,723**	**(893)**	**(28,046)**	**686,749**

(i) On 23 December 2010, as part of the Group Restructuring set out in note 1, the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited amounting to approximately RMB 64,065,000 to Tai-I Bermuda for a consideration of HK$1.00 with the consent of Tai-I Copper (BVI) Limited.

(Expressed in Renminbi Yuan)

32. Share capital and reserves (Continued)

(b) Share capital

	Note	2010 Number of shares	2010 Amount HK$	2009 Number of shares	2009 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	(i)	**—**	**—**	(460,000)	(4,600)
At 31 December		**596,158,000**	**5,961,580**	596,158,000	5,961,580
			RMB equivalent		RMB equivalent
			5,961,580		5,961,580

(c) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve/contributed surplus

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

(iii) PRC statutory reserve

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

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

Each PRC wholly-owned subsidiary is required to transfer a minimum of 10% of its net profit, as determined in accordance with the PRC accounting rules and regulations, to the general reserve fund until the reserve balance reaches 50% of its registered capital. The transfer to this fund must be made before distribution of dividends to equity holders.

32. Share capital and reserves (Continued)

(c) Nature and purpose of reserves (Continued)

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of companies outside of the PRC. The reserve is dealt with in accordance with the accounting policy set out in note 1(t).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges of forecast copper purchase transactions matched to confirmed sales orders pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 1(f).

(d) Capital management

Prior to the decision to make the Distribution In Specie set out in note 1, the Group's primary objectives when managing capital have been to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. Following the decision to make the Distribution In Specie, the Group's capital significantly reduced and the objectives, policies and processes for capital management is currently being reviewed by the management.

33. Commitments

(i) Capital commitments

The Group has no significant capital commitments as at 31 December 2010 and 2009.

(ii) Lease commitments

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	The Group	
	2010 Continuing operations RMB'000	2009 Continuing operations RMB'000
Less than one year	**1,419**	9
Between one and two years	**826**	9
Between two and three years	**187**	2
	2,432	20

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

34. Retirement benefits

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

Administrator	Beneficiary	Contribution rate
Guangzhou Municipal Government, Guangdong Province	Employees of Tai-I Jiang Corp, Tai-I Copper, Beijing OLM Guangzhou Branch	12%-20%
Beijing Municipal Government,	Employees of Beijing OLM	20%
Shanghai Municipal Government,	Employees of Shanghai OLM	22%
Chengdu Municipal Government, Sichuan Province	Employees of Chengdu OLM	20%
Hangzhou Municipal Government, Zhejiang Province	Employees of Beijing OLM Hangzhou Branch	14%

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

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

35. Related party transactions

(a) No related party transactions were identified during the years ended 31 December 2010 and 2009.

(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 compensation of key management personnel is as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
Short-term employee benefits	**9,101**	7,384

(c) Contributions to defined contribution retirement plans

The Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Group's employee benefits plan are disclosed in note 34. As at 31 December 2010, there was no material outstanding contribution to post-employment benefit plans (2009: Nil).

36. Financial risk management and fair values

Exposure to credit, liquidity, interest rate, currency and commodity price risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and bills receivables, deposits and prepayments made to suppliers, cash and cash equivalents, pledged and time deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Customers of bare copper wire are usually required to settle the payment in full prior to delivery or at each month end. For customers of software business and magnet wire, credit terms granted range from 30 days to 60 days. Customers with balances overdue are normally requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not collect collateral from its customers.

At the balance sheet dates, the Group has no significant concentrations of credit risk with any of its customers.

The Group's bills receivable are guaranteed by banks and the risk for default in payment is minimal.

In respect of deposits and prepayments made to suppliers, individual credit evaluations are performed on all suppliers requiring deposit and prepayments over a certain amount. These evaluations focus on the supplier's past history and take into account information specific to the supplier as well as pertaining to the economic environment in which the supplier operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each supplier. The default risk of the industry and country in which suppliers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentrations of credit risk as 6% (2009: 6%) and 68% (2009: 41%) of the total deposits and prepayments made to suppliers (included in trade and other receivables) were due from the Group's largest supplier and the five largest suppliers respectively.

Further quantitive disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables is set out in note 24.

36. Financial risk management and fair values (Continued)

(a) Credit risk (Continued)

It is expected that there is no significant credit risk associated with the cash and cash equivalents, pledged and time deposits as they are placed with major banks which are located in the PRC and Hong Kong, which the management believes are of high credit quality.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any guarantees which would expose the Group to credit risk.

(b) Liquidity risk

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

Contractual maturities of financial liabilities

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

The Group

			2010		
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	6 months or less or on demand RMB'000	6-12 months RMB'000	1-2 years RMB'000
Non-derivative financial liabilities					
Trade and other payables excluding advance from customers	6,865	(6,865)	(6,865)	—	—
Promissory note (note 31)	77,287	(81,686)	—	—	(81,686)
	84,152	(88,551)	(6,865)	—	(81,686)

36. Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

Contractual maturities of financial liabilities (Continued)

The Group (Continued)

	2009			
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	6 months or less or on demand RMB'000	6-12 months RMB'000
Non-derivative financial liabilities				
Secured loans and borrowings	914,615	(917,960)	(868,468)	(49,492)
Bank advances under discounted bills	86,362	(86,362)	(86,362)	—
Trade and other payables excluding advance from customers	979,583	(979,583)	(979,583)	—
Derivative financial liabilities				
Copper futures contracts (note 25(a))	6,387	(6,387)	(6,387)	—
	1,986,947	(1,990,292)	(1,940,800)	(49,492)

The Company

	2010			
	Carrying amount RMB'000	**Contractual undiscounted cash flow RMB'000**	**6 months or less or on demand RMB'000**	**6-12 months RMB'000**
Non-derivative financial liabilities				
Trade and other payables excluding advance from customers	**1,062**	**(1,062)**	**(1,062)**	**—**
	1,062	**(1,062)**	**(1,062)**	**—**

36. Financial risk management and fair values (Continued)

(b) Liquidity risk (Continued)

Contractual maturities of financial liabilities (Continued)

The Company (Continued)

	2009			
	Carrying amount RMB'000	Contractual undiscounted cash flow RMB'000	6 months or less or on demand RMB'000	6-12 months RMB'000
Non-derivative financial liabilities				
Amount due to a subsidiary	35,287	(35,287)	(35,287)	—
Trade and other payables excluding advance from customers	38	(38)	(38)	—
	35,325	(35,325)	(35,325)	—

Forecast cash flow

The following table indicates the periods in which the cash flows associated with derivatives that are cash flow hedges are expected to occur. The cash flows are expected to impact the profit or loss in the same periods.

The Group

	2009			
	Carrying amount RMB'000	Expected cash flow RMB'000	6 months or less RMB'000	6-12 months RMB'000
Copper futures contracts assets	121	(1,073)	(1,073)	—

In addition to copper futures contracts, the Group also utilise foreign exchange forward contracts to hedge forecast sales. These arrangements are entered into to hedge significant fluctuations in foreign currency. However, as these arrangements do not meet the criteria for hedge accounting described in the Group's accounting policies, the unrealised gains or losses arising from the change in fair value of these derivative instruments are recognised immediately in the profit or loss. As at 31 December 2009, the expected delivery period of the forecast sales is from January 2010 to May 2010.

36. Financial risk management and fair values (Continued)

(c) Interest rate risk

The Group's interest rate risk arises primarily from cash and cash equivalents, time deposits, pledged deposits and bank loans, issued at variable rates and at fixed rates which expose the Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

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

	2010 Effective weighted average interest rates % (annual)	**2010** RMB'000	2009 Effective weighted average interest rates % (annual)	2009 RMB'000
Fixed rate instruments				
Time deposits		**—**	1.98	245,780
Pledged deposits		**—**	1.85	104,209
Bank loans		**—**	2.29	(1,000,977)
Assets classified as held for distribution (note 11)	**1.98**	**507,700**		—
Liabilities classified as held for distribution (note 11)	**2.31**	**(1,541,933)**		—
		(1,034,233)		(650,988)
Variable rate instruments				
Pledged deposits		**—**	0.36	180,285
Cash and cash equivalents	**0.36**	**10,675**	0.36	287,268
Assets classified as held for distribution (note 11)	**0.36**	**472,993**		—
		483,668		467,553

(ii) Sensitivity analysis

At the balance sheet date, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB5,162,000 (2009: RMB4,208,000). Other components of consolidated equity would not be affected by changes in interest rates.

36. Financial risk management and fair values (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis (Continued)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained profits is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

(d) Foreign currency risk

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

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States Dollars and Hong Kong Dollars. The Group manages this risk as follows:

(i) Recognised assets and liabilities

In respect of recognised assets and liabilities, including trade and other receivables, cash and cash equivalents, trade and other payables, bank loans and derivative financial instruments denominated in foreign currencies, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

(ii) Forecast transactions

The Group hedges part of its estimated foreign currency exposure in respect of highly probable forecast sales transactions. The Group uses foreign exchange forward contracts to hedge part of its currency risk and classifies these contracts as cash flow hedges in accordance with accounting policy as set out in note 1(f). All of these foreign exchange forward contracts have maturities of less than one year after the balance sheet date.

At 31 December 2010, the Group had foreign exchange forward contracts hedging forecast transactions with a net gain on fair value change of RMB5,385,000 (2009: RMB3,434,000) recognised as derivative financial instruments.

36. Financial risk management and fair values (Continued)

(d) Foreign currency risk (Continued)

(iii) Exposure to currency risk

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

The Group

	2010	
	USD'000	**HKD'000**
Assets classified as held for distribution (note 11)	**214,594**	**74,572**
Liabilities classified as held for distribution (note 11)	**(251,472)**	**—**
Net exposure	**(36,878)**	**74,572**

	2009	
	USD'000	HKD'000
Trade and other receivables	65,790	53,371
Copper futures contracts held as fair value hedging instruments	(708)	—
Time deposits	1,551	—
Cash and cash equivalents	25,083	9,867
Bank loans	(50,346)	—
Trade and other payables	(75,845)	(43)
Gross balance sheet exposure	(34,475)	63,195
Deliverable foreign exchange forward contracts (note 25(c))		
— sell foreign currency	(88,742)	—
Non-deliverable foreign exchange forward contracts (note 25(c))		
— buy foreign currency	18,000	—
Net exposure	(105,217)	63,195

36. Financial risk management and fair values (Continued)

(d) Foreign currency risk (Continued)

(iv) Sensitivity analysis

The following table indicates the approximate change in the Group's result after tax that would have arisen if foreign exchange rates to which the Group had significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2010 Increase/(decrease) in profit after tax and retained profits RMB'000	2009 Increase/(decrease) in loss after tax and accumulated losses RMB'000
USD		
— 3% strengthening of RMB (2009: 1%)	**14,952**	6,323
— 3% weakening of RMB (2009: 1%)	**(14,952)**	(6,323)
HKD		
— 3% strengthening of RMB (2009: 1%)	**(1,713)**	(501)
— 3% weakening of RMB (2009: 1%)	**1,713**	501

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency.

(e) Commodity price risk

The Group's exposure to commodity price risk relates principally to the market price fluctuation in copper on copper futures contracts and inventories held without fixed sales orders and commitments to buy or sell amounts of copper at contracted future. To partially offset the risk of fluctuation in copper prices on copper inventories held, the Group enters into sales orders with certain customers to deliver goods in future periods at fixed future prices. In addition, the Group enters into purchase orders with suppliers to purchase copper raw materials in future periods at corresponding fixed prices.

36. Financial risk management and fair values (Continued)

(e) Commodity price risk (Continued)

(i) Exposure to commodity price risk

The Group's exposure to copper commodity price risk (including copper inventories, open copper futures contracts and copper options contracts) at 31 December 2010 was as follows:

	2010 RMB'000	2009 RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	**133,921**	84,575
Notional amounts of copper futures contracts to:		
— buy copper (note 25(a))	**159,157**	61,155
— sell copper (note 25(a))	**(243,540)**	(125,690)
Notional amounts of copper options contracts to:		
— buy copper (note 25(b))	**34,355**	—
— sell copper (note 25(b))	**(37,998)**	—
Net exposure	**45,895**	20,040

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax that would have arisen if commodity price to which the Group had significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

	2010		
	Increase/ (decrease) in commodity price	Effect on loss after tax and accumulated losses RMB'000	Effect on other components of equity RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	10%	—	—
	(10)%	(7,312)	—
Copper futures contracts	10%	16,793	9,422
	(10)%	(16,793)	(9,422)
Copper options contracts	10%	(564)	—
	(10)%	564	—

36. Financial risk management and fair values (Continued)

(e) Commodity price risk (Continued)

(ii) *Sensitivity analysis (Continued)*

	2009		
	Increase/ (decrease) in commodity price	Effect on loss after tax and accumulated losses RMB'000	Effect on other components of equity RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	10%	—	—
	(10)%	(5,328)	—
Copper futures contracts	10%	6,481	263
	(10)%	(6,481)	(263)

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained profits and other components of consolidated equity that would arise assuming that the change in copper price had occurred at the balance sheet date and had been applied to re-measure those inventories held at net realisable value and copper futures contracts held by the Group which expose the Group to commodity price risk at the balance sheet date.

(f) Fair values

(i) *Financial instruments carried at fair value*

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

- Level 3 (lowest level): fair value measured using valuation techniques in which any significant input is not based on observable market data.

36. Financial risk management and fair values (Continued)

(f) Fair values (Continued)

(i) Financial instruments carried at fair value *(Continued)*

2010	**The Group**			
	Level 1 RMB'000	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Assets				
Derivative financial instruments:				
— Put option	**—**	**—**	**6,430**	**6,430**
Assets classified as held for distribution (note 11)				
— Copper futures contracts	**17,848**	**—**	**—**	**17,848**
— Foreign exchange forward contracts	**—**	**5,385**	**—**	**5,385**
	17,848	**5,385**	**6,430**	**29,663**
Liabilities				
Promissory note (note 31)	**—**	**—**	**(77,287)**	**(77,287)**
Liabilities classified as held for distribution (note 11)				
— Copper futures contracts	**(24,787)**	**—**	**—**	**(24,787)**
— Copper options contracts	**—**	**(8,876)**	**—**	**(8,876)**
	(24,787)	**(8,876)**	**(77,287)**	**(110,950)**

2009	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments:				
— Copper futures contracts	2,278	—	—	2,278
— Forward exchange contracts	—	3,434	—	3,434
	2,278	3,434	—	5,712
Liabilities				
Derivative financial instruments:				
— Copper futures contracts	(6,387)	—	—	(6,387)

During the year there were no significant transfers between instruments in Level 1 and Level 2.

36. Financial risk management and fair values (Continued)

(f) Fair values (Continued)

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

37. Subsequent events

In connection with the Agreement and Distribution In Specie as set out in note 1, the Agreement and Distribution In Specie were approved by the independent shareholders in an extraordinary general meeting on 8 February 2011.

38. Immediate and ultimate holding company

As at 31 December 2010, the directors consider the immediate parent and ultimate controlling party of the Group to be Tai-I Electric Wire & Cable Co., Ltd., which is incorporated in Taiwan.

39. Accounting estimates and judgements

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

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of distributing and selling products of similar nature. Net realisable value could change significantly as a result of market conditions. Management reassess the estimation on net realisable value at each balance sheet date.

(b) Impairment of property, plant and equipment

In considering the impairment losses that may be required for certain of the Group's property, plant and equipment, the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available.

In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charge in future periods.

(Expressed in Renminbi Yuan)

39. Accounting estimates and judgements (Continued)

(c) Impairment losses on trade and other receivables

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

(d) Deferred tax assets

Deferred tax assets are recognised for all temporary deductible provisions to the extent that it is considered probable that taxable profit will be available in future against which the temporary deductible provisions can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that should be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

40. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2010

Up to the date of issue of the consolidated financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting period beginning on or after
Amendment to IAS 32, *Financial instruments: Presentation — Classification of rights issues*	1 February 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRS 7, *Financial instruments: Disclosures — Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*	1 January 2012
IFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.