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)

2009

ANNUAL REPORT

CONTENTS

Financial Highlights

Comparison of Key Financial Figures for Two Years

Unit: RMB'000	**2009**	2008	Increase/ (decrease) %
	For the year ended 31 December		
Revenue	**4,369,621**	6,491,053	(32.68%)
Gross profit	**131,416**	9,253	1320.25%
Profit/(Loss) before taxation	**33,708**	(226,756)	114.87%
Profit/(Loss) for the year	**39,345**	(208,426)	118.88%
Profit/(Loss) for the year attributable to equity holders of the Company	**39,345**	(208,426)	118.88%
Basic and diluted earnings/(loss) per share (RMB)	**0.07**	(0.35)	120%

Turnover by Products

	For the year ended 31 December					
	2009		2008		Increase/(decrease)	
Unit: RMB'000	**Amount**	**%**	Amount	%	Amount	%
Sales of bare copper wires	**3,166,888**	**72.48%**	4,438,671	68.38%	(1,271,783)	(28.65%)
Sales of magnet wires	**1,178,376**	**26.97%**	2,034,475	31.34%	(856,099)	(42.08%)
Processing services	**24,357**	**0.55%**	17,907	0.28%	6,450	36.02%
Total	**4,369,621**	**100.00%**	6,491,053	100.00%	(2,121,432)	(32.68%)

Turnover by Geographical Region

	For the year ended 31 December					
	2009		2008		Increase/(decrease)	
Unit: RMB'000	**Amount**	**%**	Amount	%	Amount	%
Sales within China	**1,598,124**	**36.57%**	1,940,859	29.90%	(342,735)	(17.66%)
Sales outside China*	**2,771,497**	**63.43%**	4,550,194	70.10%	(1,778,697)	(39.09%)
Total	**4,369,621**	**100.00%**	6,491,053	100.00%	(2,121,432)	(32.68%)

* including indirect and direct export sales

Corporate Information

Board of Directors

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

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

Company Secretary

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

Authorised Representatives

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Auditor

KPMG

Registered Office

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

Principal Place of Business in Hong Kong

Room 1502, 15th Floor
The Chinese Bank Building
61-65 Des Voeux Road Central
Hong Kong

Principal Place of Business in the PRC

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

Corporate Information

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 Bankers

Shenzhen Development Bank Co., Ltd.,
Guangzhou Branch, Yuexiu Sub-branch

Industrial and Commercial Bank of China,
Huangpu Sub-branch

Hang Seng Bank Ltd.

Stock Code

1808

Company Website Address

www.tai-i-int.com

Company Information

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

The business of the Group began in 1997. The Company has two principal subsidiaries, namely Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp") and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper"). The manufacturing base of the Group is located in the Eastern District of the Guangzhou Economic and Technological Development Zone, Guangdong Province, the PRC and comprises production plants of bare copper wire and magnet wire. Currently, the Group has the capacity to produce about 180,000 tonnes of bare copper wire and 50,000 tonnes of magnet wire annually. The Group's vertically integrated business structure allows the Group to secure a stable supply (in terms of both quality and quantity) of the requisite high quality principal raw material (i.e. bare copper wire made from Grade A copper cathodes) for its magnet wire production and increases the Group's overall production efficiency.

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

Chronological of Events in 2009

March

All magnet wire products of Tai-I Copper obtained TS16949 auto components supplier quality control system certification.

Tai-I Jiang Corp completed the expansion of SCR system modification with an annual production capacity of 180,000 tonnes.

November

Tai-I Jiang Corp was accredited by Guangdong provincial government as "2008 Guangdong Top 100 Industrial Enterprises".

December

Tai-I Jiang Corp and Tai-I Copper were awarded as "Quality Customer" by Shenzhen Development Bank Co., Ltd, Industrial and Commercial Bank of China and other several banks that we worked with.

The SCR capacity expansion project and the furnace residual heat recovery project of Tai-I Jiang Corp were awarded the Government Revolving Grant for Economic Project of Guangzhou Economic Technological Development Zone. At the same time, Tai-I Jiang Corp also obtained the Energy-saving Grant of the Guangzhou municipal government.

Chairman's Statement

On behalf of the Board of Directors ("Board") of Tai-I International Holdings Limited, I wish to sincerely extend my appreciation to shareholders for their support to the Company. I hereby present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009.

Financial Performance

For the year ended 31 December 2009, the Group recorded a turnover of approximately RMB4,369,621,000 and the profit attributable to equity holders of the Company for the year was approximately RMB39,345,000.

Final Dividend

The Board did not propose a final dividend for the year ended 31 December 2009 (2008: Nil).

Business Review

Given the recovery of market demand as a result of the proactive fiscal policy implemented in China in 2009 as well as the efforts of the management of the Group in various aspects, the profitability of the Group for 2009 was much higher than last year. Although the turnover of the Group decreased by 32.68% compared with last year due to the fall in international copper prices, the gross profit increased by approximately 14 times compared with last year. Profit margin before tax for the year also increased to 0.77% from -3.49% of last year, and turned into profit as compared with the corresponding period of last year.

Prospects and Appreciation

Looking into 2010, the Group will continue to improve its operation, increase sales of products, further develop new products that the market needs, increase sales of high value-added products, promote energy-saving and consumption reduction activities, reduce costs and expenses of production, increase income from processing activities to ensure that the Group will be able to maintain its competitive edge in the ever-changing external environment.

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

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

Hong Kong, 12 March 2010

Chief Executive Officer's Review

Dear Shareholders,

I hereby present you the Group's operating results for 2009.

The Group strictly focused on its long-term development objectives. In 2009, we formulated and implemented feasible operation strategies, thereby effectively increasing the turnover of products and obtaining higher returns for shareholders.

Looking back at 2009, mainland China launched bailout measures for the financial crisis from time to time since the end of 2008, and GDP in China delivered a growth of 8% accordingly. These measures included the schemes of Automobiles and Home Appliances to the Countryside, the RMB4,000 billion bailout programme, the revitalization plan of top ten industries, the medical reform, the banking credit system and etc. Under these circumstances, in 2009 the Group spared no effort to capitalize on emerging business opportunities to improve its profitability.

Product mix optimization and profitability enhancement

The aggregate sales value of bare copper wires and magnet wires for 2009 was RMB4,369,621,000, representing a decrease of 32.68% compared with the corresponding period of last year, whereas the gross profit totaled RMB131,416,000, representing a substantial improvement over the gross profit of RMB9,253,000 of last year. The sales volume of bare copper wires grew by 2.80% from 84,391 tonnes of 2008 to 86,756 tonnes this year. Processing service business grew to 35,584 tonnes from 28,233 tonnes of 2008 (or a growth rate of 26.04%). The sales volume of magnet wires reduced to 26,489 tonnes from 33,555 tonnes of 2008 (or a reduction rate of 21.06%). Although the turnover of magnet wires reduced to RMB1,178,376,000 from RMB2,034,475,000 of 2008, the gross profit improved to RMB54,794,000 of 2009 from RMB27,756,000 of 2008, representing a growth of approximately 2 times.

The ratio of domestic sales to export sales of bare copper wire products of the Group during 2009 was 37.48% : 62.52%, in contrast with 29.51% : 70.49% in 2008, with an increase of 7.97% in the proportion of domestic sales. The ratio of domestic sales to export sales of magnet wire products of the Group during 2009 was 33.10% : 66.90%, in contrast with 30.13% : 69.87% in 2008, with a slight increase in the proportion of domestic sales. In response to the growth of China's domestic sales in 2009, the Group adjusted the proportion of its domestic sales; an effective business structure adjustment also enhanced the profitability of products of the Group.

Further implementation of quality control system

All product categories of magnet wire products of the Group obtained the certification of ISO/TS16949 auto components supplier quality control system from a certification organization during the year. Previously, only part of these products obtained this certification. The full implementation of this quality control system implied that there was a further enhancement in the quality control standard of magnet wire products of the Group, which served to safeguard and further improve the competitive edge of products of the Group.

Energy saving, consumption reduction and cost reduction

During 2009, Tai-I Jiang Corp, a subsidiary of the Group, successfully modified the SCR continuous casting and rolling system, and carried out an energy-saving project of recovery and re-utilization of furnace residual heat at the same time. These two projects obtained the Government Revolving Grant for Economic Project of Guangzhou Economic Technological Development Zone and the Energy-saving and Consumption Reduction of Guangzhou municipal government. The completion of the above two projects enable Tai-I Jiang Corp to reduce its energy costs by approximately RMB4,700,000 per year.

Intensified IT management and standardized internal work flow

The Group continued to further enhance the internal work flow management, kept on implementing the commendable data system work for its information, standardized internal major work flow.

Major plans for 2010

Looking forward to 2010, the Group intends to implement the following future plans:

Product development plan

With China's commitment to the world on energy saving and emission reduction and her intensive implementation of energy saving and consumption reduction policies, environmental friendly products will have enormous market demand as a result. Tai-I Copper, a subsidiary of the Group, has carried out researches on, and will launch, magnet wires and self-bonding magnet wires for "inverter" air-conditioning systems, and will develop the higher value-added flat magnet wire products in order to boost the turnover and profitability further.

Capability and sales expansion plans

The Group plans to continue the launching of new products from two subsidiaries in 2010, and will fully leverage on incentive policies such as Home Appliances to the Countryside, Automobiles to the Countryside and Agricultural Machineries to the Countryside to capture emerging market opportunities, enhance marketing management, identify new clients and boost the sales volume for the sake of enhancing the competitiveness of the Group. Despite the inclusion of all magnet wire products of the Group in TS16949 auto components supplier product quality management system, the Group will continue to work closely with clients of automobile magnet wires and internationally renowned major clients of high frequency resistant magnet wires.

Energy saving and cost reduction plans

The Group will continue to carry out energy saving, consumption reduction and production cost reduction plans. Tai-I Copper, a subsidiary of the Group, will continue to work on energy saving modifications in 2010 whereby energy-saving modifications will be made to the heated wind conduit of production equipment as well as the recovery of residual heat generated from production activities on a full scale. Upon completion of all modifications, an annual saving of RMB5,500,000 in Tai-I Copper's electricity costs is expected.

Information system development plan

The Group will continue to carry out the information system development plan. Tai-I Jiang Corp, a subsidiary of the Group, will start with the standardization of internal work flows, develop and launch a copper price quotation system as well as upgrade the requisition and procurement systems of subsidiaries of the Group, namely Tai-I Jiang Corp and Tai-I Copper. The development and upgrading of the above systems will enable the optimization of the internal management work flow and further standardize internal operations, thus improving the management standard of the Group.

Appreciation

On behalf of the management, I would like to express my sincere gratitude to government authorities, clients, suppliers and business partners, the management team and staff for their support. Only with their support, we manage to develop steadily. The management commits to maintain its efforts and deliver remarkable results to reciprocate the shareholders and various business partners.

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

Hong Kong, 12 March 2010

Biographies of Directors and Senior Management

Executive Directors

Mr. Huang Cheng-Roang, alias Vincent Huang (黃正朗), aged 50, was appointed as the Chairman and an executive Director of the Company on 31 August 2006. Mr. Huang graduated from the Tunghai University and Jinan University with a bachelor's degree in law and a master degree in Business Administration respectively. He is currently a research student of the Corporate Management Department of Jinan University. Mr. Huang worked in the legal field in the early years of his career. Mr. Huang worked in the Internal Legal Department of Tai-I Electric Wire & Cable Co., Ltd.（台一國際股份有限公司）（"Taiwan Tai-I"） from 1995 to 1997. He joined the Group in 1997. Mr. Huang is a director and the head of the Strategic Planning Unit of both Tai-I Jiang Corp and Tai-I Copper. Mr. Huang did not hold any directorship in other listed public companies in the past three years.

Mr. Huang entered into a service contract with the Company for an initial term of three years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles of Association of the Company ("Articles"). Mr. Huang has entered into a new service contract with the Company for another term of three years commencing from 11 January 2010. Mr. Huang is entitled to an annual director's fee of RMB17,000. He is also entitled to a discretionary bonus provided that the total amount of bonus together with the total salary and benefits paid to all executive Directors in each year ending 31 December shall not exceed 2% of the audited consolidated net profit before non-recurring and extraordinary items of the Group for the relevant year (and before deducting such discretionary bonus, salary and benefits).

Mr. Huang does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests 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").

Mr. Lin Chi-Ta (林其達), aged 53, was appointed as an executive Director and the Chief Executive Officer of the Company on 20 April 2006. He is also the chairman of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lin graduated from the Southern Taiwan University of Technology specializing in industrial management. Mr. Lin had worked in ceramic products manufacturing factories before he joined Taiwan Tai-I in 1990. Mr. Lin was the head of the Yangmei Factory of Taiwan Tai-I, a factory principally engaged in the bare copper wire production, from 1990 to 1998. Mr. Lin joined the Group in 1999. Mr. Lin is currently the chairman and general manager of both Tai-I Jiang Corp and Tai-I Copper and is responsible for overseeing the production division of the Group. He is also the sole director of Tai-I Copper (BVI) Limited, Tai-I International (HK) Limited, United Development International Limited and Supreme Union Management Limited, all are wholly-owned subsidiaries of the Company. Mr. Lin did not hold any directorship in other listed public companies in the past three years.

Mr. Lin entered into a service contract with the Company for an initial term of three years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Lin has entered into a new service contract with the Company for another term of three years commencing from 11 January 2010. Mr. Lin is entitled to an annual director's fee of RMB17,000. He is also entitled to a discretionary bonus provided that the total amount of bonus together with the total salary and benefits paid to all executive Directors in each year ending 31 December shall not exceed 2% of the audited consolidated net profit before non-recurring and extraordinary items of the Group for the relevant year (and before deducting such discretionary bonus, salary and benefits).

Mr. Lin does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Huang Kuo-Feng (黃國峰), aged 36, was appointed as an executive Director of the Company on 31 August 2006. Mr. Huang graduated from the Taipei College of Business specialising in Finance and Taxation. Mr. Huang worked in the Accounting Department of Taiwan Tai-I from 1997 to 1999. He then joined the Group in 1999 and worked in the Finance Department of Tai-I Jiang Corp. In 2003, Mr. Huang was promoted to the manager of the Assets Management Team of the Finance Department of Tai-I Jiang Corp and Tai-I Copper. Mr. Huang did not hold any directorship in other listed public companies in the past three years.

Mr. Huang entered into a service contract with the Company for an initial term of three years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Huang has entered into a new service contract with the Company for another term of three years commencing from 11 January 2010. Mr. Huang is entitled to an annual director's fee of RMB17,000. He is also entitled to a discretionary bonus provided that the total amount of bonus together with the total salary and benefits paid to all executive Directors in each year ending 31 December shall not exceed 2% of the audited consolidated net profit before non-recurring and extraordinary items of the Group for the relevant year (and before deducting such discretionary bonus, salary and benefits).

Mr. Huang does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Du Chi-Ting (杜季庭), aged 57, was appointed as an executive Director of the Company on 31 August 2006. Mr. Du graduated from the Chungyu Institute of Technology specialising in Corporate Management. Before joining the Group in 2003, Mr. Du had worked in Taiwan Tai-I for over 27 years and gained extensive experience in production, domestic sales and marketing of cable and wire. Mr. Du is the executive deputy general manager and the head of the Management Department of both Tai-I Jiang Corp and Tai-I Copper. Mr. Du did not hold any directorship in other listed public companies in the past three years.

Mr. Du entered into a service contract with the Company for an initial term of three years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Du has entered into a new service contract with the Company for another term of three years commencing from 11 January 2010. Mr. Du is entitled to an annual director's fee of RMB7,000. He is also entitled to a discretionary bonus provided that the total amount of bonus together with the total salary and benefits paid to all executive Directors in each year ending 31 December shall not exceed 2% of the audited consolidated net profit before non-recurring and extraordinary items of the Group for the relevant year (and before deducting such discretionary bonus, salary and benefits).

Mr. Du does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Biographies of Directors and Senior Management

Independent Non-Executive Directors

Mr. Kang Jung-Pao (康榮寶), aged 57, was appointed as an independent non-executive Director of the Company on 12 December 2006. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Kang graduated from Stern School, New York University with a degree of Doctor of Philosophy. Mr. Kang had ever taught in the business school of Rutgers University in US, and he has been the associate professor of the department of accounting of National Chengchi University in Taiwan since 1991. Mr. Kang is experienced in accounting and finance as he took up important positions in various financial organizations and listed companies in Taiwan before. He is currently an independent director of Shun On Electronic Co., Ltd. (a TWSE listed company in Taiwan). He is also a supervisor of Simplo Technology Co., Ltd. (a GTSM (OTC) listed company in Taiwan), Monterey International Corp., 富驛股份有限公司 (a GTSM (OTC) listed company in Taiwan) and Gintech Energy Corporation (a TWSE listed company in Taiwan). Save as aforesaid, Mr. Kang did not hold any directorship in other listed public companies in the past three years.

Mr. Kang entered into a service contract with the Company for an initial term of two years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Kang has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009. Mr. Kang is entitled to an annual director's fee of RMB212,000.

Mr. Kang does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Cheng Yang-Yi (鄭洋一), aged 67, was appointed as an independent non-executive Director of the Company on 12 December 2006. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Cheng graduated from the Taiwan University and the Meijo University（名城大學）with a bachelor's degree and a doctorial degree in law respectively. He is a qualified lawyer in Taiwan and had been a professor in the law department of Fu Jen University and the Chinese Culture University. He joined the Group in 2006. Mr. Cheng is currently an independent director of each of Key Mouse Electronic Enterprise Co., Ltd (an emerging stock company) and Top High Image Corp. (a GTSM (OTC) listed company in Taiwan). Save as aforesaid, Mr. Cheng did not hold any directorship in other listed public companies in the past three years.

Mr. Cheng entered into a service contract with the Company for an initial term of two years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Cheng has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009. Mr. Cheng is entitled to an annual director's fee of RMB212,000.

Mr. Cheng does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Tsay Yang-Tzong (蔡揚宗), aged 56, was appointed as an independent non-executive Director of the Company on 12 December 2006. He is also the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee of the Company. Mr. Tsay graduated from the Taiwan University and the Chengchi University with a bachelor's degree in Business Administration and a master degree in commerce respectively. He also obtained a degree of Doctor of Philosophy from the University of Maryland. He has been a professor of the department of accounting in Taiwan University since 1993 and was the chairman of such department from 1997 to 2000. He used to be a visiting scholar at the University of Toronto and the Tohoku University in Japan. He is a qualified government accountant and auditor in Taiwan, a certified public accountant in Taiwan and a certified internal auditor in the US. He joined the Group in 2006. Mr. Tsay is an independent supervisor of each of Speed Tech Corp., Shin Zu Shing Co., Ltd. and Cyberlink Co., all being TWSE listed companies in Taiwan and an independent director of each of Alltek Technology Inc. and CastleNet Technology Inc., listed companies in Taiwan. Mr. Tsay has ever been a supervisor of each of Chinese Television System Corp. and Taiwan Tobacco and Liquor Corporation, being public companies in Taiwan, and Chang Hwa Commercial Bank Ltd., being a listed company in Taiwan. Save as aforesaid, Mr. Tsay did not hold any directorship in other listed public companies in the past three years.

Mr. Tsay entered into a service contract with the Company for an initial term of two years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Tsay has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009. Mr. Tsay is entitled to an annual director's fee of RMB212,000.

Mr. Tsay does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Yan Minghe (顏鳴鶴), aged 82, was appointed as an independent non-executive Director of the Company on 12 December 2006. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Yan graduated from Wuhan University majoring in Electrical Engineering and has been a power production technology senior engineer in the PRC since 1990. Mr. Yan worked in the Guangdong Power Bureau from 1952 to 1994. He was the vice president of the Guangdong Power Bureau before his retirement. He is experienced in domestic and international power and cable technologies. He joined the Group in 2006. Currently, he is the honourable officer of the Gas Turbine Power Generation Special Committee in the PRC and the Guangdong Society for Electrical Engineering. He is currently the Vice President of 深能和合（河源）電力有限公司. Mr. Yan did not hold any directorship in other listed public companies in the past three years.

Mr. Yan entered into a service contract with the Company for an initial term of two years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Yan has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009. Mr. Yan is entitled to an annual director's fee of RMB212,000.

Mr. Yan does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Mr. Atsushi Kanayama (金山敦), aged 51, was appointed as an independent non-executive Director of the Company on 12 December 2006. He is also a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Kanayama obtained a bachelor's degree in Veterinary Medicine from Kitasato University in Japan and a Certificate in Chinese language from Zhengzhou University in the PRC. He worked in Mitsubishi Cable Industries, Ltd., a listed company in Japan principally engaged in the wire and cable and wiring system business and Dai 1 Denko Co., Ltd., both being companies in the cable and wire industry, from 1988 to 1998. Since 1999, he has been working in Akashi Electric Wire Co., Ltd., a Japanese company principally engaged in the manufacture of copper wire. He is currently the manager of the Manufacturing Department of Akashi Electric Wire Co., Ltd.. Mr. Kanayama has gained extensive experience in the management and production technology of bare copper wire and the business planning and sales management of magnet wire through his years working in the cable and wire industry. Mr. Kanayama did not hold any directorship in other listed public companies in the past three years.

Mr. Kanayama entered into a service contract with the Company for an initial term of two years commencing on 11 January 2007 which shall be terminated in accordance with the provisions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. He is subject to retirement by rotation at least once every three years and in accordance with the Articles. Mr. Kanayama has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009. Mr. Kanayama is entitled to an annual director's fee of RMB212,000.

Mr. Kanayama does not have any relationship with any Director, senior management or substantial or controlling shareholders of the Company nor has any interests in the shares of the Company within the meaning of Part XV of the SFO.

Senior Management

Mr. Chiu Sheng-Jung (邱盛榮), aged 49, graduated from the Nanya Institute of Technology specializing in Textile Engineering. During the period from 1980 to 2002, Mr. Chiu worked in Taiwan Tai-I and obtained experience in various different departments, including the Production Department, the Quality Control Department and the Sales Department. He joined the Group in 2002 and he is the vice general manager of the Sales and Marketing Department of Tai-I Jiang Corp.

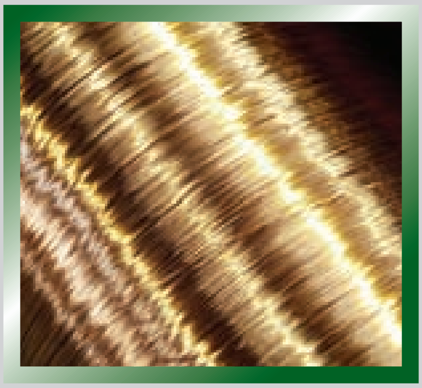
Ms. Wang Hsueh-Hua (王雪花), aged 60, graduated from the Taiwan University with a master degree in Accounting. She joined the Group in 2003 and she is the vice general manager of the Finance Department of both Tai-I Jiang Corp and Tai-I Copper. Ms. Wang is experienced in the field of finance and accounting.

Mr. Tai Wen-Lu (戴文錄), aged 52, graduated from the Ta Hwa Institute of Technology specialising in Food Production Engineering. He joined the Group in 2004 and he is the vice general manager of the Sales and Marketing Department of Tai-I Copper. Mr. Tai has extensive experience in management.

Mr. Lin Yu-Chau (林于超), aged 46, graduated from the Taitung Institute of Technology with a master degree in Materials Engineering. Before joining the Group in 1998, Mr. Lin was employed by Taiwan Tai-I as the supervisor of the Production Technology Department of Taiwan Tai-I. He is the Assistant Manager of the Production Department of Tai-I Jiang Corp. He had worked as an engineer for a number of years.

Mr. Sadahiko Kawashima (革島貞彥), aged 65, graduated from the Kyoto University, Japan, in 1968, with a bachelor's degree in Jurisprudence. Mr. Kawashima had worked in the non-ferrous metal business field for more than 36 years. He was seconded to join the Group from Sumitomo Corporation in 2001 as a special adviser of the Group on the procurement of copper cathodes and copper-related matters. Since 2003, Mr. Kawashima became the adviser of the Copper Committee and has taken charge of the procurement and hedging divisions of the Copper Committee.

Ms. Chan Yuen Ying, Stella (陳婉縈), aged 38, was appointed as the company secretary of the Company on 11 April 2008. Ms. Chan is an associate member of the Institute of Chartered Secretaries and Administrators and an associate member of the Hong Kong Institute of Chartered Secretaries. She is also a member of the Hong Kong Institute of Directors. Ms. Chan has over 15 years experience in handling listed company secretarial matters.



Overview

Industry Overview

The global economy in the first half of 2009 was still under the impact of the global financial crisis of 2008 and the momentum of market recovery was still weak. However, in order to maintain a drive for economic growth, the Chinese government continued to launch domestic demand expansion policies to stimulate the domestic consumption market so as to offset the blow to its export trade brought by the global recession. Since the beginning of the second half of 2009, China's domestic demand expansion policies started taking effect. Driven by the robust domestic consumption, the production of industries continued to develop steadily, posting China's GDP growth for 2009 at 8.7%, thereby succeeding to achieve the goal of 8% for the macro economic fine tuning. In addition, the global economy stabilized gradually and the international consumption market recovered gradually.

Moreover, international copper prices reversed the decline in the second quarter of 2009. According to a research report of the International Copper Study Group (the "ICSG"), the global consumption of refined copper in 2009 doubled compared to that of 2008, and China's consumption of refined copper during 2009 accounted for approximately 40% of the world. The Group is located in China-a market with steady growth, and enjoys geographical advantages, enabling it to adjust the sales strategy according to market demand and supply.

Continuous growth of sales of bare copper wires

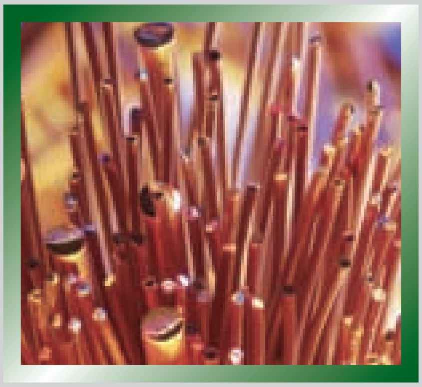
Due to the expansion of bare copper wire of the Group in 2009 and the effects of the growth of China's domestic demand and the economic incentive schemes put forward by the Chinese government to expand domestic demand, the sales volume of bare copper wires of the Group rose by 2,365 tonnes to 86,756 tonnes of 2009 from 84,391 tonnes of 2008, representing an increase of 2.80% over 2008. However, as a consequence of the fall in international copper prices (LME annual average copper price fell 26% to USD5,149.71/tonne in 2009 from USD6,955.88/tonne in 2008), the turnover of bare copper wires reduced to RMB3,166,888,000 of 2009 from RMB4,438,671,000 of 2008, representing a decrease of 28.65% over last year.

Drop in sales of magnet copper wires and increase in the proportion of domestic sales

In contrast with bare copper wires, magnet copper wires of the Group are relatively downstream products, and the demand of which in the international and China markets was recovering at a slower pace. The sales volume of magnet copper wires reduced by 7,066 tonnes to 26,489 tonnes of 2009 from 33,555 tonnes of 2008, representing a fall of approximately 21.06%. The turnover also fell to RMB1,178,376,000 of 2009 from RMB2,034,475,000 of 2008, representing a decrease of approximately 42.08%. However, in response to the growth of China's domestic sales in 2009, the Group adjusted the proportion of its domestic sales. In 2008, the ratio of domestic sales to export sales was 30.13% : 69.87% while in 2009 the ratio was 33.10% : 66.90%.

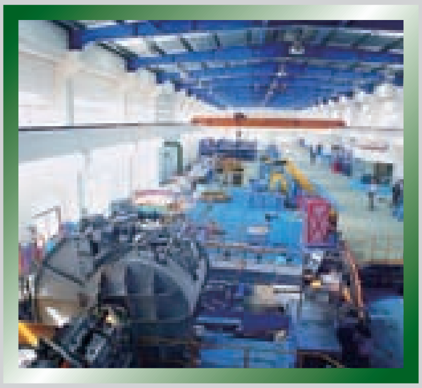
Modifying facilities to increase capacity

The plan for the modification of facilities to increase production capacity of Tai-I Jiang Corp, a subsidiary of the Company, was completed in March 2009. As a result, the Group owned a worldwide patented SCR continuous casting and rolling production system with an annual capacity of 180,000 tonnes (annual capacity of 150,000 tonnes in 2008), and enjoyed the competitive advantages of having facilities featuring excellent functions, high capacity, sophisticated production techniques, prime quality products and low costs. This effectively increased the proportion of the Group's sales and processing activities in China, which in turn enhanced the Group's profitability, enabled the Group to capture the opportunity brought by the growth of the domestic demand in China and to achieve the goal of sales of all volume produced.



Striving for the best quality to minimize complaints from clients

The technical and quality control departments of the Group have been relentless in improving the quality of magnet wires, which was effective in reducing complaints about axis damages and oxidation. Consequently, complaints from clients of magnet wires were minimized in the second half of 2009.



Quality control system implementation

In 2009, all product categories of magnet wire products of the Group obtained the certification of ISO/TS16949 auto components supplier quality control system from a certification organization. Previously, only part of these products obtained this certification. The full implementation of this quality control system implied that there was a further enhancement in the quality control standard of magnet wire products of the Group, which served to safeguard and further improve the competitive edge of products of the Group.

Outlook for 2010 and Improvement Strategies

Marketing enhancement plan

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

Production management and man power quality enhancement plans

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

New product development plan

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

Energy saving and consumption reduction intensification

Tai-I Copper, a subsidiary of the Group, will continue to carry out equipment modification projects mainly on the heated wind conduit after the shift of heat from furnaces and the recovery of residual heat. It is expected that the savings in energy consumption will reach 908 tonnes per year and the annual energy costs of Tai-I Copper will be reduced by RMB5,500,000. In addition, we have been working hard to implement energy saving and consumption reduction measures in the hope that we can further initiate projects in these areas.

Turnover

For the year ended 31 December 2009, the revenue of the Group amounted to approximately RMB4,369,621,000 (2008: RMB6,491,053,000), representing a decrease of 32.68% from last year. Sales volume of bare copper wires and processing services of the Group rose while that of magnet wires fell, and the total sales volume increased by 2,650 tonnes. However, the turnover of the Group still dropped by approximately RMB2,121,432,000 as a result of the fall in international average copper prices (LME annual average copper price fell 26% to USD5,149.71/tonne in 2009 from USD6,955.88/tonne in 2008).

Sales volume of bare copper wires of the Group amounted to 86,756 tonnes of 2009, increasing by 2,365 tonnes (or a growth rate of 2.80%) as compared with 84,391 tonnes of 2008; sales volume of magnet wires amounted to 26,489 tonnes of 2009, decreasing by 7,066 tonnes (or a decrease of approximately 21.06%) as compared with 33,555 tonnes of 2008; volume of processing services amounted to 35,584 tonnes of 2009, increasing by 7,351 tonnes (or a growth rate of 26.04%) as compared with 28,233 tonnes of 2008.

Revenue of bare copper wires for 2009 recorded at RMB3,166,888,000 (2008: RMB4,438,671,000), reducing by RMB1,271,783,000. Revenue of magnet wires for 2009 recorded at RMB1,178,376,000 (2008: RMB2,034,475,000), representing a drop of RMB856,099,000. However, revenue of processing services of bare copper wires recorded at RMB24,357,000 in 2009 (2008: RMB17,907,000), increasing by approximately RMB6,450,000.

Gross Profit

For the year ended 31 December 2009, gross profit was RMB131,416,000 (2008: RMB9,253,000), increasing by approximately RMB122,163,000.

The growth of gross profit for 2009 was due to the effective management of purchase price of copper plates and sales price and the cost reduction measures implemented by the Company. Gross profit of magnet wires increased by RMB16,394,000 compared with that of 2008; gross profit of bare copper wires increased by RMB101,057,000 compared with that of 2008; gross profit of processing services increased by RMB4,712,000 compared with that of 2008.

Other Revenue

For the year ended 31 December 2009, other revenue of the Group was approximately RMB17,541,000 (2008: RMB42,786,000). Other revenue mainly represented interest income of RMB13,291,000 for the year ended 31 December 2009 (2008: RMB34,667,000), the decrease in interest income was mainly due to the decrease of time deposits and pledged deposits of 2009 as well as the weighted average interest rate of 2009 was significantly lower than that of 2008; and government grants of RMB4,008,000 for the year ended 31 December 2009 (2008: Nil).

Other Net Loss

Other net loss of the Group was approximately RMB2,810,000 for the year ended 31 December 2009 (2008: RMB69,924,000), which was mainly attributable to net loss on exchange of RMB8,266,000 (net gain on exchange for 2008: RMB32,089,000), net gain on derivative financial instruments–copper futures contracts of approximately RMB589,000 (net loss for 2008: RMB34,702,000), net gain on derivative financial instruments–foreign exchange forward contracts of approximately RMB3,301,000 (net loss for 2008: approximately RMB68,619,000) and other income such as the sale of scrap copper of RMB1,730,000 (2008: RMB1,228,000).

Finance Costs

Finance costs of the Group for the year ended 31 December 2009 was approximately RMB48,626,000 (2008: RMB101,566,000), representing a decrease of approximately RMB52,940,000. The decrease in finance costs was mainly due to interest expenses of approximately RMB43,273,000 (2008: RMB93,177,000) which represented a decrease of approximately RMB49,904,000. 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 far less than that of 2008 due to: (1) the financing amount of 2009 was lower than that of 2008 because international copper prices were lower than those in 2008 thereby requiring lower borrowings to finance working capital; and (2) the average interest rate of 2009 was also lower than that of 2008. Besides, the issuance fees of letters of credit was recorded at approximately RMB5,353,000 (2008: RMB8,389,000), representing a decrease of approximately RMB3,036,000.

Profit/(Loss) for the year

The Group recorded a profit of approximately RMB39,345,000 for the year ended 31 December 2009 versus a loss of RMB208,426,000 in 2008.

Final Dividend

The Board did not propose a final dividend for the year ended 31 December 2009 (2008: Nil).

Return on Shareholder's Equity

For the year ended 31 December 2009, the Group achieved a profit of RMB39,345,000 (2008: a loss of RMB208,426,000) and a return on shareholders' equity of 6.61% (2008: -29.97%), shareholders' return on shareholders' equity increased by 36.58 percent 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 2009, the Group maintained cash and cash equivalents amounted to RMB287,268,000 (2008: RMB291,016,000). The short term bank borrowings as at 31 December 2009 amounted to RMB1,000,977,000 (2008: RMB1,422,303,000). As at 31 December 2009, the Group's current ratio was 106.43% (31 December 2008: 101.79%), and the Group's net gearing ratio (balance of total borrowings less cash and cash equivalent, time deposits and pledged deposits divided by total assets and multiplied by 100%) was 6.99% (2008: 1.74%).

Pledged deposits placed for the issuance of letters of credit and commercial bills in relation to the purchases of copper plates amounted to RMB284,494,000 as at 31 December 2009 (2008: RMB788,258,000), decreased by 63.91%. During 2009, 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 2009, 61%, 3% and 36% of the Group's revenue were denominated in US dollar, Hong Kong dollar and Renminbi, while 66% and 34% of its payments were denominated in US dollar and Renminbi. For the year ended 31 December 2009, the Group has a net foreign exchange loss of RMB8,266,000 (2008: a net gain of RMB32,089,000).

Pledge of Assets

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

	As at 31 December		
Assets	**2009**	2008	**Purpose**
	RMB'000	RMB'000	
Buildings	**86,485**	89,059	Bank loans
Land use rights	**31,346**	32,183	Bank loans
Inventories	**–**	100,000	Bank loans, letters of credit and commercial bills
Bank deposits	**284,494**	788,258	Letters of credit and commercial bills
Machinery, equipment and tools	**157,977**	170,546	Letters of credit and commercial bills
Total	**560,302**	1,180,046	

Use of Proceeds

The proceeds from the issuance of new shares by the Company in January 2007, net of listing expenses, were approximately HK$220,762,000. As at 31 December 2009, the net proceeds were utilized in the following manner:

	Per prospectus HK$'000	Amount utilised HK$'000	Balance as at 31 December 2009 HK$'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**	**69,478**

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

Capital Structure

The Group adopts a prudent treasury policy, and its net debt-to-adjusted capital ratio (calculated as bank loans less pledged deposits and cash and cash equivalent plus unaccrued proposed dividend then divided by adjusted capital) as at 31 December 2009 was 67.88% (2008: 61.54%). The current ratio (calculated as current assets divided by current liabilities) as at 31 December 2009 was 106.43% (2008: 101.79%). The Group continued to monitor stringent debt collection policy so as to minimise the risks of sales on credit and to ensure that funds are timely collected.

Capital Expenditure

The Group's capital expenditures were mainly for the acquisition of properties, plant and equipment. The following table shows the Group's capital expenditure for the year ended 31 December 2009 and 2008:

	For the year ended 31 December	
	2009 **RMB'000**	2008 RMB'000
Building	**–**	13
Machinery, equipment and tools	**1,450**	410
Dies and moulds	**1,020**	1,438
Motor vehicles and other fixed assets	**403**	346
Construction in progress	**16,711**	223
	19,584	2,430

Employees and Remuneration Policies

As at 31 December 2009, the Group employed 922 full-time employees in the PRC (2008: 986). The Group's salaries and remuneration policies are to determine the remuneration package of employees by reference to their performance, experience and prevailing market conditions, and their positions, duties and responsibilities in the Group. The Group continued to provide retirement, medical, employment injury, unemployment and maternity benefits which are governed by the state-managed social welfare scheme operated by the local government of the PRC.

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

Commitments

(i) Capital commitments

Outstanding capital commitments at 31 December 2009 not provided for in the financial statements were as follows:

	As at 31.12.2009 RMB'000	As at 31.12.2008 RMB'000
Contracted	**–**	16,582

(ii) Lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	2009 RMB'000	2008 RMB'000
Less than one year	**620**	858
Between one and two years	**9**	128
Between two and three years	**2**	9
	631	995

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

Contingent Liabilities

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

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Comprehensive Income Data

	For the year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**4,369,621**	6,491,053	6,488,376	7,077,910	3,979,619
Costs	**(4,238,205)**	(6,481,800)	(6,357,954)	(6,856,339)	(3,837,052)
Gross profit	**131,416**	9,253	130,422	221,571	142,567
Profit/(Loss) from operation	**81,128**	(114,325)	237,885	224,023	108,905
Finance costs	**(48,626)**	(101,566)	(112,283)	(96,969)	(41,448)
Impairment loss on associate	**–**	(10,370)	–	–	–
Share of profit/(loss) of associate	**1,206**	(10,865)	(1,260)	–	–
Profit/(Loss) before taxation	**33,708**	(226,756)	124,342	127,054	67,457
Income tax credit/(expenses)	**5,637**	18,330	(12,837)	(6,256)	–
Profit/(Loss) for the year	**39,345**	(208,426)	111,505	120,798	67,457
Profit/(Loss) attributable to minority interests	**–**	–	–	41,318	31,722
Profit/(Loss) for the year attributable to equity holders of the Company	**39,345**	(208,426)	111,505	79,480	35,735
Basic and diluted earnings/(loss) per share (RMB)	**0.07**	(0.35)	0.19	0.18	0.08

Five-Year Summary and Key Financial Ratios

Summary of Consolidated Balance Sheet Data

	At 31 December				
	2009	2008	2007	2006	2005
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**504,191**	511,905	536,674	514,551	519,819
Current assets	**2,120,493**	2,592,768	3,197,723	3,110,353	1,945,251
Current liabilities	**(1,992,382)**	(2,547,244)	(2,894,454)	(3,081,348)	(2,042,312)
Net current assets/(liabilities)	**128,111**	45,524	303,269	29,005	(97,061)
Total assets less current liabilities	**632,302**	557,429	839,943	543,556	422,758
Non-current liabilities	**–**	–	(6,598)	(40,000)	(40,000)
Net assets	**632,302**	557,429	833,345	503,556	382,758
Total equity attributable to equity holders of the Company	**632,302**	557,429	833,345	503,556	195,263
Minority interests	**–**	–	–	–	187,495
Total equity	**632,302**	557,429	833,345	503,556	382,758

	At 31 December				
	2009	2008	2007	2006	2005
Profitability ratios					
Return on shareholder's equity (note 1)	**6.61%**	(29.97%)	16.68%	27.26%	19.97%
Return on assets (note 2)	**1.37%**	(6.10%)	3.03%	3.97%	3.15%
Liquidity ratios					
Current ratio (note 3)	**106.43%**	101.79%	110.48%	100.94%	95.25%
Receivables turnover days (note 4)	**46.92**	44.56	64.15	45.61	43.86
Inventory turnover days (note 5)	**19.03**	16.22	19.28	12.01	11.18
Payable turnover days (note 6)	**80.41**	64.87	74.35	57.35	81.77
Capital adequacy ratios					
Net gearing ratio (note 7)	**6.99%**	1.74%	(0.79%)	14.38%	3.06%

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

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

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

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

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

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

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

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 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 SEHK ("Listing Rules") as its own code of corporate governance practices.

In the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2009.

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 Director, 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 2009.

Board of Directors

The Board currently consists of nine Directors including four executive Directors and five independent non-executive Directors:

Executive Directors

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

Independent Non-executive Directors

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

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 10 to 15 under the section headed "Biographies of Directors and Senior Management" and relevant information has also been posted on the Company's website.

Chairman and Chief Executive Officer

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

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

Non-executive Directors

The five independent non-executive Directors have obtained academic and professional qualifications in respective fields such as accounting, finance, magnet wires and electric cables. With their experience gained from various sectors, they provide strong support towards effective discharge of the duties and responsibilities of the Board. Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers each of them to be independent under Rule 3.13 of the Listing Rules. The five independent non-executive Directors are appointed for a term of two years from 11 January 2007 and a further term of two years from 11 January 2009 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 2009, the Board held 4 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
Mr. Huang Cheng-Roang *(Chairman)*	4/4
Mr. Lin Chi-Ta *(Chief Executive Officer)*	4/4
Mr. Du Chi-Ting	4/4
Mr. Huang Kuo-Feng	4/4
Mr. Kang Jung-Pao	4/4
Mr. Cheng Yang-Yi	4/4
Mr. Tsay Yang-Tzong	4/4
Mr. Yan Minghe	4/4
Mr. Atsushi Kanayama	4/4

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 a Remuneration Committee (the "Remuneration Committee") with written terms of reference on 18 December 2006. The Remuneration Committee currently consists of one executive Director, Mr. Lin Chi-Ta (as chairman), and five independent non-executive Directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama.

The 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 2009, the Remuneration Committee held 1 meeting for reviewing the remuneration packages of the Directors and senior management.

Name of members	Number of attendance
Mr. Lin Chi-Ta *(Chairman)*	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

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 10 to the financial statements.

Nomination Committee

The Company established a Nomination Committee (the "Nomination Committee") with written terms of reference on 18 December 2006. The Nomination Committee currently consists of one executive Director, Mr. Lin Chi-Ta (as chairman), and five independent non-executive Directors, namely Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama.

The 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 2009, the Nomination Committee held 1 meeting to assess the independence of the independent non-executive Directors and the Directors to be re-elected at the 2009 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. Lin Chi-Ta *(Chairman)*	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

Audit Committee

The Company established an Audit Committee (the "Audit Committee") with written terms of reference on 18 December 2006. The Audit Committee currently consists of five independent non-executive Directors, namely Mr. Tsay Yang-Tzong (as chairman), Mr. Kang Jung-Pao, Mr. Cheng Yang-Yi, Mr. Yan Minghe and Mr. Atsushi Kanayama.

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 2009, the Audit Committee held 2 meetings.

Name of members	Number of attendance
Mr. Tsay Yang-Tzong *(Chairman)*	2/2
Mr. Kang Jung-Pao	2/2
Mr. Cheng Yang-Yi	2/2
Mr. Yan Minghe	2/2
Mr. Atsushi Kanayama	2/2

During the year ended 31 December 2009, 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.

Deed of Non-Competition

Each of Taiwan Tai-I and Tai-I International (BVI) Limited ("Tai-I (BVI)") has provided a non-competition certificate stating that the provisions of the deed of non-competition have been complied with during the year.

Internal Control

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions and 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	1,814
Non-audit services	–
	1,814

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 2009, 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.

Apart from the above, shareholders may also choose to log onto our website (www.tai-i-int.com) for access to more information.

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 annul general meeting of the Company ("AGM") will be voted by poll.

Directors' Report

The Board is pleased to submit the Directors' report together with the audited consolidated financial statements of the Group for the year ended 31 December 2009.

Principal Activities

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

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 2009 is set out in note 4 to the financial statements.

Financial Statements

The result of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 43 to 45.

Dividends

The Board does not recommend the payment of a final dividend for the year ended 31 December 2009 (2008: Nil).

Distributable Reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB406,253,000 (2008: RMB411,504,000).

Share Capital

Details of the movements in the share capital during the year are set out in note 27(c) to the 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 2009, the Company repurchased 460,000 shares of HK$0.01 each in the capital of the Company at prices ranging from HK$0.185 to HK$0.196 per share on SEHK. Details of the repurchases are as follows:

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

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

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 24 to 25 of this report.

Charitable Donations

During the year, the Group made charitable donations totaling RMB30,000 (2008: RMB120,000).

Fixed Assets

Details of movements in fixed assets are set out in note 15 to the financial statements.

Directors

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

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

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

In accordance with the Article 87, Mr. Tsay Yang-Tzong, Mr. Yan Minghe and Mr. Atsushi Kanayama shall retire from office as Directors by rotation and, being eligible, offer themselves for re-election at the AGM.

Directors' Service Contracts

Each executive Director has entered into a service contract with the Company for an initial term of three years commencing from the 11 January 2007 which shall be terminated in accordance with provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing or in accordance with the provisions set out in the respective service agreement. Each executive Director has entered into a new service contract with the Company for another term of three years commencing from 11 January 2010.

Each independent non-executive Director has entered into a service contract with the Company for an initial term of two years commencing from 11 January 2007 which shall be terminated in accordance with provisions of the service contract or by either party giving to the other not less than three months' prior notice in writing or in accordance with the provisions set out in the respective service agreement. Each independent non-executive Director has entered into a new service contract with the Company for another term of two years commencing from 11 January 2009.

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.

Confirmation of Independence

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

Share Option Scheme

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

The principal terms of the Scheme are summarized as follows:

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

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

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 2009, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and SEHK 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 2009, so far as is known to any Director or chief executive of the Company, the following persons (other than the Directors or chief executive of the Company) had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

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

Name	Nature of interest	Number of ordinary shares of the Company held	Approximate percentage of issued ordinary shares of the Company
Tai-I (BVI)	Beneficial owner	229,905,000	38.56 (Note1)
Taiwan Tai-I	Interest through controlled corporation	229,905,000	38.56 (Note1)
First Sense International Limited ("First Sense")	Beneficial owner	102,015,000	17.11 (Note 2)
AIF Capital Asia III, L.P. ("AIF")	Interest through controlled corporation	102,015,000	17.11 (Note 2)
Green Island Industries Limited ("Green Island")	Beneficial owner	67,500,000	11.32 (Note 3)
Liu Tianni	Interest through controlled corporation	67,500,000	11.32 (Note 3)

Notes:

1. Taiwan Tai-I owns approximately 87.03% of the issued share capital of Tai-I (BVI).

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

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

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

As at 31 December 2009, the Company had not been notified of any short positions being held by any substantial shareholders in the shares or underlying shares of the Company.

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 December 2009.

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.

Connected Transactions

For the year ended 31 December 2009, 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 2009, there was no transaction entered into by the Company for the purchase of the Products under the Framework Agreement.

(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 2009 are set out in note 17 and note 18 to the financial statements.

Bank Loans

Particulars of bank loans of the Group as at 31 December 2009 are set out in note 24 to the financial statements.

Directors' Emoluments

Details of the remuneration of the Directors for year 2009 are set out in note 10 to the financial statements.

Major Customers and Suppliers

Contracts with the Group's five largest suppliers combined by value, accounted for 71.80 per cent in value of total purchases during the year ended 31 December 2009, while contracts with the Group's largest supplier by value, accounted for 23 per cent in value of total purchases during the year ended 31 December 2009. Contracts with the Group's five largest customers combined by value accounted for 14.50% in value of the turnover during the year ended 31 December 2009, while contracts with the Group's largest customer by value accounted for 3.8% in value of the turnover during the year ended 31 December 2009.

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 2009, total staff cost for the year was approximately RMB46,906,000, of which contributions to defined contribution retirement schemes were approximately RMB3,078,000. 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 and up to the date of this report.

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 five independent non-executive Directors of the Company, Mr. Tsay Yang-Tzong (as chairman), Mr. Cheng Yang-Yi, Mr. Kang Jung-Pao, Mr. Atsushi Kanayama and Mr. Yan Minghe.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2009.

AUDITOR

The financial statements for the year ended 31 December 2009 have been audited by the Group's auditor, KPMG and an unqualified opinion report was issued on 12 March 2010. 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
Huang Cheng-Roang
Chairman

Hong Kong, 12 March 2010

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") set out on pages 43 to 108, which comprise the consolidated and company balance sheets as at 31 December 2009, and 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 notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

12 March 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Notes	2009 RMB'000	2008 RMB'000
Turnover	4	**4,369,621**	6,491,053
Cost of sales		**(4,238,205)**	(6,481,800)
Gross profit		**131,416**	9,253
Other revenue	5	**17,541**	42,786
Other net loss	6	**(2,810)**	(69,924)
Distribution expenses		**(18,628)**	(21,023)
General and administrative expenses		**(40,666)**	(60,402)
Other operating expenses	7	**(5,725)**	(15,015)
Profit/(loss) from operations		**81,128**	(114,325)
Finance costs	8(i)	**(48,626)**	(101,566)
Share of profit/(loss) of associate	18	**1,206**	(10,865)
Profit/(loss) before taxation		**33,708**	(226,756)
Income tax credit	9(i)	**5,637**	18,330
Profit/(loss) for the year attributable to equity holders of the Company	12	**39,345**	(208,426)
Other comprehensive income for the year (after tax)			
Foreign currency translation differences for foreign operations		**110**	1,623
Cash flow hedge: net movement in hedging reserve		**35,496**	(35,056)
Total comprehensive income for the year attributable to equity holders of the Company		**74,951**	(241,859)
Basic and diluted earnings/(loss) per share (RMB)	14	**0.07**	(0.35)

The notes on pages 49 to 108 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009

(Expressed in Renminbi Yuan)

	Notes	**2009 RMB'000**	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**428,014**	437,767
Lease prepayments	16	**31,346**	32,183
Interest in an associate	18	**18,750**	17,544
Deferred tax assets	26	**26,081**	24,411
		504,191	511,905
Current assets			
Inventories	19	**211,477**	230,525
Trade and other receivables	20	**1,085,762**	977,698
Derivative financial instruments	21	**5,712**	16,171
Pledged deposits	22	**284,494**	788,258
Time deposits	23	**245,780**	289,100
Cash and cash equivalents	23	**287,268**	291,016
		2,120,493	2,592,768
Current liabilities			
Bank loans	24	**1,000,977**	1,422,303
Trade and other payables	25	**986,302**	1,019,727
Derivative financial instruments	21	**6,387**	107,971
Income tax recoverable	9(iii)	**(1,284)**	(2,757)
		1,992,382	2,547,244
Net current assets		**128,111**	45,524
Total assets less current liabilities		**632,302**	557,429
NET ASSETS		**632,302**	557,429
Capital and reserves			
Share capital	27(a)	**5,962**	5,966
Reserves	27(a)	**626,340**	551,463
Total equity		**632,302**	557,429

Approved and authorised for issue by the board of directors on 12 March 2010.

On behalf of the Board of Directors

LIN, Chi-Ta
Director

HUANG, Cheng-Roang
Director

The notes on pages 49 to 108 form part of these financial statements.

Balance Sheet

At 31 December 2009

(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	15	**23**	97
Investments in subsidiaries	17	**659,630**	659,630
		659,653	659,727
Current assets			
Trade and other receivables	20	**202**	494
Cash and cash equivalents	23	**688**	438
		890	932
Current liabilities			
Trade and other payables	25	**38**	256
Amount due to a subsidiary	17	**35,287**	29,856
		35,325	30,112
Net current liabilities		**(34,435)**	(29,180)
NET ASSETS		**625,218**	630,547
Capital and reserves			
Share capital	27(b)	**5,962**	5,966
Reserves	27(b)	**619,256**	624,581
Total equity		**625,218**	630,547

Approved and authorised for issue by the board of directors on 12 March 2010.

On behalf of the Board of Directors

LIN, Chi-Ta
Director

HUANG, Cheng-Roang
Director

The notes on pages 49 to 108 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

(Expressed in Renminbi Yuan)

		Attributable to equity holders of the Company			
		2009		2008	
	Note	**RMB'000**	**RMB'000**	RMB'000	RMB'000
Total equity at 1 January			**557,429**		833,345
Changes in equity:					
Total comprehensive income for the year			**74,951**		(241,859)
Dividends declared in respect of previous year			**–**		(32,338)
Purchase of own shares	27(a)				
– par value paid		**(4)**		(34)	
– premium paid		**(74)**		(1,685)	
			(78)		(1,719)
Total equity at 31 December	27(a)		**632,302**		557,429

The notes on pages 49 to 108 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
Profit/(loss) before tax		**33,708**	(226,756)
Adjustments for:			
– Impairment losses for doubtful debts		**–**	22,769
– Depreciation		**29,173**	29,426
– Share of (gain)/loss of associate		**(1,206)**	10,865
– Impairment loss on interest in an associate		**–**	10,370
– Amortisation of lease prepayments		**837**	837
– Interest income		**(13,291)**	(34,667)
– Loss on disposal of property, plant and equipment		**164**	106
– Finance costs		**48,626**	101,566
– Unrealised loss on derivative financial instruments		**675**	91,800
– Foreign exchange loss		**10,455**	85,227
Operating profit before changes in working capital		**109,141**	91,543
Decrease in inventories		**19,048**	115,027
(Increase)/decrease in trade and other receivables		**(80,680)**	339,904
Decrease in trade and other payables		**(149,699)**	(434,126)
Decrease in bank advances under discounted bills		**(54,736)**	(48,481)
Cash (used in)/generated from operating activities		**(156,926)**	63,867
PRC income tax paid		**(4,414)**	(13,307)
PRC income tax refund received		**5,887**	7,109
Net cash (used in)/generated from operating activities		**(155,453)**	57,669
Cash flow from investing activities			
Acquisition of property, plant and equipment		**(19,584)**	(11,316)
Proceeds from disposal of property, plant and equipment		**–**	6
Proceeds from foreign exchange forward contracts		**30,251**	9,865
Payments in respect of foreign exchange forward contracts		**(8,392)**	(77,881)
Decrease/(increase) in time deposits		**43,320**	(79,193)
Interest received		**24,950**	33,285
Net cash generated from/(used in) investing activities		**70,545**	(125,234)

The notes on pages 49 to 108 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

(Expressed in Renminbi Yuan)

	Note	2009 RMB'000	2008 RMB'000
Cash flow from financing activities			
Proceeds from interest-bearing loans and borrowings		**2,221,354**	5,105,947
Repayment of interest-bearing loans and borrowings		**(2,587,944)**	(5,031,062)
Finance costs paid		**(56,046)**	(111,311)
Decrease in pledged deposits		**503,764**	86,920
Dividends paid		**–**	(32,338)
Payment for repurchase of shares		**(78)**	(1,719)
Net cash generated from financing activities		**81,050**	16,437
Effect of foreign exchange rate changes on cash		**110**	1,849
Net decrease in cash and cash equivalents		**(3,748)**	(49,279)
Cash and cash equivalents at the beginning of year		**291,016**	340,295
Cash and cash equivalents at the end of year	23	**287,268**	291,016

The notes on pages 49 to 108 form part of these financial statements.

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.

(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.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 34).

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in an associate.

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

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

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

1. Significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements and major sources of estimation uncertainty is included in note 33.

(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.

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.

In the Company's balance sheet, investments in subsidiaries are stated at cost less impairment losses (see note 1(j)(ii)).

(d) Associate

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 and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associate for the year.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest 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.

1. Significant accounting policies (continued)

(e) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is tested annually for impairment. The carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 1(j)(ii)).

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

(f) Derivative financial instruments and hedging

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

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

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

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

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

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

1. Significant accounting policies (continued)

(f) Derivative financial instruments and hedging (continued)

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

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

Fair value hedges

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

Cash flow hedges

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.

1. Significant accounting policies (continued)

(g) Property, plant and equipment

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

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

– other items of plant and equipment.

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

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

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

– Buildings situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion. The estimated useful lives are 40 years.

– Machinery, equipment and tools	20 years
– Dies and moulds	1-2 years
– Motor vehicles and other fixed assets	5 years

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

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

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

No depreciation is provided in respect of construction in progress.

1. Significant accounting policies (continued)

(h) Lease prepayments

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

(i) Operating lease charges

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

(j) Impairment of assets

(i) Impairment of trade and other receivables

Current receivables that are stated at cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. 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 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.

1. Significant accounting policies (continued)

(j) Impairment of assets (continued)

(i) Impairment of trade and other receivables (continued)

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.

(ii) Impairment of other assets

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

– property, plant and equipment;
– pre-paid interests in leasehold land classified as being held under an operating lease;
– investments in subsidiaries;
– interest in an associate; and
– goodwill

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.

1. Significant accounting policies (continued)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– 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.

(k) Inventories

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

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

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

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

(l) Trade and other receivables

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

1. Significant accounting policies (continued)

(m) Cash and cash equivalents

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

(n) Trade and other payables

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

(o) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised 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.

1. Significant accounting policies (continued)

(o) Income tax (continued)

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

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

(p) Provisions and contingent liabilities

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

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

(q) Revenue recognition

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

(i) Sale of goods

Revenue is recognised in the consolidated 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) Service income

Service income is recognised when the related service is rendered.

(iii) Interest income

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

(iv) 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.

1. Significant accounting policies (continued)

(r) Employee benefits

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

(ii) Contributions to appropriate local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in the 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.

(s) Translation of foreign currencies

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

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

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

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

(t) Borrowing costs

Borrowing costs 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.

1. Significant accounting policies (continued)

(u) Related parties

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

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

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

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

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

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

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

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

(v) Segment reporting

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

- IFRS 8, *Operating segments*
- Revised IAS 1, *Presentation of financial statements*
- Amendment to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Improvements to IFRSs (2008)
- Amendment to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly, controlled entity or associate*
- Amendment to IAS 39, *Financial instruments – Recognition and measurement*
- Amendment to IAS 32, *Financial instruments – Presentation*
- Revised IAS 23, *Borrowing costs*

2. Changes in accounting policies (continued)

The amendments to IAS 23, IAS 27, IAS 39 and IAS 32 have had no material impact on the Group's financial statements as the amendments and improvements were consistent with the policies already adopted by the Group. The impact of the remainder of these developments is as follows:

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

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

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in note 31(f) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. Corresponding amounts have also been provided on the same basis.

- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:

  – As a result of amendments to IAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

3. Segment reporting

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

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

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

(a) Segment results, assets and liabilities

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

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

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

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

Analysis of the Group's turnover and results as well as analysis of the Group's carrying amount of segment assets and additions to property, plant and equipment by geographical market has not been presented as over 90% of the sales are generated from the PRC market.

Information regarding the Group's reportable segments as provided to the Board for the purpose of resources allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

3. Segment reporting (continued)

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

	Bare copper wires		Magnet wires		Total	
	2009	2008	**2009**	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	**3,191,245**	4,456,578	**1,178,376**	2,034,475	**4,369,621**	6,491,053
Inter-segment revenue	**989,092**	1,655,091	**–**	–	**989,092**	1,655,091
Reportable segment revenue	**4,180,337**	6,111,669	**1,178,376**	2,034,475	**5,358,713**	8,146,144
Reportable segment profit/(loss) (adjusted profit/(loss) before taxation)	**23,755**	(119,268)	**23,550**	(74,094)	**47,305**	(193,362)
Interest income from bank deposits	**7,584**	23,115	**5,675**	11,126	**13,259**	34,241
Interest expense	**20,910**	51,709	**22,363**	41,468	**43,273**	93,177
Depreciation and amortisation for the year	**11,054**	9,853	**18,881**	20,262	**29,935**	30,115
Reportable segment assets	**2,068,623**	2,453,823	**932,914**	1,353,303	**3,001,537**	3,807,126
Additions to non-current segment assets during the year	**18,140**	451	**1,444**	1,979	**19,584**	2,430
Reportable segment liabilities	**1,840,456**	2,235,318	**608,992**	1,071,846	**2,449,448**	3,307,164

3. Segment reporting (continued)

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

	2009 RMB'000	2008 RMB'000
Revenue		
Reportable segment revenue	**5,358,713**	8,146,144
Elimination of inter-segment revenue	**(989,092)**	(1,655,091)
Total	**4,369,621**	6,491,053
Profit/(loss) before taxation		
Reportable segment profit/(loss) before taxation	**47,305**	(193,362)
Elimination of inter-segment profits	**(1,910)**	(4,416)
Reportable segment profit/(loss) derived from group's external customers	**45,395**	(197,778)
Share of profit/(loss) of associate	**1,206**	(10,865)
Unallocated head office and corporate expenses	**(12,893)**	(18,113)
Total	**33,708**	(226,756)
Assets		
Reportable segment assets	**3,001,537**	3,807,126
Elimination of inter-segment receivables	**(457,104)**	(764,271)
	2,544,433	3,042,855
Interests in associates	**18,750**	17,544
Deferred tax assets	**26,081**	24,411
Unallocated head office and corporate assets	**35,420**	19,863
Total	**2,624,684**	3,104,673
Liabilities		
Reportable segment liabilities	**2,449,448**	3,307,164
Elimination of inter-segment payables	**(457,104)**	(764,271)
	1,992,344	2,542,893
Unallocated head office and corporate liabilities	**38**	4,351
Total	**1,992,382**	2,547,244

4. Turnover

The principal activities of the Group are the manufacturing and sale of bare copper wires and magnet wires and provision of processing services.

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

	2009 **RMB'000**	2008 RMB'000
Sales of bare copper wires	**3,166,888**	4,438,671
Sales of magnet wires	**1,178,376**	2,034,475
Processing services	**24,357**	17,907
	4,369,621	6,491,053

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

5. Other revenue

	2009 **RMB'000**	2008 RMB'000
Interest income	**13,291**	34,667
Government grants	**4,008**	–
Income tax refund	**–**	7,109
Others	**242**	1,010
	17,541	42,786

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

	2009 RMB'000	2008 RMB'000
Net exchange (loss)/gain	**(8,266)**	32,089
Gain on sales of scrap materials	**1,730**	1,228
Loss on disposal of property, plant and equipment	**(164)**	(106)
Net gain/(loss) on derivative financial instruments		
– copper futures contracts	**589**	(34,702)
– foreign exchange forward contracts	**3,301**	(68,619)
Others	**–**	186
	(2,810)	(69,924)

7. Other operating expenses

	2009 RMB'000	2008 RMB'000
Impairment loss on interest in an associate (note 18)	**–**	10,370
Bank charges	**1,706**	3,729
Others	**4,019**	916
	5,725	15,015

8. Profit/(loss) before taxation

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

(i) Finance costs

	2009 RMB'000	2008 RMB'000
Interest expenses	**43,273**	93,177
Letter of credit charges	**5,353**	8,389
	48,626	101,566

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

(ii) Staff costs

	2009 RMB'000	2008 RMB'000
Salaries, wages and other benefits	**43,828**	46,916
Contributions to defined contribution retirement schemes (note 29)	**3,078**	3,952
	46,906	50,868

(iii) Other items

	2009 RMB'000	2008 RMB'000
Cost of inventories # (note 19)	**4,238,205**	6,481,800
Auditors' remuneration – audit services	**1,814**	2,212
Depreciation #	**29,173**	29,426
Amortisation of lease prepayments #	**837**	837
Impairment losses for doubtful debts	**–**	22,769
Impairment loss on associate	**–**	10,370
Operating leases charges in respect of properties	**631**	995

Cost of inventories includes RMB59,181,000 for the year ended 31 December 2009 (2008: RMB66,987,000), 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 credit

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

	2009	2008
	RMB'000	RMB'000
Current tax – PRC		
Provision for the year	**–**	(8,836)
Deferred tax		
Origination of temporary differences (note 26)	**5,637**	27,166
	5,637	18,330

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

No provision 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.

According to the new tax law and Circular Guoshuifa [2007] No. 39 "Notice on Corporate Income Tax Rate for the Transitional Period", the income tax rates applicable to Tai-I Jiang Corp (Guangzhou) Co., Ltd. ("Tai-I Jiang Corp"), and Tai-I Copper (Guangzhou) Co., Ltd. ("Tai-I Copper") increase from 15% to 25% over a five year transitional period, being 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% from 2012.

These tax rates were used to calculate the Group's deferred tax assets and liabilities as at 31 December 2009.

Pursuant to the approvals obtained from the relevant PRC tax authorities, being production oriented enterprises established in an Economic and Technological Zone, Tai-I Jiang Corp and Tai-I Copper are entitled to a preferential income tax rate of 15% and are entitled to a tax concession period in which they are fully exempted from PRC income tax for two years commencing from their first profit-making year (after the offset of tax losses brought forward), followed by a 50% reduction in PRC income tax for the next three years. The tax holidays expired in 2009.

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

9. Income tax credit (continued)

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

	2009 **RMB'000**	2008 RMB'000
Profit/(loss) before taxation	**33,708**	(226,756)
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Group's profit/(loss) in the tax jurisdiction concerned (2009: 20%, 2008: 18%)	**(6,742)**	40,816
Effect of tax on profit/(loss) in holding companies	**862**	(5,244)
Effect of share of profit/(loss) of associate and impairment loss on interest in associate	**241**	(3,822)
Effect of non-deductible expenses	**(639)**	(67)
Effect of non-taxable income	**–**	640
Effect of change on tax rate	**11,915**	–
Others	**–**	104
Effect of PRC tax holidays granted to subsidiaries	**–**	(14,097)
	5,637	18,330

(iii) Taxation in the consolidated balance sheet represents:

	2009 **RMB'000**	2008 RMB'000
At 1 January	**(2,757)**	1,714
Provision for income tax for the year	**–**	8,836
Amounts received/(paid)	**1,473**	(13,307)
At 31 December	**(1,284)**	(2,757)

10. Directors' remuneration

Details of directors' remuneration are as follows:

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**

Year ended 31 December 2008

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	17	610	–	627
Mr. Lin Chi Ta	17	931	–	948
Mr. Huang Kuo Feng	17	472	–	489
Mr. Du Chi Ting	7	546	–	553
Independent non-executive directors				
Mr. Kang Jung Pao	212	–	–	212
Mr. Cheng Yang Yi	212	–	–	212
Mr. Tsay Yang Tzong	212	–	–	212
Mr. Yan Ming He	212	–	–	212
Mr. Atsushi Kanayama	212	–	–	212
Total	1,118	2,559	–	3,677

10. Directors' remuneration (continued)

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

	2009	2008
Nil to RMB1,000,000	**9**	9

There were no amounts paid during the year (2008: 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 (2008: Nil).

11. Individuals with highest emoluments

The five highest paid individuals of the Group include 2 directors of the Company during the year ended 31 December 2009 (2008: 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:

	2009 RMB'000	2008 RMB'000
Basic salaries, allowances and other benefits	**2,259**	2,157
Bonus	**17**	–
	2,276	2,157
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 (2008: Nil).

12. Profit/(loss) for the year attributable to equity holders of the Company

The consolidated profit for the year attributable to equity holders of the Company includes a loss of RMB5,294,000 (2008: RMB22,556,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the years:

	2009 RMB'000	2008 RMB'000
Amount of consolidated loss attributable to equity holders dealt with in the Company's financial statements	**(5,294)**	(22,556)
Dividends from a subsidiary attributable to the profit of the previous financial year, approved and paid during the year	**–**	32,338
Company's (loss)/profit for the year (note 27(b))	**(5,294)**	9,782

13. Dividends

	2009 RMB'000	2008 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year	**–**	32,338

No dividend has been declared or paid by the Company for the year ended 31 December 2009.

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

The calculation of basic and diluted earnings per share for the year ended 31 December 2009 is based on the profit attributable to equity holders of the Company of RMB39,345,000 (2008: the loss of RMB208,426,000) and the weighted average of 596,246,806 (2008: 598,963,167) shares in issue during the year, calculated as follows:

	2009 Number of shares	2008 Number of shares
Ordinary shares issued at 1 January	**596,618,000**	600,000,000
Effect of shares repurchased (note 27(c)(i))	**(371,194)**	(1,036,833)
Weighted average number of shares at 31 December	**596,246,806**	598,963,167

There were no dilutive potential ordinary shares in issue as at 31 December 2009 (2008: Nil).

15. Property, plant and equipment

The Group

	Buildings RMB'000	Machinery, equipment and tools RMB'000	Dies and moulds RMB'000	Motor vehicles and other fixed assets RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2008	186,608	444,346	6,945	15,617	–	653,516
Additions	13	410	1,438	346	223	2,430
Disposals	–	(579)	(4,017)	(190)	–	(4,786)
At 31 December 2008	186,621	444,177	4,366	15,773	223	651,160
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 construction in progress	–	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
Accumulated depreciation:						
At 1 January 2008	(32,136)	(143,508)	(3,749)	(9,248)	–	(188,641)
Charge for the year	(4,212)	(20,499)	(2,962)	(1,753)	–	(29,426)
Written back on disposal	–	489	4,017	168	–	4,674
At 31 December 2008	(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)
Net book value:						
At 31 December 2009	**146,044**	**277,040**	**1,040**	**3,790**	**100**	**428,014**
At 31 December 2008	150,273	280,659	1,672	4,940	223	437,767

15. Property, plant and equipment (continued)

The Company

	Motor vehicles and other fixed assets RMB'000
Cost:	
At 1 January, 31 December 2008 and 2009	358
Accumulated depreciation:	
At 1 January 2008	(113)
Charge for the year	(148)
At 31 December 2008	(261)
Charge for the year	(74)
At 31 December 2009	(335)
Net book value:	
At 31 December 2009	23
At 31 December 2008	97

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

(ii) As at 31 December 2009, buildings with a carrying amount of RMB86,485,000 (2008: RMB89,059,000), were pledged to a bank for certain banking facilities and bank loans (see note 24).

(iii) As at 31 December 2009, machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000), were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term bank loans (see note 24).

16. Lease prepayments

	The Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**32,183**	33,020
Less: Amortisation	**(837)**	(837)
At 31 December	**31,346**	32,183

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 2009 land use rights with a carrying amount of RMB31,346,000 (2008: RMB32,183,000) were pledged to a bank for certain banking facilities and bank loans (see note 24).

17. Investments in subsidiaries

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted shares, at cost	**659,630**	659,630

Details of the principal subsidiaries at 31 December 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Issued and fully paid up/ registered capital (in thousands)	Principal activities
Tai-I Copper (BVI) Limited	BVI	100%	–	US$25,150	Investment holding
Tai-I International (HK) Limited	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

Note:

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

The amount due to a subsidiary is unsecured, non-interest bearing and repayable on demand.

18. Interest in an associate

	The Group	
	2009	2008
	RMB'000	RMB'000
Share of net assets	**18,750**	17,544
Goodwill arising on acquisition	**10,370**	10,370
	29,120	27,914
Less: Impairment on goodwill	**(10,370)**	(10,370)
	18,750	17,544

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, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 31 December 2009.

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

2009

	Assets RMB'000	**Liabilities RMB'000**	**Revenue RMB'000**	**Profit after tax 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**

2008

	Assets RMB'000	Liabilities RMB'000	Revenue RMB'000	Loss after tax RMB'000
100 percent	311,479	(253,000)	461,390	(36,217)
The Group's effective interest	93,444	(75,900)	138,417	(10,865)

19. Inventories

Inventories comprise:

	The Group	
	2009	2008
	RMB'000	RMB'000
Raw materials	**66,968**	31,056
Work in progress	**33,740**	25,145
Finished goods	**103,949**	168,408
Low value consumables	**6,820**	5,916
	211,477	230,525

The net realisable value of the majority of the inventories is closely related to the commodity market price for copper. The commodity price risk in this regard is discussed in note 31(e).

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

	The Group	
	2009	2008
	RMB'000	RMB'000
Carrying amount of inventories sold	**4,263,138**	6,457,618
Realised (gain)/loss on derivative financial instruments	**(24,933)**	24,182
	4,238,205	6,481,800

As at 31 December 2008, inventories with a carrying amount of RMB100,000,000 were pledged to a bank for bank loans (see note 24).

20. Trade and other receivables

		The Group		The Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade receivables	(i)	**525,526**	325,732	**–**	–
Bills receivable (note 24 (ii))	(i)	**120,849**	151,384	**–**	–
		646,375	477,116	**–**	–
Deposits and prepayments made to suppliers	(ii)	**373,488**	376,681	**–**	–
Other receivables		**33,565**	61,343	**202**	494
Deposits for derivative financial instruments	(iii)	**32,334**	62,558	**–**	–
		1,085,762	977,698	**202**	494

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:

	The Group	
	2009	2008
Invoice date:	**RMB'000**	RMB'000
Within 1 month	**357,559**	357,773
Over 1 month but less than 3 months	**213,799**	55,646
Over 3 months but less than 1 year	**55,316**	58,467
Over 1 year but less than 2 years	**23,793**	26,475
Over 2 years	**33,162**	16,009
	683,629	514,370
Less: Impairment losses for doubtful debts	**(37,254)**	(37,254)
	646,375	477,116

20. Trade and other receivables (continued)

(i) (continued)

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

	The Group	
	2009	2008
	RMB'000	RMB'000
At 1 January	**37,254**	14,485
Impairment loss recognised during the year	**3,624**	27,024
Reversed during the year	**(3,624)**	(4,255)
At 31 December	**37,254**	37,254

During the year, credit terms granted to customers of bare copper wire were different from those granted to customers of magnet wire. Customers of bare copper wire were usually required to settle the payment in full prior to delivery or at each month end. For customers of magnet wire, credit terms granted ranged from 30 days to 60 days. The credit terms granted to each customer vary depending on the customers' relationship with the Group, its creditworthiness and settlement record.

(ii) 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 entered into in the normal course of business.

21. Derivative financial instruments

	The Group			
	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	RMB'000	**RMB'000**	RMB'000	RMB'000
Unrealised copper futures contracts				
– under cash flow hedge accounting	**121**	**–**	–	(26,980)
– under fair value hedge accounting	**–**	**(6,387)**	–	(109)
– not qualifying for hedge accounting	**2,157**	**–**	–	(10,430)
	2,278	**(6,387)**	–	(37,519)
Unrealised foreign exchange forward contracts				
– not qualifying for hedge accounting	**3,434**	**–**	16,171	(70,452)
	3,434	**–**	16,171	(70,452)
	5,712	**(6,387)**	16,171	(107,971)

21. 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	
	2009	2008
	RMB'000	RMB'000
Sales contracts		
Volume (tonne)	**2,515**	75
Notional contract value	**125,690**	1,469
Market value	**132,077**	1,575
Fair value	**(6,387)**	(106)
Purchase contracts		
Volume (tonne)	**1,065**	4,165
Notional contract value	**61,155**	133,939
Market value	**63,433**	96,526
Fair value	**2,278**	(37,413)
	(4,109)	(37,519)
Contract maturity months	**January, February March, April and May 2010**	January, February March, April, May June, July and November 2009

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 31(e).

As at 31 December 2009, copper futures contracts designated as fair value hedges to inventories with unrealised losses of RMB6,387,000 (2008: RMB109,000) arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the year.

As at 31 December 2009, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised gains of RMB121,000 (2008: a loss of RMB26,980,000) 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 gains of RMB2,157,000 (2008: a loss of RMB10,430,000) is recognised in the profit or loss for the year.

21. Derivative financial instruments (continued)

(b) 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 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

21. Derivative financial instruments (continued)

(b) Foreign exchange forward contracts (continued)

At 31 December 2008

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

The above derivatives are measured at fair value based on the valuation provided by banks at the balance sheet date. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting (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 31(d).

22. Pledged deposits

Pledged deposits can be analysed as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Guarantee deposits for issuance of commercial bills and letters of credit (notes 24 and 25)	**284,494**	788,258

Pledged deposits earn interest at a rate ranging from 0.36% to 1.98% per annum (2008: 0.36% to 4.14%).

23. Cash and cash equivalents

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB'000	RMB'000	**RMB'000**	RMB'000
Cash on hand	**94**	155	**2**	2
Deposits on demand	**287,174**	290,861	**686**	436
Time deposits	**245,780**	289,100	**–**	–
	533,048	580,116	**688**	438
Less: Time deposits with original maturity more than 3 months	**245,780**	289,100		
Cash and cash equivalents in the consolidated cash flow statement	**287,268**	291,016		

24. Bank loans

		The Group	
		2009	2008
		RMB'000	RMB'000
Current			
Bank loans and borrowings			
– Secured	(i)	**914,615**	1,281,205
– Bank advances under discounted bills	(ii)	**86,362**	141,098
		1,000,977	1,422,303

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 2009 (2008: 1.96% to 8.96%).

(i) Current secured bank loans as at 31 December 2009 were secured by the Group's buildings with a carrying amount of RMB86,485,000 (2008: RMB89,059,000) and land use rights with carrying amounts of RMB31,346,000 (2008: RMB32,183,000). As at 31 December 2008, current secured bank loans were also secured by inventories with a carrying amount of RMB100,000,000.

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2009 and 2008 were secured by the Group's pledged deposits (see note 22) and certain machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000).

(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.

25. Trade and other payables

		The Group		The Company	
		2009	2008	**2009**	2008
		RMB'000	RMB'000	**RMB'000**	RMB'000
Trade creditors	(i)	**542,603**	621,772	**–**	–
Bills payable	(ii)	**400,109**	302,956	**–**	–
		942,712	924,728	**–**	–
Non-trade payables and accrued expenses		**48,715**	93,593	**38**	256
Other taxes (recoverable)/payable		**(5,125)**	1,406	**–**	–
		986,302	1,019,727	**38**	256

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	
	2009	2008
	RMB'000	RMB'000
Due within 3 months or on demand	**796,643**	692,118
Due after 3 months but within 6 months	**145,225**	231,996
Due after 6 months but within 1 year	**111**	219
Due after 1 year but within 2 years	**127**	229
Due after 2 years	**606**	166
	942,712	924,728

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 22). As at 31 December 2009, outstanding letters of credit included in trade creditors amounted to RMB676,358,000 (2008: RMB614,196,000).

(ii) Certain bills payable outstanding as at 31 December 2009 were secured by the Group's machinery, equipment and tools with carrying amounts of RMB157,977,000 (2008: RMB170,546,000).

26. Deferred tax assets/(liabilities)

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

The Group

	Unrealised (gain)/loss on derivative financial instruments RMB'000	Impairment losses for doubtful debt RMB'000	Unutilised tax losses under PRC statutory report RMB'000	Cash flow hedges RMB'000	Others RMB'000	Total RMB'000
At 1 January 2008	(7,902)	1,304	–	–	–	(6,598)
Credited to profit or loss	15,763	2,421	1,778	–	7,204	27,166
Credited to reserves	–	–	–	3,843	–	3,843
At 31 December 2008	7,861	3,725	1,778	3,843	7,204	24,411
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**
Debited to reserves	**–**	**–**	**–**	**(3,967)**	**–**	**(3,967)**
At 31 December 2009	**(138)**	**8,196**	**15,461**	**(124)**	**2,686**	**26,081**

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.

	The Group	
	2009	2008
	RMB'000	RMB'000
Net deferred tax assets recognised on the balance sheet	**26,081**	24,411

27. Share capital and reserves

(a) The Group

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000 d(i)	Merger reserve RMB'000 d(ii)	PRC Statutory reserve RMB'000 d(iii)	Exchange reserve RMB'000 d(iv)	Hedging reserve RMB'000 d(v)	Retained earnings/ (accumulated losses) RMB'000	Total RMB'000
At 1 January 2008	6,000	214,762	418,938	26,259	(2,478)	–	169,864	833,345
Dividends declared and approved during the year	–	–	(32,338)	–	–	–	–	(32,338)
Loss for the year	–	–	–	–	–	–	(208,426)	(208,426)
Cash flow hedges: effective portion of changes in fair value								
– realised portion	–	–	–	–	–	(35,992)	–	(35,992)
– unrealised portion (note 21(a))	–	–	–	–	–	(26,980)	–	(26,980)
– deferred tax credited (note 26)	–	–	–	–	–	3,843	–	3,843
Cash flow hedges: transfer from equity to profit or loss								
– in cost of sales	–	–	–	–	–	24,073	–	24,073
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	–	1,623	–	–	1,623
Shares repurchased	(34)	(1,685)	–	–	–	–	–	(1,719)
At 31 December 2008	5,966	213,077	386,600	26,259	(855)	(35,056)	(38,562)	557,429
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 21(a))	**-**	**-**	**-**	**-**	**-**	**121**	**-**	**121**
– deferred tax debited (note 26)	**-**	**-**	**-**	**-**	**-**	**(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**

27. Share capital and reserves (continued)

(b) The Company

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
	Attributable to equity holders of the Company					
At 1 January 2008	6,000	214,762	464,996	(43,371)	(28,818)	613,569
Profit for the year (note 12)	–	–	–	–	9,782	9,782
Dividends declared and approved during the year	–	–	(32,338)	–	–	(32,338)
Exchange difference on translation of financial statements of the Company	–	–	–	41,253	–	41,253
Shares repurchased	(34)	(1,685)	–	–	–	(1,719)
At 31 December 2008	5,966	213,077	432,658	(2,118)	(19,036)	630,547
At 1 January 2009	**–**	**–**	**–**	**–**	**–**	**–**
Loss for the year (note 12)	**–**	**–**	**–**	**–**	**(5,294)**	**(5,294)**
Exchange difference on translation of financial statements of the Company	**–**	**–**	**–**	**43**	**–**	**43**
Shares repurchased	**(4)**	**(74)**	**–**	**–**	**–**	**(78)**
At 31 December 2009	**5,962**	**213,003**	**432,658**	**(2,075)**	**(24,330)**	**625,218**

(c) Share capital

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

27. Share capital and reserves (continued)

(c) Share capital (continued)

(i) Purchase of own shares

During the year, the Company repurchased its own ordinary shares through the Stock Exchange of Hong Kong Limited as follows:

Month/year of the repurchases	Number of shares repurchased	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid HK$'000
March 2009	460,000	0.196	0.185	88
				RMB equivalent
				78

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium paid on the repurchase of the shares was charged to share premium.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Merger reserve

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

(iii) PRC statutory reserve

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

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

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.

27. Share capital and reserves (continued)

(d) 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(s).

(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).

(e) Capital management

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

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

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

27. Share capital and reserves (continued)

(e) Capital management (continued)

During 2009, the Group's strategy was to maintain the net debt-to-adjusted capital ratio within the range of 20% to 70%.

The net debt-to-adjusted capital ratio at 31 December 2009 and 2008 is as follows:

		The Group		The Company	
		2009	2008	**2009**	2008
	Note	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Current liabilities					
Bank loans	24	**1,000,977**	1,422,303	**–**	–
Total debt		**1,000,977**	1,422,303	**–**	–
Less: Cash and cash equivalents	23	**(287,268)**	(291,016)	**(687)**	(438)
Pledged deposits	22	**(284,494)**	(788,258)	**–**	–
Net debt		**429,215**	343,029	**(687)**	(438)
Total equity	27	**632,302**	557,429	**625,218**	630,547
Adjusted capital		**632,302**	557,429	**625,218**	630,547
Net debt-to-adjusted capital ratio		**68%**	62%	**0%**	0%

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

28. Commitments

(i) Capital commitments

Outstanding capital commitments at 31 December 2009 not provided for in the financial statements were as follows:

	The Group	
	As at 31.12.2009 RMB'000	As at 31.12.2008 RMB'000
Contracted	**–**	16,582

(ii) Lease commitments

At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Less than one year	**620**	858
Between one and two years	**9**	128
Between two and three years	**2**	9
	631	995

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

29. Retirement benefits

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

Administrator	Beneficiary	Contribution rate
Guangzhou Municipal Government, Guangdong Province	Employees of Tai-I Jiang Corp and Tai-I Copper	12%-20%

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

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

30. Related party transactions

(a) No related party transactions were identified during the years ended 31 December 2009 and 2008.

(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	
	2009	2008
	RMB'000	RMB'000
Short-term employee benefits	**7,384**	7,873

(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 29. As at 31 December 2009, there was no material outstanding contribution to post-employment benefit plans (2008: Nil).

31. 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 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% (2008: 14%) and 41% (2008: 32%) 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 20.

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.

31. Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

	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 21(a))	6,387	(6,387)	(6,387)	–
	1,986,947	(1,990,292)	(1,940,800)	(49,492)

31. Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Group (continued)

	2008			
	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	1,281,205	(1,285,660)	(1,265,871)	(19,789)
Bank advances under discounted bills	141,098	(141,098)	(141,098)	–
Trade and other payables excluding advance from customers	985,397	(985,397)	(985,397)	–
Derivative financial liabilities				
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow	70,663	(2,871,156)	(1,980,993)	(890,163)
– inflow	(211)	2,797,556	1,924,787	872,769
Copper futures contracts (note 21(a))	37,519	(37,519)	(36,445)	(1,074)
	2,515,671	(2,523,274)	(2,485,017)	(38,257)

The Company

	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)**	**–**

31. Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company (continued)

	2008			
	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	29,856	(29,856)	(29,856)	–
Trade and other payables excluding advance from customers	256	(256)	(256)	–
	30,112	(30,112)	(30,112)	–

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)**	**–**

	2008			
	Carrying amount RMB'000	Expected cash flow RMB'000	6 months or less RMB'000	6-12 months RMB'000
Copper futures contracts liabilities	(26,980)	(68,566)	(63,521)	(5,045)

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 the balance sheet date, the expected delivery period of the forecast sales is from January 2010 to May 2010.

31. 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:

	2009 Effective weighted average interest rates % (annual)	**2009** RMB'000	2008 Effective weighted average interest rates % (annual)	2008 RMB'000
Fixed rate instruments				
Time deposits	**1.98**	**245,779**	2.65	289,100
Pledged deposits	**1.85**	**104,209**	3.84	471,498
Bank loans	**2.29**	**(1,000,977)**	4.48	(1,422,303)
		(650,989)		(661,705)
Variable rate instruments				
Pledged deposits	**0.36**	**180,285**	0.36	316,760
Cash and cash equivalents	**0.36**	**287,268**	0.36	291,016
		467,553		607,776

(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 RMB4,208,000 (2008: RMB5,531,000). Other components of consolidated equity would not be affected by changes in interest rates.

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 2008.

31. Financial risk management and fair values (continued)

(d) Foreign currency risk

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

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 2009, the Group had foreign exchange forward contracts hedging forecast transactions with a net gain on fair value change of RMB3,434,000 (2008: a loss of RMB54,281,000) recognised as derivative financial instruments.

31. 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:

	At 31 December			
	2009		2008	
	US$'000	**HK$'000**	US$'000	HK$'000
Trade and other receivables	**65,790**	**53,371**	54,888	50,559
Copper futures contracts held as fair value hedging instruments	**(708)**	**–**	(81)	–
Other copper futures contracts	**–**	**–**	(333)	–
Time deposits	**1,551**	**–**	–	–
Cash and cash equivalents	**25,083**	**9,867**	7,987	17,763
Bank loans	**(50,346)**	**–**	(76,651)	–
Trade and other payables	**(75,845)**	**(43)**	(91,747)	(290)
Gross balance sheet exposure	**(34,475)**	**63,195**	(105,937)	68,032
Deliverable foreign exchange forward contracts (note 21(b))				
– sell foreign currency	**(88,742)**	**–**	(383,800)	–
– buy foreign currency	**–**	**–**	36,000	–
Non-deliverable foreign exchange forward contracts (note 21(b))				
– sell foreign currency	**–**	**–**	(180,000)	–
– buy foreign currency	**18,000**	**–**	49,000	–
Net exposure	**(105,217)**	**63,195**	(584,737)	68,032

31. 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.

	At 31 December	
	2009	2008
	Increase/(decrease) in profit after tax and retained profits	Increase/(decrease) in loss after tax and accumulated losses
	RMB'000	RMB'000
USD		
– 1% strengthening of RMB (2008: 6%)	**6,323**	(223,403)
– 1% weakening of RMB (2008: 6%)	**(6,323)**	223,403
HKD		
– 1% strengthening of RMB (2008: 6%)	**(501)**	3,178
– 1% weakening of RMB (2008: 6%)	**501**	(3,178)

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. The analysis for 2009 has been changed to conform with the requirements of the financial reporting standards adopted in the current year.

31. Financial risk management and fair values (continued)

(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.

(i) Exposure to commodity price risk

The Group's exposure to copper commodity price risk (including copper inventories and open copper futures contracts) at balance sheet dates was as follows:

	2009	2008
	RMB'000	RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	**84,575**	34,746
Notional amounts of copper futures contracts to:		
– buy copper (note 21(a))	**61,155**	133,939
– sell copper (note 21(a))	**(125,690)**	(1,469)
Net exposure	**20,040**	167,216

31. Financial risk management and fair values (continued)

(e) Commodity price risk (continued)

(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.

	At 31 December					
	2009			2008		
	Increase/ (decrease) in commodity price	**Effect on profit after tax and retained profits RMB'000**	**Effect on other components of equity RMB'000**	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%	–	–
	(10)%	**(5,328)**	**–**	(10)%	(3,162)	–
Copper futures contracts	**10%**	**6,481**	**263**	10%	2,305	6,265
	(10)%	**(6,481)**	**(263)**	(10)%	(2,305)	(6,265)

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. The analysis is performed on the same basis for 2008.

31. Financial risk management and fair values (continued)

(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.

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)**

31. Financial risk management and fair values (continued)

(f) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

2008

	The Group			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	16,171	–	16,171
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(37,519)	–	–	(37,519)
– Forward exchange contracts	–	(70,452)	–	(70,452)
	(37,519)	(70,452)	–	(107,971)

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

(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 2009 and 2008.

32. Immediate and ultimate holding company

As at 31 December 2009, 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.

33. 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.

33. Accounting estimates and judgements (continued)

(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.

(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.

(Expressed in Renminbi Yuan)

34. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2009

Up to the date of issue of these 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 2009 and which have not been adopted in these financial statements.

	Effective for accounting period beginning on or after
Improvements to IFRS 2008 *(Amendments to IFRS 5, Non-current assets held for sales and discontinued operations)*	1 July 2009
Revised IFRS 1, *First-time adoption of International Financial Reporting Standards*	1 July 2009
Revised IFRS 3, *Business combinations*	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amended IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendment to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRS 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010

(Expressed in Renminbi Yuan)

34. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 31 December 2009 (continued)

	Effective for accounting period beginning on or after
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
Revised IAS 24, *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, *IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments* *Basis for conclusions on IFRS 9* *Amendments to other IFRSs and guidance on IFRS 9*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. Up to the date of issuance of the consolidated financial statements, the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

35. Comparative figures

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