
THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Privateco Offer, this Privateco Offer Document and/or the Pink Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your Privateco Shares, you should at once hand this Privateco Offer Document and the accompanying Pink Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Privateco Offer Document should be read in conjunction with the accompanying Pink Form of Acceptance, the contents of which form part of the terms of the Privateco Offer contained therein.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this Privateco Offer Document and the Pink Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Privateco Offer Document and the Pink Form of Acceptance.

**TAI-I INTERNATIONAL
(BERMUDA) LIMITED**

(Incorporated in Bermuda with limited liability)

**TAI-I INTERNATIONAL
(BVI) LIMITED**

(Incorporated in the BVI with limited liability)

**COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO
CONDITIONAL VOLUNTARY CASH OFFER
BY POLARIS SECURITIES (HONG KONG) LIMITED
ON BEHALF OF TAI-I INTERNATIONAL (BVI) LIMITED
TO ACQUIRE ALL THE SHARES IN
TAI-I INTERNATIONAL (BERMUDA) LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
TAI-I INTERNATIONAL (BVI) LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Financial adviser to Tai-I International (BVI) Limited



**Independent financial adviser to
the Qualifying Privateco Shareholders**

Beijing
Securities

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Privateco Offer Document.

A letter from the Board is set out on pages 6 to 8 of this Privateco Offer Document.

A letter from Polaris containing, among other things, details of the terms of the Privateco Offer is set out on pages 9 to 13 of this Privateco Offer Document.

A letter from the independent financial adviser, Beijing Securities, containing its advice in respect of the Privateco Offer to the Qualifying Privateco Shareholders is set out on pages 14 to 26 of this Privateco Offer Document.

The procedures for acceptance of the Privateco Offer and other related information are set out on pages I-1 to I-5 in Appendix I to this Privateco Offer Document and in the accompanying Pink Form of Acceptance. Acceptances of the Privateco Offer should be received by the Transfer Agent by no later than 4:00 p.m. on Friday, 11 March 2011 or such later time and/or date as the Offeror may decide and announce in accordance with the Takeovers Code.

18 February 2011

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EXPECTED TIMETABLE

2011

Privateco Offer opens for acceptance	Friday, 18 February
Latest time and date for acceptance of the Privateco Offer (<i>Note 1</i>) ..	4:00 p.m. on Friday, 11 March
First Closing Date of the Privateco Offer	Friday, 11 March
Announcement of the results of the Privateco Offer posted on the Stock Exchange's website, the Listco's website and the SFC's website (<i>Note 2</i>)	by 7:00 p.m. Friday, 11 March
Announcement of the results of the Privateco Offer published in the newspapers	Saturday, 12 March and Monday, 14 March
Latest date for posting of remittances for the amounts due in respect of valid acceptances received assuming the Privateco Offer become or declared unconditional on the First Closing Date (<i>Note 3</i>)	Monday, 21 March
Latest time and date for acceptance of the Privateco Offer assuming the Privateco Offer is declared unconditional on the First Closing Date	4:00 p.m. on Friday, 25 March
Final closing date of the Privateco Offer assuming the Privateco Offer is declared unconditional on the First Closing Date	Friday, 25 March
Latest date for posting of remittances for the amounts due in respect of valid acceptances received on the final closing date of the Privateco Offer	Monday, 4 April
Latest time and date by which the Privateco Offer can become or be declared unconditional as to acceptances	7:00 p.m. on Tuesday, 19 April

Notes:

1. The Privateco Offer will be subject to the Offeror having received valid acceptances in respect of the Privateco Shares which, together with the Privateco Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it before or during the period of the Privateco Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Privateco. Unless the Privateco Offer has previously become or been declared unconditional or extended, the latest time for acceptance of the Privateco Offer is 4:00 p.m. on Friday, 11 March 2011. Pursuant to the Takeovers Code, where the Privateco Offer is declared unconditional, the Privateco Offer will remain open for acceptance for not less than 14 days thereafter. The Offeror will make an announcement as and when the Privateco Offer becomes unconditional.

EXPECTED TIMETABLE

2. The Offeror will issue an announcement to be posted on the Stock Exchange's website the Listco's website and the SFC's website by 7:00 p.m. on Friday, 11 March 2011, being the First Closing Date, as to whether the Privateco Offer has been revised or extended, has expired or has become or been declared unconditional. If the Privateco Offer is revised or extended, the Offeror will comply with the relevant requirements under the Takeovers Code.
3. Amounts due to each of the Qualifying Privateco Shareholders who accept the Privateco Offer will be paid by the Offeror as soon as possible but in any event within 10 days of the later of the date the Privateco Offer becomes, or is declared, unconditional in all respects and the date of receipt of the duly completed Pink Form of Acceptance in accordance with the Takeovers Code.
4. In accordance with the Takeovers Code, in the event that the Privateco Offer (whether extended or not) may not become or be declared unconditional as to acceptances by 7:00 p.m. on Tuesday, 19 April 2011, being the 60th day after posting of this Privateco Offer Document, the Privateco Offer will lapse except with the Executive's consents.

All time and date references contained in this Privateco Offer Document and the Pink Form of Acceptance refer to Hong Kong time and date.

DEFINITIONS

In this Privateco Offer Document and the Pink Form of Acceptance, unless the context requires otherwise, the following expressions have the meanings set out below:

“acting in concert”	has the meaning defined in the Takeovers Code
“Affluent Start”	Affluent Start Holdings Investment Limited, a company incorporated in the BVI with limited liability and is 100% beneficially owned by Mr. King
“Agreement”	the agreement dated 8 November 2010 entered into amongst the Listco, Tai-I BVI, Mr. Hsu, Affluent Start and Mr. King in respect of the Share Transfer and the Subscription
“associate”	has the meaning defined in the Listing Rules
“Beijing Securities”	Beijing Securities Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed to advise the Qualifying Privateco Shareholders in relation to the Privateco Offer
“Board”	the board of Directors
“Business Day”	means any day (excluding a Saturday and any day on which a tropical cyclone warning signal no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at an time between 9 a.m. to 5 p.m.) on which banks are generally open for business in Hong Kong
“BVI”	British Virgin Islands
“CCASS”	Central Clearing and Settlement System established and operated by HKSCC
“Circular”	the circular of the Listco dated 18 January 2011 regarding, inter alia, the Proposal and the Privateco Offer
“Completion”	completion of the Agreement
“Director(s)”	the director(s) of the Privateco from time to time

DEFINITIONS

“Distributed Businesses”	all businesses of the Former Listco Group, other than the Remaining Business, carried on by the Privateco Group, including manufacturing and sales of bare copper wires and magnet wires and provision of processing services and investment holding
“Distribution In Specie”	the distribution in specie of the Privateco Shares by the Listco to its shareholders as described in the Circular
“Domain Name”	the domain name of www.tai-i-int.com
“EGM”	the extraordinary general meeting of the Listco held at 3:00 p.m. on 8 February 2011
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“First Closing Date”	11 March 2011, being the closing date of the Privateco Offer which is 21 days after the date on which this Privateco Offer Document is posted
“Former Listco Group”	the Listco and its subsidiaries (including the Privateco Group) prior to the Completion and Distribution In Specie
“Group Restructuring”	the reorganisation of the Former Listco Group, details of which are set out in section B headed “Group Restructuring” in the Circular
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Joint Announcement”	the joint announcement issued by Affluent Start, the Listco and Tai-I BVI dated 17 November 2010 in relation to, among other things, the Proposal
“Latest Practicable Date”	16 February 2011, being the latest practicable date for ascertaining certain information included in this Privateco Offer Document

DEFINITIONS

“Listco”	Tai-I International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange
“Listco Group”	the Listco and its existing subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Hsu”	Mr. Hsu Shou-Hsin, the sole director of Tai-I BVI and one of the shareholders of Taiwan Tai-I
“Mr. King”	Mr. King Pak Fu
“Offeror” or “Tai-I BVI”	Tai-I International (BVI) Limited, a company incorporated in the BVI with limited liability and beneficially wholly owned by Taiwan Tai-I
“Pink Form of Acceptance”	the accompanying form of acceptance and transfer of the Privateco Shares in PINK in respect of the Privateco Offer
“Polaris”	Polaris Securities (Hong Kong) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to Tai-I BVI
“PRC”	People’s Republic of China
“Privateco”	Tai-I International (Bermuda) Limited, a company incorporated in Bermuda with limited liability on 9 November 2010 pursuant to the Group Restructuring for the purpose of holding the Distributed Businesses and a wholly-owned subsidiary of the Listco prior to the Distribution In Specie
“Privateco Group”	Privateco and its subsidiaries
“Privateco Offer”	the conditional voluntary cash offer to be made by Polaris on behalf of Tai-I BVI to acquire all the Privateco Shares (other than those owned or agreed to be acquired by Tai-I BVI and parties acting in concert with it)

DEFINITIONS

“Privateco Offer Document”	this offer and response document relating to the Privateco Offer issued by Tai-I BVI and the Privateco in accordance with the Takeovers Code
“Privateco Share(s)”	ordinary share(s) in the capital of the Privateco
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares
“Proposal”	the Subscription, the Share Premium and Reserve Application, the Group Restructuring and the Distribution In Specie, and the respective transactions contemplated thereunder
“Qualifying Privateco Shareholders”	the Privateco Shareholders other than Tai-I BVI and parties acting in concert with it
“Remaining Business”	the Listco Group’s business of development of computer software and related matters in the PRC after the Group Restructuring and Distribution In Specie
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Share(s)”	the aggregate of 195,487,000 shares of the Listco held by Tai-I BVI prior to Completion
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share Premium Account”	the share premium account of the Listco from time to time
“Share Premium and Reserve Application”	the application of the entire amount standing to the credit of the Share Premium Account and the reserve accounts of the Listco for the implementation of part of the Distribution In Specie
“Share Transfer”	the acquisition by Affluent Start of the Sale Shares pursuant to the Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by Affluent Start of the Subscription Shares pursuant to the Agreement
“Subscription Shares”	an aggregate of 210,000,000 shares of the Listco subscribed by Affluent Start under the Agreement

DEFINITIONS

“Taiwan Tai-I”	Tai-I Electric Wire & Cable Co., Ltd, a company established under Taiwan laws on 11 September 1979 and which has been a listed company on the Taiwan Stock Exchange Corporation since 20 October 1995
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers issued by the SFC as in force from time to time
“Transfer Agent”	Computershare Hong Kong Investor Services Limited, Shops 1712-1716 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong
“US\$”	United States dollars, the lawful currency of United States of America
“%”	per cent.

For the purposes of this Privateco Offer Document, unless otherwise specified, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1.000 to HK\$1.160, for the purposes of illustration only. No representation is made that any amount in HK\$ or RMB could have been or could be converted at the above rate or at any other rates.

LETTER FROM THE BOARD OF PRIVATECO

TAI-I INTERNATIONAL (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)

Directors:

Mr. Huang Cheng-Roang

Mr. Lin Chi-Ta

Registered office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Correspondence address in Hong Kong:

Room 1502, 15th Floor

The Chinese Bank Building

61-65 Des Voeux Road Central

Hong Kong

18 February 2011

To the Privateco Shareholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH OFFER
BY POLARIS SECURITIES (HONG KONG) LIMITED
ON BEHALF OF TAI-I INTERNATIONAL (BVI) LIMITED
TO ACQUIRE ALL THE SHARES IN
TAI-I INTERNATIONAL (BERMUDA) LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
TAI-I INTERNATIONAL (BVI) LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the announcements of the Listco dated 14 September 2010, 22 September 2010 and 21 October 2010, respectively, the joint announcements of Affluent Start, the Listco and Tai-I BVI dated 17 November 2010 and 11 February 2011, the Circular of the Listco dated 18 January 2011, and the joint announcement of the Listco and Tai-I BVI dated 2 February 2011.

On 8 February 2011, the resolution in respect of the Proposal was approved at the EGM of the Listco. Completion took place and the Distribution In Specie was made on 11 February 2011. It was announced in the Joint Announcement and the Circular that Polaris, the Offeror's financial advisers, would make the Privateco Offer, which is voluntary and conditional, on behalf of the Offeror to acquire all Privateco Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

LETTER FROM THE BOARD OF PRIVATECO

The purpose of this Privateco Offer Document is to provide you with, among other things, information relating to the Privateco Group, the Offeror and the Privateco Offer as well as setting out the letter from Beijing Securities containing its advice to the Qualifying Privateco Shareholders in respect of the Privateco Offer.

PRIVATECO OFFER

Polaris, on behalf of the Offeror, is making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code to the Qualifying Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

for every Privateco Share held HK\$0.45 in cash

The Privateco Offer is conditional on valid acceptances of the Privateco Offer being received by the Offeror (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) which together with those Privateco Shares already owned by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of Privateco.

Privateco Shareholders are reminded that, subject to the level of valid acceptance being received of the Privateco Offer, the Privateco Offer may or may not become unconditional.

The offer price of the Privateco Offer of HK\$0.45 per Privateco Share represents a discount of approximately 63.4% to the unaudited pro forma consolidated net asset value per Privateco Share of approximately HK\$1.23 calculated based on the 596,158,000 Privateco Shares in issue as at the Latest Practicable Date and the unaudited pro forma consolidated net asset value of the Privateco Group as at 31 December 2009 of approximately RMB630 million (approximately HK\$731 million) as set out in Appendix III to this Privateco Offer Document.

Further terms of the Privateco Offer are set out in the letter from Polaris, Appendix I to this Privateco Offer Document and in the accompanying Pink Form of Acceptance. If a Privateco Shareholder wishes to accept the Privateco Offer in respect of one or all of his/her Privateco Share(s), he/she should complete the accompanying Pink Form of Acceptance in accordance with the instructions set out therein.

INFORMATION OF THE PRIVATECO GROUP

The Privateco Group is principally engaged in manufacturing and marketing of bare copper wires and magnet wires and provision of processing services and investment holding. The accountants' report and the unaudited pro forma financial information on the Privateco Group are set out in Appendices II and III to this Privateco Offer Document respectively.

LETTER FROM THE BOARD OF PRIVATECO

INTENTION OF THE OFFEROR REGARDING THE PRIVATECO GROUP

Your attention is drawn to the “Letter from Polaris” in this Privateco Offer Document for the intention of the Offeror regarding the Privateco Group. The Board is of the view that the Offeror’s plan in respect of the Privateco as set out in the section headed “The Offeror’s intentions regarding the Privateco” in the letter of Polaris is in the interest of the Privateco and the Privateco Shareholders as a whole.

RECOMMENDATION

As the Board does not have any non-executive Directors or independent non-executive Directors, an independent committee of the board cannot be formed to give any recommendation to the Qualifying Privateco Shareholders in connection with the Privateco Offer. In the circumstances, Beijing Securities has been appointed as the independent financial adviser to advise the Qualifying Privateco Shareholders as to whether the terms of the Privateco Offer are fair and reasonable so far as the Qualifying Privateco Shareholders are concerned and whether the Qualifying Privateco Shareholders should accept the Privateco Offer. Your attention is drawn to its letter of advice to the Qualifying Privateco Shareholders set out on pages 14 to 26 of this Privateco Offer Document.

ADDITIONAL INFORMATION

Your attention is also drawn to the expected timetable on page ii of this Privateco Offer Document and the additional information contained in the appendices to this Privateco Offer Document and the accompanying Pink Form of Acceptance.

Yours faithfully,
By order of the board of
TAI-I INTERNATIONAL (BERMUDA) LIMITED
Huang Cheng-Ruang
Director

LETTER FROM POLARIS



18 February 2011

To the Qualifying Privateco Shareholders

Dear Sir or Madam,

**CONDITIONAL VOLUNTARY CASH OFFER
BY POLARIS SECURITIES (HONG KONG) LIMITED
ON BEHALF OF TAI-I INTERNATIONAL (BVI) LIMITED
TO ACQUIRE ALL THE SHARES IN
TAI-I INTERNATIONAL (BERMUDA) LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
TAI-I INTERNATIONAL (BVI) LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the announcements of the Listco dated 14 September 2010, 22 September 2010 and 21 October 2010, respectively, the joint announcements of Affluent Start, the Listco and Tai-I BVI dated 17 November 2010 and 11 February 2011, the Circular of the Listco dated 18 January 2011, and the joint announcement of the Listco and Tai-I BVI dated 2 February 2011.

On 8 February 2011, the resolution in respect of the Proposal was approved at the EGM of the Listco. Completion took place and the Distribution In Specie was made on 11 February 2011. It was announced in the Joint Announcement and the Circular that Polaris, the Offeror's financial advisers, would make the Privateco Offer, which is voluntary and conditional, on behalf of the Offeror to acquire all Privateco Shares not already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

This letter, together with Appendix I to this Privateco Offer Document and the accompanying Pink Form of Acceptance, sets out, among other things, the terms and other details of the Privateco Offer, information on the Offeror and the intention of the Offeror regarding the Privateco Group. Terms used in this letter shall have the same meaning as those defined in the Privateco Offer Document unless the context otherwise requires.

The Qualifying Privateco Shareholders are strongly advised to consider carefully the information contained in the letter from the Board and letter from Beijing Securities as set out in this Privateco Offer Document.

LETTER FROM POLARIS

PRIVATECO OFFER

The Privateco Offer is being made by Polaris, on behalf of the Offeror, on a voluntary basis pursuant to the Takeovers Code to the Qualifying Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

for every Privateco Share held HK\$0.45 in cash

The Privateco Offer is conditional on valid acceptances of the Privateco Offer being received by the Offeror (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) which together with those Privateco Shares already owned by the Offeror and parties acting in concert with it, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of Privateco.

Privateco Shareholders are reminded that, subject to the level of valid acceptance of the Privateco Offer, the Privateco Offer may or may not become unconditional.

The offer price of the Privateco Offer of HK\$0.45 per Privateco Share represents a discount of approximately 63.4% to the unaudited pro forma consolidated net asset value per Privateco Share of approximately HK\$1.23 calculated based on the 596,158,000 Privateco Shares in issue as at the Latest Practicable Date and the unaudited pro forma consolidated net asset value of the Privateco Group as at 31 December 2009 of approximately RMB630 million (approximately HK\$731 million) as set out in Appendix III to this Privateco Offer Document.

TOTAL CONSIDERATION

As at the Latest Practicable Date, Privateco had 596,158,000 Privateco Shares in issue, of which 398,981,000 Privateco Shares (representing approximately 66.93% of the issued share capital of Privateco) were not owned or controlled by the Offeror and parties acting in concert with it. At the Privateco Offer price of HK\$0.45 per Privateco Share, the 398,981,000 Privateco Shares subject to the Privateco Offer are valued at approximately HK\$180 million.

As at the Latest Practicable Date, Polaris is satisfied that sufficient financial resources are available to the Offeror to satisfy the full acceptance of the Privateco Offer. The Offeror finances the amount for the full acceptance of the Privateco Offer by its internal resources.

LETTER FROM POLARIS

EFFECT OF ACCEPTING OR NOT ACCEPTING THE PRIVATECO OFFER

By accepting the Privateco Offer, the Qualifying Privateco Shareholders will sell their Privateco Shares and all rights attached thereto to the Offeror free from all liens, charges, claims and encumbrances and any third party rights together with all rights attached to them, including the right to receive all dividends and distributions declared, paid or made at or after the date of the issue of those Privateco Shares.

The Privateco Offer provides a cash exit to the Qualifying Privateco Shareholders (at HK\$0.45 per Privateco Share) to realise all or part of their shareholdings in the Privateco, which have no liquid market as there is no intention to list the Privateco Shares on any stock exchange. Moreover, the Privateco Shares may be subject to the compulsory acquisition provisions of the Companies Act 1981 of Bermuda (as may be amended from time to time) if sufficient Privateco Shares are acquired by the Offeror under the Privateco Offer.

The share certificates of Privateco will be posted by ordinary post at their own risk only to the Privateco Shareholders who do not accept the Privateco Offer after the close of the Privateco Offer, or to all Privateco Shareholders in the event that the Privateco Offer cannot become or be declared unconditional and as a result, lapse.

HONG KONG STAMP DUTY

Since Privateco is a company incorporated in Bermuda and its register of members is located and maintained there, no Hong Kong stamp duty is payable on any transfer of the Privateco Shares.

COMPULSORY ACQUISITION

Subject to sufficient Privateco Shares being acquired, the Offeror intends to avail itself of the right, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act 1981 of Bermuda, the relevant threshold will be the Offeror receiving acceptances from the Privateco Shareholders representing 90% of the Privateco Shares subject to the Privateco Offer provided that if the Offeror already holds over 10% of the Privateco Shares, the acceptances must also represent 75% in number of the Privateco Shareholders subject to the Privateco Offer. Under section 103 of the Companies Act 1981 of Bermuda, the Offeror can compulsorily acquire the Privateco Shares of the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirements, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer and purchases (in each case of the disinterested Privateco Shares) made by the Offeror and parties acting in concert with it during the period of 4 months after posting of the Privateco Offer Document total 90% of the disinterested Privateco Shares. Further announcement will be made if and when the Offeror decides to exercise such compulsory rights.

LETTER FROM POLARIS

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI with limited liability and beneficially wholly owned by Taiwan Tai-I. Mr. Hsu is the sole director of the Offeror.

Taiwan Tai-I is a company listed on Taiwan Stock Exchange Corporation. As at the Latest Practicable Date, the directors of Taiwan Tai-I are Mr. Hsu Jui-Chun, Mr. Hsu Shou-Hsin, Mr. Hsu Shou-Teh, Mr. Liao Wen-Lung, Mr. Kanayama Akikazu, Mr. Huang Dong-Chuan and Ms. Hsu Yu-Ying. Taiwan Tai-I together with its subsidiaries are principally engaged in the production and distribution of magnet wires, as well as electric wires and cables. Taiwan Tai-I also provides aluminium wires, copper wires and others. The magnet wires are primarily applied in household appliances and electric machinery products, while electric wires and cables are used in power transmission.

THE OFFEROR'S INTENTIONS REGARDING THE PRIVATECO

It is the intention of the Offeror that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of the Offeror that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected any major assets, nor dispose of any major assets, nor redeployment of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained. The Offeror also has no intention to redeploy or discontinue the employment of the employees of the Privateco Group other than in its ordinary course of business.

The Offeror is of the view that the Privateco Offer provides itself with a good opportunity to strengthen its investment in the Distributed Businesses while providing a cash exit for the Privateco Shareholders to realize all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid. While the Privateco Shares will not be listed, the interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, which contains largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the new bye-laws of the Privateco has been included in Appendix IV to this Privateco Offer Document.

Notwithstanding that there is no intention for the Privateco Group to conduct any fund raising activities, the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future but no concrete plan in respect of funding has been contemplated as at the Latest Practicable Date.

ACCEPTANCE AND SETTLEMENT

Set out in Appendix I to the Privateco Offer Document and the Pink Form of Acceptance contain the procedures for acceptance and settlement of the Privateco Offer, and further terms of the Privateco Offer.

LETTER FROM POLARIS

TAXATION

You are recommended to consult your own professional advisers if you are in any doubt as to the taxation implications of your acceptance of the Privateco Offer. It is emphasised that none of the Offeror, the Privateco, Polaris, any of their respective directors and any persons involved in the Privateco Offer accepts responsibility for any tax effects or liabilities of any person or persons as a result of their acceptance of the Privateco Offer.

OVERSEAS PRIVATECO SHAREHOLDERS

The making of the Privateco Offer in, or to the Qualifying Privateco Shareholders in, any jurisdiction outside Hong Kong may be affected by the laws of the relevant jurisdictions. Qualifying Privateco Shareholders who are citizens, residents or nationals of jurisdictions outside Hong Kong should inform themselves about, and observe, all applicable legal and regulatory requirements of the relevant jurisdictions.

It is the responsibility of any Qualifying Privateco Shareholder not a resident in Hong Kong who wishes to accept the Privateco Offer to satisfy himself as to the full observance of all the applicable laws and regulations of any relevant jurisdiction in connection therewith, including obtaining any government or other consent which may be required, complying with any other necessary formality and paying any issue, transfer or other taxes due in respect of such jurisdiction.

INDEPENDENT ADVICE

Beijing Securities have been appointed as the independent financial adviser to advise the Qualifying Privateco Shareholders (i) as to whether the terms of the Privateco Offer are, or are not, fair and reasonable; and (ii) as to the acceptance of the Privateco Offer. Your attention is drawn to their letter of advice to the Qualifying Privateco Shareholders set out on pages 14 to 26 of the Privateco Offer Document.

FURTHER INFORMATION

Your attention is drawn to the section headed “Expected Timetable” on page ii of the Privateco Offer Document and the additional information set out in the appendices to the Privateco Offer Document and the Pink Form of Acceptance.

Yours faithfully,
For and on behalf of
Polaris Securities (Hong Kong) Limited
Catherine Wong
Managing Director – Investment Banking

LETTER FROM BEIJING SECURITIES



BEIJING SECURITIES LIMITED

Room 2907-8, China Resources Building, 26 Harbour Road Wanchai, Hong Kong

18 February 2011

To the Qualifying Privateco Shareholders

Dear Sirs,

**CONDITIONAL VOLUNTARY CASH OFFER BY
POLARIS SECURITIES (HONG KONG) LIMITED
ON BEHALF OF TAI-I INTERNATIONAL (BVI) LIMITED
TO ACQUIRE ALL THE SHARES IN
TAI-I INTERNATIONAL (BERMUDA) LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY
TAI-I INTERNATIONAL (BVI) LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Qualifying Privateco Shareholders in respect of the Privateco Offer. The details of the Privateco Offer, among other things, are set out in the composite offer and response document of the Privateco dated 18 February 2011 (the “**Privateco Offer Document**”), of which this letter forms a part. Terms used in this letter shall have the same meanings as those defined in this Privateco Offer Document, unless the context requires otherwise.

Following Completion and the Distribution In Specie which was made on 11 February 2011, the Offeror and its parties acting in concert are interested in 197,177,000 Privateco Shares, representing approximately 33.07% of the issued share capital of the Privateco.

Polaris, on behalf of the Offeror, is making the Privateco Offer on a voluntary basis pursuant to the Takeovers Code to the Qualifying Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following basis:

for every Privateco Share held HK\$0.45 in cash
(the “Privateco Offer Price”)

The Privateco Offer is conditional on the satisfaction of valid acceptances of the Privateco Offer being received by the Offeror (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may decide subject

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to the rules of the Takeovers Code) in respect of at least 50% of the issued share capital of the Privateco including those Shares already owned by the Offeror and parties acting in concert with it.

Further details of the terms of the Privateco Offer, including the procedures for acceptance and settlement of the Privateco Offer, are set out in the letter from the board of the Privateco and Appendix I to this Privateco Offer Document.

As set out in the letter from the board of the Privateco, since the board of the Privateco does not have any non-executive Directors or independent non-executive Directors, an independent committee of board cannot be formed to give recommendation to the Qualifying Privateco Shareholders in connection with the Privateco Offer. As such, we have been appointed as the independent financial adviser to advise the Qualifying Privateco Shareholders in respect of the Privateco Offer.

Beijing Securities is not connected with the directors, chief executive or substantial shareholders of the Privateco, the Offeror, Taiwan Tai-I or any of their respective associates or respective party acting, or presumed to be acting, in concert with any of them and therefore is considered suitable to give independent advice to the Qualifying Privateco Shareholders. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby Beijing Securities will receive any fees or benefits from the Privateco or the Offeror or the directors, chief executive and substantial shareholders of the Privateco or the Offeror or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them.

Our role is to provide the Qualifying Privateco Shareholders with an independent opinion and recommendation as to whether the terms of the Privateco Offer are fair and reasonable and whether or not the Qualifying Privateco Shareholders should accept the Privateco Offer.

BASIS OF OUR OPINION

In formulating our opinion to the Qualifying Privateco Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in this Privateco Offer Document and the information and representations provided to us by the Privateco, the Offeror and their respective directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Privateco Offer Document (other than that relating to the Offeror and Taiwan Tai-I, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Privateco Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Document, the omission of which would make any statement in this Privateco Offer Document misleading.

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The sole director of the Offeror and the directors of Taiwan Tai-I accept full responsibility for the accuracy of the information contained in this Privateco Offer Document relating to the Offeror and Taiwan Tai-I, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Privateco Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Document, the omission of which would make any statement in this Privateco Offer Document misleading.

We have assumed that all information and representations that have been provided by the Directors and the sole director of the Offeror, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so up to the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors, the sole director of the Offeror and the directors of Taiwan Tai-I in this Privateco Offer Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in this Privateco Offer Document, or the reasonableness of the opinions expressed by the Privateco, the Offeror, Taiwan Tai-I and their respective directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in this Privateco Offer Document and those provided to us by the Privateco, the Offeror, Taiwan Tai-I and their respective directors nor have we conducted any form of in-depth investigation into the business, affairs, financial performance and positions or future prospects of the Privateco Group, the Offeror, Taiwan Tai-I and their respective associates.

We have not considered the tax consequences on the Qualifying Privateco Shareholders of their acceptance or non-acceptance of the Privateco Offer since these are particular to their own individual circumstances. In particular, the Qualifying Privateco Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax positions with regard to the Privateco Offer and, if in any doubt, should consult their own professional advisers.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Beijing Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

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PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the Privateco Offer to the Qualifying Privateco Shareholders, we have considered the following principal factors and reasons:

1. Background of the Privateco Offer

Pursuant to the Proposal, the Distributed Businesses were transferred to the Privateco Group, which will include the subsidiaries and associated company of the Former Listco Group other than Winsino Investments Limited and its subsidiaries. The Distributed Businesses consist principally of manufacturing and marketing of bare copper wires and magnet wires and provision of processing services and investment holding. Pursuant to the Distribution In Specie, the Listco distributed all of its Privateco Shares in specie to the Shareholders on the basis of one Privateco Share for every share of the Listco held.

On 8 February 2011, the resolution in respect of the Proposal was duly approved by the Independent Shareholders at the EGM. Following Completion and the Distribution In Specie which was made on 11 February 2011, the Offeror and its parties acting in concert are interested in 197,177,000 Privateco Shares, representing approximately 33.07% of the issued share capital of the Privateco.

Polaris, on behalf of the Offeror, is making the Privateco Offer on a voluntary conditional basis pursuant to the Takeover Code to the Qualifying Privateco Shareholders to acquire all the Privateco Shares (other than those already owned or agreed to be acquired by the Offeror or parties acting in concert with it). The Privateco Offer is conditional on the satisfaction of valid acceptances of the Privateco Offer being received by the Offeror (and not, where permitted, withdrawn) by 4:00 p.m. on the First Closing Date (or such later time or date as the Offeror may, subject to the rules of the Takeovers Code, decide) which together with those Privateco Shares already owned by the Offeror and parties acting in concert with it will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights of the Privateco.

2. Information on the Privateco Group

Upon completion of the Proposal, the Distributed Businesses were transferred to the Privateco Group, which consist principally of manufacturing and marketing of bare copper wires and magnet wires and provision of processing services and investment holdings.

(a) Financial information of the Privateco Group

Set out below is a the financial information of the Privateco Group extracted from the accountant's report as set out in Appendix II to this Privateco Offer Document.

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	Nine months ended 30 September 2010 RMB'000	Year ended 31 December 2009 2008 RMB'000 RMB'000	
Turnover			
– Sale of bare copper wires	3,830,253	3,166,888	4,438,671
– Sale of magnet wires	1,443,161	1,178,376	2,034,475
– Processing services	<u>11,451</u>	<u>24,357</u>	<u>17,907</u>
 Total turnover	 5,284,865	 4,369,621	 6,491,053
 Gross profit	 143,849	 131,416	 9,253
Profit/(loss) from operations	104,974	86,421	(91,770)
Profit/(loss) before taxation	58,666	39,001	(204,201)
Profit/(loss) for the year	45,876	44,638	(185,871)
	As at 30 September 2010 RMB'000	As at 31 December 2009 RMB'000	As at 31 December 2008 RMB'000
Net asset	747,640	666,714	586,512
Net asset value per Privateco Share (HK\$) (Notes 1&2)	1.46	1.30	1.14

Notes:

1. Amounts denominated in RMB, if any, have been translated into HK\$ at an exchange rate of RMB1=HK\$1.16 for comparison purpose only.
2. The net asset value per Privateco Share is calculated based on 596,158,000 ordinary shares of the Privateco in issue as at the Latest Practicable Date.

The turnover of the Privateco Group decreased by 32.7% from approximately RMB6,491.1 million for the year ended 31 December 2008 to approximately RMB4,369.6 million for the year ended 31 December 2009. Despite the fact that there was an increase in the sales volume of bare copper wires in 2009, the drop in the turnover of the Privateco Group in 2009 was mainly caused by the fall in the international average copper prices. In addition, the turnover of magnet wires had dropped which was due to the impact of the global financial crisis in 2008.

Due to the expansion of the bare copper wires division of the Privateco Group in 2009 and coupled with the effects of the growth in 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 Privateco Group rose

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by 2.8% from 84,391 tonnes in 2008 to 86,756 tonnes in 2009. However, as a consequence of the fall in the international copper prices, the turnover of bare copper wires was reduced by 28.7% from approximately RMB4,438.7 million in 2008 to approximately RMB3,166.9 million in 2009. In contrast with bare copper wires, magnet wires are relatively downstream products, and the demand of which in the international and China markets was recovering at a slower pace. Both the sales volume and the turnover of magnet wires have been decreased in 2009 as compared to the same period for the last year.

Despite the drop in the turnover of the Privateco Group in 2009, the gross profit increased substantially from approximately RMB9.2 million in 2008 to RMB131.4 million in 2009 due to the effective management of purchase price of copper plates and sales price and the cost reduction measures implemented by the Privateco Group. As a result, the Privateco Group recorded a net profit of approximately RMB44.64 million for 2009 as compared to a net loss of approximately RMB185.87 million in 2008.

For the nine months ended 30 September 2010, the turnover of the Privateco Group amounted to approximately RMB5,284.9 million representing an increase of 78.33% as compared with the last corresponding period of approximately RMB2,963.6 million. The increase in the turnover was due mainly to the increase in international copper price and the growth in market demand. The gross profit for the nine months ended 30 September 2010 was approximately RMB143.8 million, representing an increase of approximately 99.45% as compared to the same period last year of approximately RMB72.1 million. Such increase was due to the increase in the sales volume as well as the improved product margins. For the nine months ended 30 September 2010, there was an increase in product margins as inventory cost of the copper was lower than the international copper price on the basis of weighted average cost of inventory but the sale prices of the products were increased according to the increase in international copper price. However, as advised by the management of the Privateco Group, the copper purchased in 2010 will give a higher weighted average cost of inventory in 2011 and if the international copper prices remain stable or decline or if the Privateco Group fails to pass the cost of copper to the Privateco Group's customers, the gross margin of the Privateco Group cannot be maintained and will consequently decline.

(b) Prospects of the Privateco Group

In response to the global financial crisis in 2008, the government of the PRC launched domestic demand expansion policies to stimulate the domestic demand consumption market in order to offset the impact on the country's export trade brought by the global recession. In 2009, the cable and wire industry benefited from the government of the PRC's policies on "ensuring increase, enlarging domestic demand, and adjusting structure" especially the "home appliances to countryside" and "car to countryside" policies for the stimulation of the domestic demand of domestic cars and home appliances. Driven by the growth in demand of the consumer electrical products, the demand of cable and wire products has been gradually increasing since the second half of 2009.

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In 2010, the government of the PRC continued to expand domestic demand by implementing the “home appliances to countryside” and “car to countryside” policies. The demand of cable and wire products rose steadily in 2010 and gradually brought out of the adverse effects from the global financial crisis. However, as advised by the management of the Privateco Group, the cable and wire industry is still under fierce competition, the industry’s gross profit margin remained at a low level but the overall demand still exceeds supply.

The manufacture of cable and wire products from its raw materials, mainly copper cathodes, requires minimal processing services. The manufacturers are unable to charge a higher premium on the top of the purchase cost of the raw materials for the sale to its customers due to the nature of the low value-added services in the industry. In addition, since the technological requirements of the industry are not high and the entry barrier to industry is low, which results in the competition in the industry being intense and the domestic manufacturers has a competitive advantage over the Privateco Group as they have stronger customer network in the PRC markets.

As advised by the management of the Privateco Group, the cable and wire products are price sensitive, coupled with fluctuations in international copper prices, resulting in the gross profit of the industry being more compressed. The international copper prices continued to rise in 2010 and the future international copper prices remain volatile. The market volatility and uncertainties of international copper prices, coupled with the recent measures to control inflation implemented by the government of the PRC such as the tightening of credit (the People’s Bank of China raised the deposit reserve ratio of major commercial banks several times, the latest of which 20 January 2011 that brought the deposit reserve ratio to current level of 19.0% from 20 January 2011) and the increase in interest rates (the People’s Bank of China raised the one-year benchmark lending rate to 6.06% on 8 February 2011 since the first increase to 5.56% on 20 October 2010 after the global financial crisis), might lead to a more cautious consumption pattern in the PRC market, resulting in a slow-down of sales for the cable and wire products. As a result, there is an uncertainty in the duration of the growth and demand for the Privateco Group’s products in the future.

Although the Privateco Group’s business have been recovered from the global financial crisis since the second half of 2009, the future prospects of the Privateco Group remain not so certain due to (i) the fluctuations in the international copper prices; (ii) the possible financial risk arising from the copper futures contracts and foreign exchange forward contracts; (iii) the uncertainty in the duration of the growth and demand for the Privateco Group’s products in the international and China markets; (iv) the business environment of the cable and wire business remains competitive and (v) the revaluation of the Renminbi exchange rate.

Based on the above analysis, we are of the view that the outlook and the future business of the Privateco Group are still subject to a number of challenges and hence it is uncertain in the near future. As such, we consider that the Privateco Offer provides an opportunity to the Qualifying Privateco Shareholders to realise their investment in the Privateco at the Privateco Offer Price.

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3. Background of the Offeror and its intention regarding the Privateco Group

(a) Information on the Offeror

The Offeror is a company incorporated in the BVI with limited liability and beneficially wholly owned by Taiwan Tai-I. Mr. Hsu is the sole director of the Offeror.

Taiwan Tai-I is a company listed on Taiwan Stock Exchange Corporation. As at the Latest Practicable Date, the directors of Taiwan Tai-I are Mr. Hsu Jui-Chun, Mr. Hsu Shou-Hsin, Mr. Hsu Shou-Teh, Mr. Liao Wen-Lung, Mr. Kanayama Akikazu, Mr. Huang Dong-Chuan and Ms. Hsu Yu-Ying. Taiwan Tai-I together with its subsidiaries are principally engaged in the production and distribution of magnet wires, as well as electric wires and cables. Taiwan Tai-I also provides aluminum wires, copper wires and others. The magnet wires are primarily applied in household appliances and electric machinery products, while electric wires and cables are used in power transmission.

(b) Intention of the Offeror regarding the Privateco Group

As stated in the paragraph headed “The Offeror’s intention regarding the Privateco” set out in the letter from Polaris to this Privateco Offer Documents, it is the intention of the Offeror that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Businesses. It is also the intention of the Offeror that the Privateco Group will not hold any assets other than those relating to the Distributed Businesses, nor be injected of any major assets, nor redeployment of any major assets, after the close of the Privateco Offer, unless prior approval by the Privateco Shareholders has been obtained. The Offeror also has no intention to redeploy or discontinue the employment of employees of the Privateco Group other than in its ordinary course of business.

The Offeror is of the view that the Privateco Offer provides itself with a good opportunity to strengthen its investment in the Distributed Businesses while providing a cash exit for the Qualifying Privateco Shareholders to realize all or part of their shareholdings in the Privateco, which are unlisted and may be illiquid. While the Privateco Shares will not be listed, the interests of the Privateco Shareholders will be safeguarded by the new bye-laws of the Privateco, which contains largely comparable provisions required under the Listing Rules in respect of listed issuers. A summary of the key provisions of the new bye-laws of the Privateco has been included in Appendix IV to this Privateco Offer Document.

Notwithstanding that there is no intention for the Privateco Group to conduct any fund raising activities; the Privateco Group may require further funding from the Privateco Shareholders for the development of its businesses in the future but no concrete plan in respect of funding has been contemplated as at the Latest Practicable Date.

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(c) Intention of the Offeror regarding the Privateco Offer

As stated in the paragraph headed “Compulsory acquisition” in the letter from Polaris set out in this Privateco Offer Document, subject to sufficient Privateco Shares being acquired, pursuant to sections 102 and 103 of the Companies Act 1981 of Bermuda, the Offeror intends to avail itself of the right to compulsorily acquire the remaining Privateco Shares not already acquired under the Privateco Offer. Under section 102 of the Companies Act 1981 of Bermuda, the relevant threshold will be the Offeror receiving acceptances from the Privateco Shareholders representing 90% of the Privateco Shares subject to the Privateco Offer provided that if the Offeror already holds over 10% of the Privateco Shares, the acceptances must also represent 75% in number of the Privateco Shareholders accepting the Privateco Offer. Under section 103 of the Companies Act 1981 of Bermuda, the Offeror can compulsorily acquire the Privateco Shares of the remaining Privateco Shareholders once it holds 95% of all issued Privateco Shares. In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code requires acceptances of the Privateco Offer and purchases (in each case of the disinterested Privateco Shares) made by the Offeror and parties acting in concert with it during the period of 4 months after posting of this Privateco Offer Document total 90% of the disinterested Privateco Shares.

Qualifying Privateco Shareholders are reminded that, in the event that the Offeror does not obtain total 90% or more of the disinterested Privateco Shares under the Privateco Offer during the period of 4 months after the posting of this Privateco Offer Document (i.e. the relevant thresholds for the exercise of the compulsory acquisition or redemption rights and pursuant to Rule 2.11 of the Takeovers Code), the Privateco will remain as an unlisted company. As such, those Qualifying Privateco Shareholders who do not accept the Privateco Offer will end up holding the unlisted Privateco Shares which may be difficult to dispose of such non-marketable shares.

4. The Privateco Offer Price

The Privateco Group is principally engaged in the manufacturing of bare copper wires and magnet wires or other similar products which are classified as the wire and cable manufacturing sector. Bare copper wire is a semi-finished product which can be further processed into the form of construction wire, magnet wire, electronic wire, electrical wire and telecommunication wire. Manufacturers of bare copper wire are classified as the upper stream suppliers of the wire and cable manufacturing sector. Magnet wire is one of the products which is processed using bare copper wires as raw materials and is used in the coils of electromagnetic devices. Magnet wire is suitable for use in various industries which include manufacturing of motors, compressors and electrical appliances and coils.

For the purpose of assessing the fairness and reasonableness of the value of the Privateco Group implied by the Privateco Offer Price, we have identified five other companies listed on the Stock Exchange (the “Comparable Companies”) principally engaged in the manufacturing of bare copper wires and magnet wires or other similar products of the Privateco Group as at the Last Trading Day. We consider the list of Comparable Companies is an exhaustive list and a fair representation of comparable companies to the business of the Privateco Group as (i) their businesses are closely comparable to that of the Privateco

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Group; (ii) the geographical location for their target customers are mainly from the Greater China area which includes the PRC, Republic of China and Hong Kong; and (iii) more than 50% of their consolidated turnover are derived from the cable and wire products or other connectivity products based on their respective latest published audited financial statements.

Company (stock code)	Principal activities	Approximate market capitalisation as at the Last Trading Day (being 8 November 2010) <i>(HK\$ million)</i>	Closing price as at the Last Trading Day (being 8 November 2010) <i>(HK\$)</i>	Net asset value per share based on the latest audited published financial statements <i>(HK\$)</i>	Price to earnings multiples (approximate times) <i>(Note 2)</i>	Price to book multiples (approximate times) <i>(Note 3)</i>
Hau Yi Copper Holdings Limited (stock code: 559)	Manufacture and sale of cable and wires and copper rods	533.94	0.19	0.22	N/A	0.86
Chengdu Puitian Telecommuni- cations Cable Co., Limited (stock code: 1202)	Manufacture and sale of various types of telecommunications cable, optical fibres, and cable joining sleeves	252.80	1.58	3.48	N/A	0.45
Solartech International Holdings Limited (stock code: 1166)	Manufacture and sale of cables and wires, copper rods, and trade of connectors and terminals and mining business	1,261.28	0.05	0.19	N/A	0.26
Perennial International Limited (stock code: 725)	Manufacture and sale of electric cable and wire products	196.97	0.99	1.34	6.51	0.74
Glory Mark Hi-Tech (Holdings) Limited (stock code: 8159)	Manufacture of connectivity products mainly for computers and peripheral products	115.20	0.18	0.56	2.32	0.32
Average					4.42	0.53
Maximum					6.51	0.86
Minimum					2.32	0.26
The Privateco Group <i>(Note</i> <i>4)</i>	Manufacture and sale of bare copper wires and magnet wires and provision of processing service	268.27 (based on the Privateco Offer Price) <i>(Note 5)</i>	0.45 (being the Privateco Offer Price)	1.23	5.36 <i>(Note 6)</i>	0.37 <i>(Note 7)</i>

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Notes:

1. Amounts denominated in RMB, if any, have been translated into HK\$ at an exchange rate of RMB1=HK\$1.16 for comparison purpose only.
2. Price to earnings multiples of the Comparable Companies are calculated based on its closing price per share as quoted on the Stock Exchange as at the Last Trading Day divided by its basic earnings per share for the latest financial year.
3. Price to book multiples of the Comparable Companies are calculated based on their respective closing prices per share as quoted on the Stock Exchange as at the Last Trading Day divided by their consolidated net asset value per share. This amount is calculated by dividing their respective consolidated net asset value as at the balance sheet date as disclosed in their latest published audited financial statements by the total number of ordinary shares in issue of the respective Comparable Companies.
4. The unaudited pro forma financial information of the Privateco Group, which we have relied on for the calculation of price to earnings multiples and price to book multiples for the Privateco Group, is prepared based upon the audited consolidated financial statements of the Listco Group with adjustments. As such, we consider the price to earnings multiples and price to book multiples of the Privateco Group can be comparable with those valuation multiples of the Comparable Companies.
5. As the Privateco Group is unlisted, its market capitalisation is calculated based the Privateco Offer Price multiplied by the number of Privateco Shares issued as at the Latest Practicable Date.
6. The earnings per Privateco Share for the year ended 31 December 2009 of approximately RMB0.072 is calculated based on the unaudited pro forma net profit of the Privateco Group of approximately RMB42.99 million as set out in the Appendix III to this Privateco Offer Document and total number of 596,158,000 Privateco Shares in issue as at the Latest Practicable Date.
7. The price to book multiples of the Privateco is calculated based on the Privateco Offer Price divided by its unaudited pro forma consolidated net asset value per Privateco Share of approximately HK\$1.23 as at 31 December 2009. The unaudited pro forma consolidated net asset value per Privateco Share is derived from the unaudited pro forma net assets of the Privateco Group of approximately RMB629.78 million as at 31 December 2009 (as set out in the Appendix III of this Privateco Offer Document) divided by the total number of 596,158,000 Privateco Shares in issue as at the Latest Practicable Date.

Based on the Privateco's earnings per Privateco Share for the year ended 31 December 2009 of approximately HK cents 8.4, the Privateco Offer Price of HK\$0.45 per Privateco Share represents a price to earnings multiples of approximately 5.36 times. As illustrated in the above table, we note that the price to earnings multiples of the Comparable Companies range from approximately 2.32 times to approximately 6.51 times, with an average of approximately 4.42 times. The price to earnings multiples represented by the Privateco Offer Price of 5.36 times is within the range of and higher than the average of the price to earnings multiples of the Comparables Companies.

In performing our analysis, we have used the unaudited pro forma net asset value of the Privateco Group of approximately RMB629.78 million (the "**Unaudited Pro Forma NAV**") as set out in the unaudited pro forma combined balance sheet of the Privateco Group as at 31 December 2009 in Appendix III to this Privateco Offer Document. Please note that the amount of this Unaudited Pro Forma NAV is different from the combined net asset value of the Privateco Group of approximately RMB666.71 million as set out in the financial information of the Privateco Group in Appendix II to this Privateco Offer Document. The

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difference was mainly due to the pro forma adjustments made in relation to certain professional and legal fees to be borne by the Privateco Group in relation to the Proposal and certain inter-company balances adjustments pursuant to the Group Restructuring.

Based on 596,158,000 number of the Privateco Shares in issue, the unaudited pro forma consolidated net asset value per Privateco Share was approximately RMB1.06 as at 31 December 2009, which is equivalent to approximately HK\$1.23 per Privateco Share. On this basis, the Privateco Offer Price of HK\$0.45 would represent a price to book multiples of approximately 0.37 time. The Privateco Offer Price represents a discount of approximately 63.4% to the pro forma consolidated net asset value per Privateco Share. We have compared the price to book multiples implied by the Privateco Offer Price with the price to book multiples of the Comparable Companies. The price to book multiples implied by the Privateco Offer Price of approximately 0.37 time is lower than the average of price to book multiples of approximately 2.24 times for the Comparable Companies but within the upper and lower range of approximately 0.86 time and approximately 0.26 time respectively.

In light of the above analysis and having considered (i) the Privateco is not listed on any stock exchange and there is no active market for the trading of the Privateco Shares which make the Privateco Shares illiquid; (ii) despite the price to book multiples represented by the Privateco Offer Price is lower than the average of the Comparable Companies but it falls within the upper range and lower range of the Comparable Companies given that the Privateco is a private company and hence this price to book multiples may be lower than the Comparable Companies which are public listed companies; and (iii) the price to earnings multiples represented by the Privateco Offer Price of approximately 5.36 times is higher than the average of the price to earnings multiples of the Comparables Companies of approximately 4.42 times; we consider that the Privateco Offer Price is reasonable and acceptable.

RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following,

- (i) the outlook and future businesses of the Privateco Group is subject to a number of challenges and hence it is uncertain whether the Distributed Businesses will be able to maintain and/or improve its revenue and profitability in the near future;
- (ii) the price to earnings multiples as represented by the Privateco Offer Price of approximately 5.36 times is higher than the average of the price to earnings multiples of the Comparables Companies;
- (iii) the price to book multiples as represented by the Privateco Offer Price is within the range of the price to book multiples of the Comparable Companies; and
- (iv) the Privateco Offer provides an opportunity to the Qualifying Privateco Shareholders to realise their investment in Privateco given that the Privateco Shares are unlisted and illiquid;

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we consider that the terms of the Privateco Offer are fair and reasonable so far as the Qualifying Privateco Shareholders are concerned. Accordingly, we advise the Qualifying Privateco Shareholders should consider accepting the Privateco Offer.

Qualifying Privateco Shareholders are advised that their decision to realise or to hold their investment in the Privateco Shares depends on their own individual circumstances and investment objectives. For those Qualifying Privateco Shareholders who wish to retain part or all of their shareholding in the Privateco, should note that the Privateco Group is principally engaged in the Distributed Businesses and the Privateco Shares will not be listed on the Stock Exchange or any other stock exchange, and accordingly, the Privateco Shares are illiquid and unlisted. Accordingly, those Qualifying Privateco Shareholders should carefully consider the future intentions of the Offeror regarding the Privateco Group after the close of the Privateco Offer, details of which are set out in the letter from Polaris set out in this Privateco Offer Document.

Qualifying Privateco Shareholders are recommended to consult their own professional advisers if they are in doubt as to the taxation implications of accepting or rejecting the Privateco Offer.

Yours faithfully,
For and on behalf of
Beijing Securities Limited
Charles Li
Director

PROCEDURES FOR ACCEPTANCE

Your registered holding of Privateco Shares is set out in Box B in the accompanying Pink Form of Acceptance. To accept the Privateco Offer, whether in full or in part of your Privateco Shares, you should duly complete the Pink Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms and conditions of the Privateco Offer.

The completed Pink Form of Acceptance should then be forwarded by post or by hand to, which should also reach, the Transfer Agent (Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) marked "Privateco Offer" on the envelope by no later than 4:00 p.m. on Friday, 11 March 2011 (being the First Closing Date).

If your Privateco Shares are held through your licensed securities dealer/registered institution in securities/custodian bank through CCASS, you must instruct your licensed securities dealer/registered institution in securities/custodian bank to authorise HKSCC Nominees Limited to accept the Privateco Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet such deadline, you should check with your licensed securities dealer/registered institution in securities/custodian bank on the timing for the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them.

If your Privateco Shares are held through your Investor Participant Account maintained with CCASS, you must give your instruction via the CCASS Phone System or the CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

No acknowledgement of receipt of any Pink Form of Acceptance will be given.

Your attention is also drawn to the further details regarding the procedures for acceptance set out in the Pink Form of Acceptance.

SETTLEMENT

Provided that a valid Pink Form of Acceptance is complete and in good order and has been received by the Transfer Agent by no later than 4:00 p.m. on the First Closing Date and the Privateco Offer has become or been declared unconditional in all respects, a cheque for the amount representing the consideration due to you in respect of the Privateco Shares tendered by you under the Privateco Offer will be despatched to you by ordinary post at your own risk as soon as possible but in any event within 10 days of the date on which the duly completed Pink Form of Acceptance which renders such acceptance complete and valid is received by the Transfer Agent.

Cheque(s) not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and be of no further effect, and in such circumstances cheque holder(s) should contact the Offeror for payment. The correspondence address of the Offeror is Room 1502, 15/F., The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong.

Settlement of the consideration to which any Qualifying Privateco Shareholder is entitled under the Privateco Offer will be implemented in full in accordance with the terms of the Privateco Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Qualifying Privateco Shareholder.

NOMINEE REGISTRATION

To ensure equality of treatment of all Qualifying Privateco Shareholders, those Qualifying Privateco Shareholders who hold Privateco Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for beneficial owners of the Privateco Shares, whose investments are registered in nominees' names, to accept the Privateco Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the Privateco Offer.

GENERAL

The completed Pink Form of Acceptance and remittances sent by or to the Qualifying Privateco Shareholders through ordinary post will be sent by or to them at their own risk. The remittances will be sent to them at their addresses as they appear in the register of members of Privateco (or in the case of joint Qualifying Privateco Shareholders, to the Qualifying Privateco Shareholder whose name stands first in the register of members of Privateco).

All such documents and remittances will be sent at the risk of the persons entitled thereto and none of the Offeror, Privateco, Polaris, any of their respective directors and any other persons involved in the Privateco Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

Computershare Hong Kong Investor Services Limited has been appointed as the transfer agent to handle splitting and registration of transfer of the Privateco Shares. The charge for splitting of Privateco Share certificates are expected to be HK\$2.5 per new certificate issued. The charge for transfer of Privateco Shares are expected to be HK\$2.5 per old Privateco Share certificate cancelled or per new Privateco Share certificate issued, whichever is the higher. Both charges shall be borne by the holder(s) of the Privateco Shares or transferee(s) who lodge(s) the request with the transfer agent. The charge for splitting of Privateco Share certificate will be made by the Transfer Agent by reason that the Transfer Agent will only issue one jumbo share certificate of one nominee. In the event that such nominee would like to split it to its underlying CCASS participants, such fee will be charged by the Transfer Agent. New Privateco Share certificates will be available for collection within 10 Business Days upon surrender of the old Privateco Share certificates to the Transfer Agent for splitting or lodgement of the transfer form and the related Privateco Share certificates to the Transfer Agent for registration of transfer.

ACCEPTANCE PERIOD, EXTENSIONS AND REVISIONS

Unless the Privateco Offer has previously been extended or revised, the latest time for acceptance under the Privateco Offer is at 4:00 p.m. on Friday, on 11 March 2011 (being the First Closing Date).

If the Privateco Offer is extended or revised, an announcement of such extension or revision will be published by the Offeror on the Stock Exchange's website, the Listco's website and the SFC's website by 7:00 p.m. on the First Closing Date which will state either the next closing date or that the Privateco Offer will remain open until further notice. In the latter case, it will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to those Qualifying Privateco Shareholders who have not accepted the Privateco Offer and, unless previously extended or revised, shall be closed on the subsequent closing date. The benefit of any revision of the Privateco Offer will also be available to all Qualifying Privateco Shareholders who have previously accepted the Privateco Offer. The execution of any Pink Form of Acceptance by or on behalf of any Qualifying Privateco Shareholders who have previously accepted the Privateco Offer shall be deemed to constitute acceptance of any revised Privateco Offer.

If the closing date for accepting the Privateco Offer is extended, any reference in this Privateco Offer Document and in the Pink Form of Acceptance shall, except where the context otherwise requires, be deemed to refer to the closing date of the Privateco Offer so extended.

The Offeror may introduce new conditions to be attached to any revision to the Privateco Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised offer and subject to the consent of the Executive.

ANNOUNCEMENTS

By 6:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit) the Offeror shall inform the Executive of its intention in relation to the extension or revision of the Privateco Offer. The Offeror shall publish an announcement on the Stock Exchange's website, the Listco's website and the SFC's website by 7:00 p.m. on the First Closing Date stating whether the Privateco Offer has been revised or extended. Such announcement must state the total number of Privateco Shares and rights over Privateco Shares:

- (i) for which acceptances of the Privateco Offer have been received;
- (ii) held, controlled or directed by the Offeror and any parties acting in concert with it before 22 September 2010 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer); and
- (iii) acquired or agreed to be acquired during the offer period (as defined in the Takeovers Code) for the Privateco Offer by the Offeror and any parties acting in concert with it.

The announcement must state whether or not any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in Privateco which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold, and the details of the borrowing and lending of such securities.

The announcement must also specify the percentages of the issued share capital of Privateco, and the percentages of voting rights, represented by the total number of issued Privateco Shares.

In computing the number of Privateco Shares in accordance with the Takeovers Code represented by acceptances, only valid acceptances that are complete and in good order and which have been received by the Transfer Agent by no later than 4:00 p.m. on the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit) shall be included.

As required under the Takeovers Code, all announcements in relation to the Privateco Offer in respect of which the Executive has confirmed that he has no further comments thereon must be published as a paid announcement in the Standard and the Hong Kong Economic Journal, or at least one English language newspaper and one Chinese language newspaper, being in each case a newspaper which is published daily and circulating generally in Hong Kong. All documents published in respect of Privateco will also be delivered to the Executive in electronic form for publication on the SFC's website.

RIGHT OF WITHDRAWAL

Acceptance of the Privateco Offer tendered by the Qualifying Privateco Shareholders shall be irrevocable and cannot be withdrawn unless the Executive requires that a right of withdrawal is granted in the event that the requirements of Rule 19 of the Takeovers Code have not been complied with.

The Privateco Offer will be in respect of securities of a company incorporated in Bermuda and will be subject to the procedures and disclosure requirements under the relevant Hong Kong laws and regulations, which may be different from other jurisdictions. The making of the Privateco Offer or the acceptance thereof by persons not being a resident of Hong Kong or with a registered address in jurisdictions outside Hong Kong may be affected by the laws of the relevant jurisdictions. Qualifying Privateco Shareholders who are citizens or residents or nationals of jurisdictions outside Hong Kong should inform themselves about and observe any applicable legal requirements in their own jurisdictions.

It is the responsibility of any such persons who wish to accept the Privateco Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdiction. Any acceptance by any person will be deemed to constitute a representation and warranty from such person to the Offeror that the local laws and requirements have been fully complied with. Qualifying Privateco Shareholders should consult their professional adviser if in doubt.

GENERAL

- (i) Acceptance of the Privateco Offer by any person will be deemed to constitute a warranty by such person to the Offeror and Privateco that the Privateco Shares sold under the Privateco Offer are sold by such person free from all rights of pre-emption, options, liens, claims, equities, charges, encumbrances or third party rights of any nature and the relevant Privateco Shares are sold with all rights attaching or accruing thereto, including the right to receive all dividends and distributions declared, paid or made on or after the date of the issue of those Privateco Shares.
- (ii) All communications, notices, Pink Form of Acceptance and remittances to settle the consideration payable under the Privateco Offer to be delivered by or sent to or from the accepting Qualifying Privateco Shareholders will be delivered by or sent to or from them, or their designated agents, by post at their own risk, and none of the Offeror, Privateco, Polaris, any of their respective directors, agents and advisers accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.
- (iii) The provisions set out in the Pink Form of Acceptance form part of the terms of the Privateco Offer.
- (iv) The accidental omission to despatch this Privateco Offer Document and/or the Pink Form of Acceptance to any person to whom the Privateco Offer is made will not invalidate the Privateco Offer in any way.
- (v) The Privateco Offer, all acceptances thereof and contracts resulting therefrom will be governed by and construed in accordance with the laws of Hong Kong.
- (vi) References to the Privateco Offer in this Privateco Offer Document and in the Pink Form of Acceptance shall include any revision or extension thereof.
- (vii) Due execution of the Pink Form of Acceptance will constitute an irrevocable authority to any director of the Offeror or Polaris or such person or persons as the Offeror or Polaris may direct to complete and execute, on behalf of the person accepting the Privateco Offer, any document and to do any other act that may be necessary or expedient for the purpose of vesting in the Offeror, or such other person(s) as the Offeror shall direct, all rights of the accepting Qualifying Privateco Shareholders in respect of the Privateco Shares which are the subject of such acceptance.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

1. FINANCIAL SUMMARY

Set out below is a financial summary of the Privateco Group for the three financial years ended 31 December 2009 and for the nine months ended 30 September 2010 (save for the dividend per Privateco Share which are calculated based on the figures extracted from the accountants' report of the Privateco Group) extracted from the accountants' report on the Privateco Group set out in the Circular:

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Turnover	<u>6,488,376</u>	<u>6,491,053</u>	<u>4,369,621</u>	<u>2,963,548</u>	<u>5,284,865</u>
Profit/(loss) before taxation	153,159	(204,201)	39,001	11,640	58,666
Income tax (expenses)/ credit	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>
Profit/(loss) for the year/period	<u>140,322</u>	<u>(185,871)</u>	<u>44,638</u>	<u>13,322</u>	<u>45,876</u>
Minority interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Dividend payable to the owners of the Privateco Group	<u>32,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Basic and diluted earnings/(loss) per share (RMB)	<u>0.24</u>	<u>(0.31)</u>	<u>0.07</u>	<u>0.02</u>	<u>0.08</u>
Dividend per Privateco Share (RMB) (iii)	<u>0.054</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Notes:

- (i) An unqualified opinion in respect of the audit of the combined financial statements of the Privateco Group has been issued by KPMG for each of the three years ended 31 December 2009 and for the nine months ended 30 September 2010.
- (ii) There were no extraordinary items or items which were exceptional because of its size, nature or evidence for the Privateco Group during each of the three years ended 31 December 2009 and the nine months ended 30 September 2010.
- (iii) Dividend per Privateco Share is calculated based on the dividends attributable to the owners of the Privateco Group for the year and assuming 596,158,000 Privateco Shares had been in issue throughout the reporting period.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

2. FINANCIAL INFORMATION ON THE PRIVATECO GROUP

The financial information on the Privateco Group contained in Appendix III to the Circular is reproduced below.



8th Floor
Prince’s Building
10 Chater Road
Central
Hong Kong

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Tai-I International (Bermuda) Limited (the “Privateco”) and its subsidiaries (hereinafter collectively referred to as the “Privateco Group”) including the combined statements of comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Privateco Group, for each of the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 (the “Relevant Period”), and the combined balance sheets of the Privateco Group as at 31 December 2007, 2008 and 2009 and 30 September 2010, together with the notes thereto (the “Financial Information”), for inclusion in the circular of Tai-I International Holdings Limited (the “Company”) dated 18 January 2011 (the “Circular”).

The Privateco was incorporated in Bermuda on 9 November 2010 as an exempted company with limited liability under the Companies Act 1981 of Bermuda and is a wholly-owned subsidiary of the Company. Pursuant to the group restructuring completed on 23 December 2010 (the “Group Restructuring”), as detailed in the section headed “Letter from the Board” in the Circular, the Privateco became the holding company of the companies now comprising the Privateco Group, details of which are set out in note 28 of Section C below. The Privateco has not carried on any business since the date of its incorporation save for the aforementioned Group Restructuring.

As at the date of this report, no audited financial statements have been prepared for the companies comprising the Privateco Group, except for Tai-I International (HK) Limited, Tai-I Jiang Corp (Guangzhou) Co., Ltd. (“Tai-I Jiang Corp”) and Tai-I Copper (Guangzhou) Co., Ltd. (“Tai-I Copper”) as they were either incorporated shortly before 30 September 2010 or have not carried on any business since their respective dates of incorporation and are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

All companies now comprising the Privateco Group have adopted 31 December as their financial year end date. Details of the companies comprising the Privateco Group that are subject to audit during the Relevant Period and the names of the respective auditors are set out in note 28 of Section C below. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards or the relevant accounting rules and regulations applicable to enterprises in the PRC.

The directors of the Company have prepared the combined financial statements of the Privateco Group for the Relevant Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the “Underlying Financial Statements”). The Underlying Financial Statements for each of years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with the International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standard Board (the “IASB”), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is 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.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried on such appropriate procedures as we considered necessary in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Privateco, its subsidiaries or the Privateco Group in respect of any period subsequent to 30 September 2010.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Privateco Group's combined results and cash flows for the Relevant Period, and the state of affairs of the Privateco Group as at 31 December 2007, 2008 and 2009 and 30 September 2010.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding financial information of the Privateco Group comprising the combined statement of comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the nine months ended 30 September 2009, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

A BASIS OF PREPARATION

All the companies that took part in the Group Restructuring were controlled by the same group of shareholders of the Company prior to and after the Group Restructuring and, consequently, there was a continuation of the risks and benefits to the same group of shareholders. Therefore the Financial Information has been prepared using the merger basis of accounting as if the Privateco Group had always been in existence so that the net assets of the companies that took part in the Group Restructuring are combined using the existing book values from the same group of shareholder's perspective.

The combined statements of comprehensive income, the combined statements of changes in equity and combined cash flow statements of the Privateco Group for the Relevant Period as set out in Section B include the results and cash flows of the companies now comprising the Privateco Group for the Relevant Period as if the group structure had been in existence throughout the Relevant Periods, or since the respective dates of incorporation or acquisition of the relevant companies which were incorporated or acquired at a date later than 1 January 2007. The combined balance sheets of the Privateco Group as at 31 December 2007, 2008 and 2009 and 30 September 2010 as set out in Section B have been prepared to present the state of affairs of the companies comprising the Privateco Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

Intra-group transactions and balances are eliminated in full in preparing the Financial Information.

Details of the principal subsidiaries, in which the Privateco has direct or indirectly interests as at the date of this report, are set out in note 28 of Section C of this report.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

B FINANCIAL INFORMATION

B1 Combined Statements of Comprehensive Income

	Note	For the year ended 31 December			For the nine months ended 30 September	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 <i>(unaudited)</i>	2010 RMB'000
Turnover	3	6,488,376	6,491,053	4,369,621	2,963,548	5,284,865
Cost of sales		<u>(6,357,954)</u>	<u>(6,481,800)</u>	<u>(4,238,205)</u>	<u>(2,891,445)</u>	<u>(5,141,016)</u>
Gross profit		130,422	9,253	131,416	72,103	143,849
Other revenue	4	22,478	42,498	17,541	13,728	9,328
Other net income/(loss)	5	178,641	(54,321)	(2,794)	2,474	77
Distribution expenses		<u>(22,455)</u>	<u>(21,023)</u>	<u>(18,628)</u>	<u>(12,240)</u>	<u>(16,836)</u>
General and administrative expenses		<u>(38,713)</u>	<u>(53,175)</u>	<u>(35,406)</u>	<u>(26,285)</u>	<u>(24,763)</u>
Other operating expenses	6	<u>(3,671)</u>	<u>(15,002)</u>	<u>(5,708)</u>	<u>(1,681)</u>	<u>(6,681)</u>
Profit/(loss) from operations		266,702	(91,770)	86,421	48,099	104,974
Finance costs	7(i)	<u>(112,283)</u>	<u>(101,566)</u>	<u>(48,626)</u>	<u>(37,601)</u>	<u>(46,585)</u>
Share of (loss)/profit of associate		<u>(1,260)</u>	<u>(10,865)</u>	<u>1,206</u>	<u>1,142</u>	<u>277</u>
Profit/(loss) before taxation		153,159	(204,201)	39,001	11,640	58,666
Income tax (expenses)/credit	8(i)	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>
Profit/(loss) for the year/period		<u><u>140,322</u></u>	<u><u>(185,871)</u></u>	<u><u>44,638</u></u>	<u><u>13,322</u></u>	<u><u>45,876</u></u>
Other comprehensive income for the year/period (after tax)						
Foreign currency translation difference for foreign operations		1,145	1,250	68	25	346
Cash flow hedge: net movement in hedging reserve		<u>–</u>	<u>(35,056)</u>	<u>35,496</u>	<u>38,219</u>	<u>6,551</u>
Total comprehensive income for the year/period		<u><u>141,467</u></u>	<u><u>(219,677)</u></u>	<u><u>80,202</u></u>	<u><u>51,566</u></u>	<u><u>52,773</u></u>
Basic and diluted earnings/(loss) per share (RMB)	31	<u><u>0.24</u></u>	<u><u>(0.31)</u></u>	<u><u>0.07</u></u>	<u><u>0.02</u></u>	<u><u>0.08</u></u>

The notes on pages 11 to 64 form part of these Financial Information.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

B2 Combined Balance Sheets

	Note	At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
					RMB'000
Non-current assets					
Property, plant and equipment	12	464,630	437,670	427,991	412,892
Lease prepayments	13	33,020	32,183	31,346	30,718
Interest in an associate	14	38,779	17,544	18,750	19,027
Deferred tax assets	22	—	24,411	26,081	21,228
		536,429	511,808	504,168	483,865
Current assets					
Inventories	15	345,551	230,525	211,477	219,577
Trade and other receivables	16	1,338,364	977,204	1,085,560	1,236,903
Amounts due from a related party	26(a)	—	29,856	35,287	64,003
Derivative financial instruments	17	87,803	16,171	5,712	9,637
Pledged deposits	18	875,178	788,258	284,494	526,647
Time deposits	19	195,000	289,100	245,780	207,617
Cash and cash equivalents	19	339,165	290,578	286,580	301,669
		3,181,061	2,621,692	2,154,890	2,566,053
Current liabilities					
Bank loans	20	1,395,899	1,422,303	1,000,977	1,224,622
Trade and other payables	21	1,457,805	1,019,471	986,264	1,068,880
Derivative financial instruments	17	16,947	107,971	6,387	9,040
Income tax (recoverable)/ payable	8(iii)	1,714	(2,757)	(1,284)	(84)
		2,872,365	2,546,988	1,992,344	2,302,458
Net current assets		308,696	74,704	162,546	263,595
Total assets less current liabilities		845,125	586,512	666,714	747,460
Non-current liabilities					
Deferred tax liabilities	22	6,598	—	—	—
NET ASSETS		838,527	586,512	666,714	747,460
Capital and reserves					
Share capital	23(a)	194,712	194,712	194,712	222,685
Reserves	23(b)	643,815	391,800	472,002	524,775
TOTAL EQUITY		838,527	586,512	666,714	747,460

The notes on pages 11 to 64 form part of these Financial Information.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

B3 Combined Statements of Changes in Equity

		Attributable to owners of the Privateco				
		For the year ended 31 December			For the nine months ended 30 September	
<i>Note</i>	2007	2008	2009	2009	2010	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
				<i>(unaudited)</i>		
Total equity at 1 January	502,426	838,527	586,512	586,512	666,714	
Changes in equity:						
Total comprehensive income for the year/period	141,467	(219,677)	80,202	51,566	52,773	
Capital injection	23 194,634	-	-	-	27,973	
Dividends distributed to the parent company in respect of previous year	11 -	(32,338)	-	-	-	
	349,244	(252,015)	80,202	51,566	80,746	
Total equity at the year/ period end	23 838,527	586,512	666,714	638,078	747,460	

The notes on pages 11 to 64 form part of these Financial Information.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

B4 Combined Cash Flow Statements

<i>Note</i>	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Operating activities					
Profit/(loss) before tax	153,159	(204,201)	39,001	11,640	58,666
Adjustments for:					
– Impairment losses for doubtful debts	14,485	22,769	–	–	–
– Depreciation	30,604	29,278	29,099	20,215	22,313
– Share of loss/(profit) of associate	1,260	10,865	(1,206)	(1,142)	(277)
– Impairment loss on interest in an associate	–	10,370	–	–	–
– Amortisation of lease prepayments	838	837	837	628	628
– Interest income	(21,842)	(34,379)	(13,291)	(10,958)	(2,900)
– Loss on disposal of property, plant and equipment	1,160	106	164	–	(3)
– Finance costs	112,283	101,566	48,626	37,601	46,585
– Unrealised (gain)/loss on derivative financial instruments	(70,856)	91,800	675	(6,979)	(597)
– Foreign exchange (gain)/loss	(12,293)	85,227	10,455	7,841	7,883
Changes in working capital: (Increase)/decrease in inventories	(19,506)	115,026	19,048	7,031	(8,100)
Decrease in trade and other receivables	104,020	339,771	(80,970)	(126,278)	(120,316)
Decrease/(increase) in amounts due from a related party	10,651	(29,856)	(5,431)	(3,631)	(28,716)
Increase/(decrease) in trade and other payables	203,146	(412,352)	(149,483)	(169,957)	73,629
Increase/(decrease) in bank advances under discounted bills	80,566	(48,481)	(54,736)	(41,052)	71,680
Cash generated from/(used in)/operating activities	587,675	78,346	(157,212)	64,873	120,475
PRC income tax paid	(5,868)	(13,307)	(4,414)	(3,311)	(6,654)
PRC income tax refund received	–	7,109	5,887	5,887	–

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

<i>Note</i>	For the year ended 31 December			For the nine months ended 30 September	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
				<i>(unaudited)</i>	
Net cash generated from/ (used in) operating activities	581,807	72,148	(155,739)	67,449	113,821
Cash flow from investing activities					
Acquisition of property, plant and equipment	(19,114)	(11,316)	(19,584)	(17,962)	(7,226)
Proceeds from disposal of property, plant and equipment	67	6	–	59	15
Acquisition of interest in an associate	(40,039)	–	–	–	–
Proceeds from foreign exchange forward contracts	3,069	9,865	30,251	25,768	1,206
Payments in respect of foreign exchange forward contracts	(2,077)	(77,881)	(8,392)	(7,148)	–
(Increase)/decrease in time deposits	(195,001)	(94,100)	43,320	60,350	38,163
Interest received	13,329	33,285	24,950	19,702	5,335
Net cash (used in)/ generated from investing activities	(239,766)	(140,141)	70,545	80,769	37,493
Cash flow from financing activities					
Proceeds from interest-bearing loans and borrowings	2,783,342	5,105,947	2,221,354	1,655,753	2,458,688
Repayment of interest-bearing loans and borrowings	(3,298,736)	(5,031,062)	(2,587,944)	(2,097,532)	(2,333,723)
Finance costs paid	(117,700)	(111,311)	(56,046)	(43,166)	(47,356)
Decrease/(increase) in pledged deposits	252,040	86,920	503,764	329,818	(242,153)
Dividends paid	–	(32,338)	–	–	–
Capital injection	194,634	–	–	–	27,973

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

	<i>Note</i>	For the year ended 31 December			For the nine months ended 30 September	
		2007	2008	2009	2009	2010
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net cash (used in)/ generated from financing activities		(186,420)	18,156	81,128	(155,127)	(136,571)
Effect of foreign exchange rate changes on cash		1,145	1,250	68	25	346
Net increase/(decrease) in cash and cash equivalents		156,766	(48,587)	(3,998)	(6,884)	15,089
Cash and cash equivalents at the beginning of year/period		182,399	339,165	290,578	290,578	286,580
Cash and cash equivalents at the end of the year/ period	19	<u>339,165</u>	<u>290,578</u>	<u>286,580</u>	<u>283,694</u>	<u>301,669</u>

The notes on pages 11 to 64 form part of these Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

(Expressed in Renminbi Yuan)

1. Significant accounting policies***(a) Statement of compliance***

The Financial Information has been prepared in accordance with IFRSs which collective term includes International Accounting Standards (“IAS”) and related interpretations, promulgated by the “IASB”. Further details of the significant accounting policies adopted are set out in the remainder of this section. The Financial Information for the Relevant Period comprise the Privateco and its subsidiaries and an associate.

The following standards have been early adopted as at the beginning of the Relevant Period:

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Privateco Group has adopted all these new and revised IFRSs to the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on 1 January 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on 1 January 2010 are set out in note 30.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

The Corresponding Financial Information for the nine months ended 30 September 2009 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation of the Financial Information

The measurement basis used in the preparation of the Financial Information 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 Financial Information comprises the Privateco and its subsidiaries and has been prepared using the merger basis of accounting as if the Privateco Group had always been in existence, as further explained in Section A.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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.

Information about judgements made by management in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Information and major sources of estimation uncertainty is included in note 29.

(c) Subsidiaries

Subsidiaries are those entities controlled by the Privateco Group. Control exists when the Privateco 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 Information of subsidiaries are included in the Financial Information 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 Financial Information. Unrealised losses arising from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(d) Associate

An associate is an entity in which the Privateco 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 Financial Information under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Privateco Group's share of the associate's net assets. The combined statement of comprehensive income includes the Privateco Group's share of the post-acquisition, post-tax results of the associate for the Relevant Period.

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

Unrealised profits and losses resulting from transactions between the Privateco Group and its associate are eliminated to the extent of the Privateco 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.

(e) Goodwill

Goodwill represents the excess of the cost of an interest in an associate over the Privateco 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 Privateco 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

(f) Derivative financial instruments and hedging

Privateco Group uses derivative financial instruments such as copper futures contracts, copper options contracts and foreign exchange forward contracts to hedge its risks associated with copper price and foreign currency fluctuations. The use of derivative financial instruments is governed by the Privateco Group's policies, which provide written principles on the use of derivative financial instruments consistent with the Privateco 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, copper options and forward foreign currency contracts is calculated by reference to current commodity prices and forward foreign exchange rates for contracts with similar maturity profiles.

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

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

At the inception of a hedge relationship, the Privateco Group formally designates and documents the hedge relationship to which the Privateco 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 Privateco 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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

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

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

(g) Property, plant and equipment

The following items of property, plant and equipment are stated in the balance sheets 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, 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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

No depreciation is provided in respect of construction in progress.

(h) 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 Privateco 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 dates to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Privateco 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.

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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet dates 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.

- 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 Relevant Period 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

(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)).

(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 dates, 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 dates. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet dates 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

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 Privateco 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 Privateco Group or the Privateco 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 Privateco 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 combined 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 Privateco Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

(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 Privateco 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.

APPENDIX II FINANCIAL INFORMATION ON THE PRIVATECO GROUP

(s) Translation of foreign currencies

The functional currency of the Privateco and its subsidiaries in the PRC are Hong Kong dollars and Renminbi (“RMB”) respectively. For the purposes of presenting the Financial Information, the Privateco Group adopted RMB as its presentation currency.

Foreign currency transactions during the Relevant Period 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 dates. 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 dates. 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 or 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.

(u) Related parties

For the purposes of these Financial Information, a party is considered to be related to the Privateco Group if:

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Privateco Group or exercise significant influence over the Privateco Group in making financial and operating policy decisions, or has joint control over the Privateco Group;
- (ii) the Privateco Group and the party are subject to common control;
- (iii) the party is an associate of the Privateco Group or a jointly controlled entity in which the Privateco Group is a venturer;
- (iv) the party is a member of key management personnel of the Privateco Group or the Privateco 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 3(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 Privateco Group or of any entity that is related party of the Privateco 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 Information, are identified from the financial information provided regularly to the Board of Directors (“Board”) for the purposes of allocating resources to, and assessing the performance of, the Privateco 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. Segment reporting

The Privateco Group manages its business by divisions, which are mainly organised by business lines. In a manner consistent with the way in which information is reported internally to the Board for the purpose of resource allocation and performance assessment, the Privateco 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 Privateco Group’s turnover and results as well as analysis of the Privateco 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.

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Revenue					
Reportable segment revenue	8,235,174	8,146,144	5,358,713	3,627,655	6,543,800
Elimination of inter segment revenue	<u>(1,746,798)</u>	<u>(1,655,091)</u>	<u>(989,092)</u>	<u>(664,107)</u>	<u>(1,258,935)</u>
Total	<u>6,488,376</u>	<u>6,491,053</u>	<u>4,369,621</u>	<u>2,963,548</u>	<u>5,284,865</u>
Profit/(loss) before taxation					
Reportable segment profit/(loss) before taxation	157,588	(179,322)	47,303	16,277	68,393
Elimination of inter segment profits	<u>(2,458)</u>	<u>(4,416)</u>	<u>(1,910)</u>	<u>(137)</u>	<u>(1,011)</u>
Reportable segment profit/(loss) derived from Privateco Group's external customers	155,130	(183,738)	45,393	16,140	67,382
Share of profit/(loss) of associate	(1,260)	(10,865)	1,206	1,142	277
Unallocated head office and corporate expenses	<u>(711)</u>	<u>(9,598)</u>	<u>(7,598)</u>	<u>(5,642)</u>	<u>(8,993)</u>
Total	<u>153,159</u>	<u>(204,201)</u>	<u>39,001</u>	<u>11,640</u>	<u>58,666</u>

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	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010
				<i>RMB'000</i>
Assets				
Reportable segment assets	4,109,719	3,807,126	3,001,537	3,178,465
Elimination of intersegment receivables	<u>(509,088)</u>	<u>(764,271)</u>	<u>(457,104)</u>	<u>(467,060)</u>
Interests in associates	38,779	17,544	18,750	19,027
Deferred tax assets	–	24,411	26,081	21,228
Unallocated head office and corporate assets	<u>78,080</u>	<u>48,690</u>	<u>69,794</u>	<u>298,258</u>
Total	<u>3,717,490</u>	<u>3,133,500</u>	<u>2,659,058</u>	<u>3,049,918</u>
Liabilities				
Reportable segment liabilities	3,380,733	3,307,164	2,449,448	2,767,489
Elimination of inter segment payables	<u>(509,088)</u>	<u>(764,271)</u>	<u>(457,104)</u>	<u>(467,060)</u>
Unallocated head office and corporate liabilities	<u>720</u>	<u>4,095</u>	<u>–</u>	<u>2,029</u>
Total	<u>2,872,365</u>	<u>2,546,988</u>	<u>1,992,344</u>	<u>2,302,458</u>

3. Turnover

The principal activities of the Privateco 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 Relevant Period is as follows:

	For the year ended 31 December			For the nine months ended	
	2007	2008	2009	30 September	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Sales of bare copper wires	4,161,131	4,438,671	3,166,888	2,157,970	3,830,253
Sales of magnet wires	2,305,638	2,034,475	1,178,376	786,528	1,443,161
Processing services	<u>21,607</u>	<u>17,907</u>	<u>24,357</u>	<u>19,050</u>	<u>11,451</u>
	<u>6,488,376</u>	<u>6,491,053</u>	<u>4,369,621</u>	<u>2,963,548</u>	<u>5,284,865</u>

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

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4. Other revenue

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Interest income	21,842	34,379	13,291	10,958	7,541
Government grants	–	–	4,008	2,589	1,361
Income tax refund	–	7,109	–	–	–
Others	636	1,010	242	181	426
	<u>22,478</u>	<u>42,498</u>	<u>17,541</u>	<u>13,728</u>	<u>9,328</u>

5. Other net income/(loss)

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Net exchange gain/(loss)	10,500	33,651	(8,250)	(6,778)	(1,182)
Gain on sales of scrap materials	4,275	1,228	1,730	681	2,153
(Loss)/gain on disposal of property, plant and equipment	(1,160)	(106)	(164)	–	3
Net gain/(loss) on derivative financial instruments					
– copper futures contracts	87,563	(34,702)	589	7,666	(1,490)
– copper options contracts	–	–	–	–	(787)
– foreign exchange forward contracts	74,884	(54,578)	3,301	905	1,380
Others	2,579	186	–	–	–
	<u>178,641</u>	<u>(54,321)</u>	<u>(2,794)</u>	<u>2,474</u>	<u>77</u>

6. Other operating expenses

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Impairment loss on interest in an associate (<i>note 14</i>)	–	10,370	–	–	–
Bank charges	2,212	3,716	1,689	1,274	2,662
Others	1,459	916	4,019	407	4,019
	<u>3,671</u>	<u>15,002</u>	<u>5,708</u>	<u>1,681</u>	<u>6,681</u>

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7. Profit/(loss) before taxation

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

(i) Finance costs

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest expenses	104,183	93,177	43,273	33,981	41,528
Letter of credit charges	8,100	8,389	5,353	3,620	5,057
	<u>112,283</u>	<u>101,566</u>	<u>48,626</u>	<u>37,601</u>	<u>46,585</u>

(ii) Staff costs

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, wages and other benefits	44,183	45,788	41,082	25,224	42,469
Contributions to defined contribution retirement schemes (note 25)	3,290	3,952	3,078	2,186	2,240
	<u>47,473</u>	<u>49,740</u>	<u>44,160</u>	<u>27,410</u>	<u>44,709</u>

(iii) Other items

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost of inventories # (note 15)	6,357,954	6,481,800	4,238,205	2,891,445	5,141,016
Auditors' remuneration					
– audit services	1,551	2,212	1,814	2,538	1,323
Depreciation #	30,604	29,278	29,099	20,215	22,313
Amortisation of lease prepayments #	838	837	837	628	628
Impairment losses for doubtful debts	14,485	22,769	–	–	–
Impairment loss on associate	–	10,370	–	–	–
Operating leases charges in respect of properties	871	294	483	441	422
	<u>871</u>	<u>294</u>	<u>483</u>	<u>441</u>	<u>422</u>

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Cost of inventories includes RMB59,181,000, RMB66,987,000, RMB68,741,000, RMB44,031,000 (unaudited) and RMB52,667,000 for the years ended 31 December 2007, 2008 and 2009, and the nine months ended 30 September 2009 and 2010, relating to staff costs, depreciation and amortisation of lease prepayments, which are included in the respective total amounts disclosed separately above and in note 7(ii) for each of these types of expenses.

8. Income tax (expenses)/credit

(i) Income tax (expenses)/credit in the combined statements of comprehensive income represent:

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Current tax – PRC					
Provision for the year	(6,239)	(8,836)	–	–	(7,854)
Deferred tax					
Origination/(reversal) of temporary differences <i>(note 22)</i>	(6,598)	27,166	5,637	1,682	(4,936)
	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>

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

No provisions for Hong Kong profits tax have been made for the Relevant Period as the Privateco Group does not have assessable profits subject to Hong Kong Profits Tax during the Relevant Period.

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

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 were 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.

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, and 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.

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, 2009 and 2010 are 7.5%, 9%, 10% and 22% respectively.

These tax rates were used to calculate the Privateco Group’s deferred tax assets and liabilities as at 31 December 2007, 2008 and 2009, and 30 September 2009 and 2010.

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 <i>(unaudited)</i>	2010 RMB'000
Profit/(loss) before taxation	153,159	(204,201)	39,001	11,640	58,666
Notional tax on profit/(loss) before tax, calculated at the rate applicable to the Privateco Group's profit/(loss) in the tax jurisdiction concerned (2007: 15%, 2008: 18%, 2009: 20%, 2010: 22%)	(22,974)	36,756	(7,801)	(2,328)	(12,907)
Effect of share of profit/(loss) of associate and impairment loss on interest in associate	(189)	(3,822)	241	251	61
Effect of non-deductible expenses	(2,646)	(1,251)	(639)	(69)	(400)
Effect of non-taxable income	-	640	1,921	3,083	902
Effect of change on tax rate	-	-	11,915	745	(446)
Effect of PRC tax holidays granted to subsidiaries	12,972	(14,097)	-	-	-
Others	-	104	-	-	-
	<u>(12,837)</u>	<u>18,330</u>	<u>5,637</u>	<u>1,682</u>	<u>(12,790)</u>

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(iii) Taxation in the combined balance sheets represents:

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	1,343	1,714	(2,757)	(1,284)
Provision for income tax for the year/period	6,239	8,836	–	9,013
Amounts (paid)/received	<u>(5,868)</u>	<u>(13,307)</u>	<u>1,473</u>	<u>(6,654)</u>
At year/period end	<u>1,714</u>	<u>(2,757)</u>	<u>(1,284)</u>	<u>1,075</u>

9. Directors' remuneration in respect of the Company

Year ended 31 December 2007

Name of directors	Fee	Basic salaries, allowances and other benefits	Bonus	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Executive directors				
Mr. Huang Cheng Roang	29	181	36	246
Mr. Lin Chi Ta	28	220	70	318
Mr. Huang Kuo Feng	29	130	34	193
Mr. Du Chi Ting	<u>–</u>	<u>181</u>	<u>35</u>	<u>216</u>
Independent non-executive directors				
Mr. Kang Jung Pao	240	–	–	240
Mr. Cheng Yang Yi	240	–	–	240
Mr. Tsay Yang Tzong	240	–	–	240
Mr. Yan Ming He	240	–	–	240
Mr. Atsushi Kanayama	<u>240</u>	<u>–</u>	<u>–</u>	<u>240</u>
Total	<u>1,286</u>	<u>712</u>	<u>175</u>	<u>2,173</u>

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Year ended 31 December 2008

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
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	<u>1,118</u>	<u>2,559</u>	<u>–</u>	<u>3,677</u>

Year ended 31 December 2009

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
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
Total	<u>86</u>	<u>1,846</u>	<u>112</u>	<u>2,044</u>
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	<u>1,141</u>	<u>1,846</u>	<u>112</u>	<u>3,099</u>

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Nine months ended 30 September 2009 (unaudited)

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors				
Mr. Huang Cheng Roang	32	342	27	401
Mr. Lin Chi Ta	32	486	40	558
Mr. Huang Kuo Feng	32	264	26	322
Mr. Du Chi Ting	32	292	21	345
Independent non-executive directors				
Mr. Kang Jung Pao	159	–	–	159
Mr. Cheng Yang Yi	159	–	–	159
Mr. Tsay Yang Tzong	159	–	–	159
Mr. Yan Ming He	159	–	–	159
Mr. Atsushi Kanayama	159	–	–	159
Total	<u>923</u>	<u>1,384</u>	<u>114</u>	<u>2,421</u>

Nine months ended 30 September 2010

Name of directors	Fee <i>RMB'000</i>	Basic salaries, allowances and other benefits <i>RMB'000</i>	Bonus <i>RMB'000</i>	Total <i>RMB'000</i>
Executive directors				
Mr. Huang Cheng Roang	32	447	–	479
Mr. Lin Chi Ta	32	663	–	695
Mr. Huang Kuo Feng	32	357	–	389
Mr. Du Chi Ting	32	368	–	400
Independent non-executive directors				
Mr. Kang Jung Pao	155	–	–	155
Mr. Cheng Yang Yi	155	–	–	155
Mr. Tsay Yang Tzong	155	–	–	155
Mr. Yan Ming He	155	–	–	155
Mr. Atsushi Kanayama	155	–	–	155
Total	<u>903</u>	<u>1,835</u>	<u>–</u>	<u>2,738</u>

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Nil to RMB 1,000,000	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>

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There were no amounts paid during the Relevant Period to the directors in connection with their retirement from employment with the Privateco Group, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Period. The remuneration to the Company's directors has been paid for the services provided to the Privateco Group and the Company during the Relevant Period.

10. Individuals with highest emoluments

The five highest paid individuals of the Privateco Group include 3, 2, 2, 2 and 2 directors of the Company during the Relevant Period, whose remuneration are reflected in the analysis presented above. Details of remuneration paid to the remaining highest paid individuals of the Privateco Group are as follows:

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Basic salaries, allowance and other benefits	628	2,157	2,257	1,990	2,844
Bonus	94	–	17	124	–
	<u>722</u>	<u>2,157</u>	<u>2,274</u>	<u>2,114</u>	<u>2,844</u>
Number of senior management	<u>2</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

The above individuals' emoluments are within the band of Nil to RMB 1,000,000.

There were no amounts paid during the Relevant Period to the five highest paid employees in connection with their retirement from employment with the Privateco Group, or inducement to join.

11. Dividends

	For the year ended 31 December			For the nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Final dividend proposed after the balance sheet date	<u>32,400</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Final dividend in respect of the previous financial year, approved and paid during the year	<u>–</u>	<u>32,338</u>	<u>–</u>	<u>–</u>	<u>–</u>

The final dividend proposed after the balance sheet dates was not recognised as a liability at the balance sheet dates.

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12. Property, plant and equipment

	Buildings <i>RMB'000</i>	Machinery, equipment and tools <i>RMB'000</i>	Dies and moulds <i>RMB'000</i>	Motor vehicles and other fixed assets <i>RMB'000</i>	Construction in progress ("CIP") <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2007	186,162	435,765	11,877	13,770	237	647,811
Additions	446	10,145	3,307	1,803	67	15,768
Transfer from CIP	–	304	–	–	(304)	–
Disposals	–	(1,868)	(8,239)	(314)	–	(10,421)
At 31 December 2007	186,608	444,346	6,945	15,259	–	653,158
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	15,415	223	650,802
Additions	–	1,450	1,020	403	16,711	19,584
Transfer from CIP	–	16,834	–	–	(16,834)	–
Disposals	–	(463)	(3,162)	(113)	–	(3,738)
At 31 December 2009	186,621	461,998	2,224	15,705	100	666,648
Additions	12	2,629	2,819	340	1,426	7,226
Disposals	–	–	(1,170)	(120)	–	(1,290)
At 30 September 2010	186,633	464,627	3,873	15,925	1,526	672,584
Accumulated depreciation:						
At 1 January 2007	(27,929)	(124,183)	(7,358)	(7,648)	–	(167,118)
Change for the year	(4,207)	(19,998)	(4,630)	(1,769)	–	(30,604)
Written back on disposals	–	673	8,239	282	–	9,194
At 31 December 2007	(32,136)	(143,508)	(3,749)	(9,135)	–	(188,528)
Charge for the year	(4,212)	(20,499)	(2,962)	(1,605)	–	(29,278)
Written back on disposals	–	489	4,017	168	–	4,674
At 31 December 2008	(36,348)	(163,518)	(2,694)	(10,572)	–	(213,132)
Charge for the year	(4,229)	(21,750)	(1,652)	(1,468)	–	(29,099)
Written back on disposals	–	310	3,162	102	–	3,574
At 31 December 2009	(40,577)	(184,958)	(1,184)	(11,938)	–	(238,657)

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	Buildings <i>RMB'000</i>	Machinery, equipment and tools <i>RMB'000</i>	Dies and moulds <i>RMB'000</i>	Motor vehicles and other fixed assets <i>RMB'000</i>	Construction in progress ("CIP") <i>RMB'000</i>	Total <i>RMB'000</i>
Charge for the year	(3,147)	(17,289)	(959)	(918)	–	(22,313)
Written back on disposals	–	–	1,170	108	–	1,278
At 30 September 2010	<u>(43,724)</u>	<u>(202,247)</u>	<u>(973)</u>	<u>(12,748)</u>	<u>–</u>	<u>(259,692)</u>
Net book value:						
At 31 December 2007	<u>154,472</u>	<u>300,838</u>	<u>3,196</u>	<u>6,124</u>	<u>–</u>	<u>464,630</u>
At 31 December 2008	<u>150,273</u>	<u>280,659</u>	<u>1,672</u>	<u>4,843</u>	<u>223</u>	<u>437,670</u>
At 31 December 2009	<u>146,044</u>	<u>277,040</u>	<u>1,040</u>	<u>3,767</u>	<u>100</u>	<u>427,991</u>
At 30 September 2010	<u>142,909</u>	<u>262,380</u>	<u>2,900</u>	<u>3,176</u>	<u>1,526</u>	<u>412,892</u>

- (i) All of the Privateco Group's buildings are located in the PRC.
- (ii) As at 31 December 2007, 2008 and 2009 and 30 September 2010, buildings with a carrying amount of RMB91,621,000, RMB89,059,000, RMB86,485,000 and RMB84,555,000 respectively, were pledged to a bank for certain banking facilities and bank loans (see note 20).
- (iii) As at 31 December 2007, 2008 and 2009 and 30 September 2010, machinery, equipment and tools with carrying amounts of RMB183,978,000, RMB170,546,000, RMB157,977,000 and RMB145,408,000 respectively, were pledged to a bank for letters of credit and commercial bills issued which were subsequently converted to short-term bank loans (see note 20).

13. Lease prepayments

	At 31 December			At 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	33,858	33,020	32,183	31,346
Less: Amortisation	<u>(838)</u>	<u>(837)</u>	<u>(837)</u>	<u>(628)</u>
At the period/year end	<u>33,020</u>	<u>32,183</u>	<u>31,346</u>	<u>30,718</u>

Lease prepayments represent payments for land use rights of two pieces of land situated in the PRC on which the Privateco 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 2007, 2008 and 2009 and 30 September 2010, land use rights with a carrying amount of RMB33,020,000, 32,183,000, 31,346,000 and 30,718,000 respectively were pledged to a bank for certain banking facilities and bank loans (see note 20).

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14. Interest in an associate

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010 <i>RMB'000</i>
Share of net assets	28,409	17,544	18,750	19,027
Goodwill arising on acquisition	<u>10,370</u>	<u>10,370</u>	<u>10,370</u>	<u>10,370</u>
	38,779	27,914	29,120	29,397
Less: Impairment on goodwill	<u>–</u>	<u>(10,370)</u>	<u>(10,370)</u>	<u>(10,370)</u>
	<u><u>38,779</u></u>	<u><u>17,544</u></u>	<u><u>18,750</u></u>	<u><u>19,027</u></u>

The particulars of the associate are set out below:

Name of associate	Place of establishment and operation	Percentage of equity attributable to the Privateco		Registered capital '000	Principal activities
		Direct	Indirect		
		%	%		
JCC Tai-yi Special Electric Material Co., Ltd. (“JCC-Taiyi”)	PRC	30%		US\$16,800	Manufacture and sale of bare copper wires and magnet wires

The Privateco, through its wholly owned subsidiaries, Tai-I Copper, held 30% equity interest in JCC-Taiyi as at 31 December 2007, 2008 and 2009. On 20 March 2010, Tai-I Copper entered into an agreement with Supreme Union Management Limited (“Supreme Union”) to transfer its entire equity interest in JCC-Taiyi to Supreme Union, which was completed on 7 July 2010.

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

2007

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Revenue <i>RMB'000</i>	Loss after tax <i>RMB'000</i>
100 percent	367,084	(272,386)	164,008	(4,200)
The Privateco Group’s effective interest	<u>110,125</u>	<u>(81,716)</u>	<u>49,202</u>	<u>(1,260)</u>

2008

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

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2009

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

At 30 September 2010

	Assets <i>RMB'000</i>	Liabilities <i>RMB'000</i>	Revenue <i>RMB'000</i>	Profit after tax <i>RMB'000</i>
100 percent	472,017	(408,594)	450,750	920
The Privateco Group's effective interest	<u>141,605</u>	<u>(122,578)</u>	<u>135,225</u>	<u>277</u>

15. Inventories

Inventories comprise:

	At 31 December			At 30 September
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Raw materials	181,313	31,056	66,968	33,313
Work in progress	27,677	25,145	33,740	29,727
Finished goods	130,560	168,408	103,949	148,839
Low value consumables	<u>6,001</u>	<u>5,916</u>	<u>6,820</u>	<u>7,698</u>
	<u>345,551</u>	<u>230,525</u>	<u>211,477</u>	<u>219,577</u>

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

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

	For the year ended 31 December			For the nine months ended 30 September	
	2007 <i>RMB'000</i>	2008 <i>RMB'000</i>	2009 <i>RMB'000</i>	2009 <i>RMB'000</i>	2010 <i>RMB'000</i>
Carrying amount of inventories sold	6,383,999	6,457,618	4,263,138	2,917,314	5,154,444
Realised (gain)/loss on derivative financial instruments	<u>(26,045)</u>	<u>24,182</u>	<u>(24,933)</u>	<u>(25,869)</u>	<u>(13,428)</u>
	<u>6,357,954</u>	<u>6,481,800</u>	<u>4,238,205</u>	<u>2,891,445</u>	<u>5,141,016</u>

As at 31 December 2008, inventories with a carrying amount of RMB100,000,000 (At 31 December 2007 and 2009 and 30 September 2010: Nil) were pledged to a bank for bank loans (see note 20).

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16. Trade and other receivables

		At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
		RMB'000			
Trade receivables	(i)	859,838	325,732	525,526	627,157
Bills receivable (note 20 (ii))	(i)	<u>247,915</u>	<u>151,384</u>	<u>120,849</u>	<u>213,009</u>
		1,107,753	477,116	646,375	840,166
Deposits and prepayments made to suppliers	(ii)	136,983	376,681	373,488	336,282
Other receivables		64,751	60,849	33,363	43,201
Deposits for derivative financial instruments	(iii)	<u>28,877</u>	<u>62,558</u>	<u>32,334</u>	<u>12,254</u>
		<u>1,338,364</u>	<u>977,204</u>	<u>1,085,560</u>	<u>1,236,903</u>

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 dates:

		At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
		RMB'000			
<i>Invoice date:</i>					
Within 1 month		712,977	357,773	357,559	516,762
Over 1 month but less than 3 months		270,997	55,646	213,799	220,266
Over 3 months but less than 1 year		117,217	58,467	55,316	99,964
Over 1 year but less than 2 years		17,643	26,475	23,793	5,519
Over 2 years		<u>3,404</u>	<u>16,009</u>	<u>33,162</u>	<u>34,909</u>
		1,122,238	514,370	683,629	877,420
Less: Impairment losses for doubtful debts		<u>(14,485)</u>	<u>(37,254)</u>	<u>(37,254)</u>	<u>(37,254)</u>
		<u>1,107,753</u>	<u>477,116</u>	<u>646,375</u>	<u>840,166</u>

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

		At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
		RMB'000			
At 1 January		–	14,485	37,254	37,254
Impairment loss recognised during the year/period		14,485	27,024	3,624	–
Reversed during the year/period		<u>–</u>	<u>(4,255)</u>	<u>(3,624)</u>	<u>–</u>
At 31 December/30 September		<u>14,485</u>	<u>37,254</u>	<u>37,254</u>	<u>37,254</u>

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

- (ii) According to the terms of purchase of copper plate entered into with the Privateco Group's suppliers, the Privateco 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 Privateco Group has placed deposits with futures agents for copper futures contracts entered into in the normal course of business.

17. Derivative financial instruments

	2007		At 31 December 2008				2009		At 30 September 2010	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Unrealised copper futures contracts										
– under cash flow hedge accounting	–	–	–	(26,980)	121	–	4,391	–		
– under fair value hedge accounting	–	(361)	–	(109)	–	(6,387)	–	(1,037)		
– not qualifying for hedge accounting	–	–	–	(10,430)	2,157	–	672	(3,279)		
	–	(361)	–	(37,519)	2,278	(6,387)	5,063	(4,316)		
Unrealised copper options contracts										
– not qualifying for hedge accounting	–	–	–	–	–	–	–	–	(4,724)	
Unrealised foreign exchange forward contracts										
– under fair value hedge accounting	10,992	–	–	–	–	–	–	–	–	
– not qualifying for hedge accounting	76,811	(16,586)	16,171	(70,452)	3,434	–	4,574	–		
	87,803	(16,586)	16,171	(70,452)	3,434	–	4,574	–		
	87,803	(16,947)	16,171	(107,971)	5,712	(6,387)	9,637	(9,040)		

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(a) Copper futures contracts

The Privateco 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, the Privateco 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			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales contracts				
Volume (tonne)	1,525	75	2,515	2,015
Notional contract value	87,986	1,469	125,690	82,644
Market value	<u>88,872</u>	<u>1,575</u>	<u>132,077</u>	<u>86,960</u>
Fair value	----- (886)	----- (106)	----- (6,387)	----- (4,316)
Purchase contracts				
Volume (tonne)	1,590	4,165	1,065	1,200
Notional contract value	91,113	133,939	61,155	64,329
Market value	<u>91,638</u>	<u>96,526</u>	<u>63,433</u>	<u>69,392</u>
Fair value	----- 525	----- (37,413)	----- 2,278	----- 5,063
	<u>(361)</u>	<u>(37,519)</u>	<u>(4,109)</u>	<u>747</u>
Contract maturity months	January, February, March, April and May 2008	January, February March, April May, June July and November 2009	January, February March, April and May 2010	October, November and December 2010, January, February, March, April and June 2011

The market value of futures contracts is based on quoted market prices at the balance sheet dates. The commodity price risk related to the price of copper is discussed in note 27(e).

As at 31 December 2007, 2008 and 2009 and 30 September 2010, copper futures contracts designated as fair value hedges to inventories with unrealised losses of RMB361,000, RMB109,000, RMB6,387,000 and RMB1,037,000 arising from the changes in fair value of these derivative instruments are recognised in the profit or loss account for the Relevant Period.

As at 31 December 2008 and 2009 and 30 September 2010, certain copper futures contracts designated as cash flow hedges to highly probable forecast transactions were assessed to be highly effective and the unrealised (losses)/gains of RMB(26,980,000), RMB121,000 and RMB4,391,000 arising from the changes in fair value of these derivative instruments are included in equity (At 31 December 2007: Nil). Such unrealised (losses)/gains are expected to be transferred to profit or loss when the designated forecast transactions occur. The portion assessed as ineffective of unrealised (losses)/gains of RMB(10,430,000), RMB2,157,000 and RMB(2,607,000) is recognised in the profit or loss for the years ended 31 December 2008 and 2009 and for the nine months ended 30 September 2010 respectively (for the year ended 31 December 2007: Nil).

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(b) Copper options contracts

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

At 30 September 2010

	Volume (tonne)	Exercise price USD'000	Contract maturity month	Fair value RMB'000
Written call option	300	7.75/tonne	October 2010	(935)
Written call option	675	8.5/tonne	March 2011	(3,789)
	<u>975</u>			<u>(4,724)</u>

(c) Foreign exchange forward contracts

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

At 31 December 2007

	Weighted average contracted rate	Weighted average market rate	Notional amount US\$'000	Fair value RMB'000
Buy RMB/Sell US\$				
Less than 3 months	7.4100	7.2003	(76,690)	16,083
3 to 6 months	7.3938	7.0985	(111,000)	32,780
6 months to 1 year	7.2052	6.9329	(143,000)	38,940
			----- (330,690)	----- 87,803
Sell RMB/Buy US\$				
Less than 3 months	7.3140	7.2374	84,600	(6,482)
3 to 6 months	7.2851	7.1115	53,000	(8,728)
6 months to 1 year	7.0778	6.9109	4,000	(1,376)
			----- 141,600	----- (16,586)
			<u>(189,090)</u>	<u>71,217</u>

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At 31 December 2008

	Weighted average contracted rate	Weighted average market rate	Notional amount <i>US\$'000</i>	Fair value <i>RMB'000</i>
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)
			<u>(563,800)</u>	<u>(73,873)</u>
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
			<u>85,000</u>	<u>19,592</u>
			<u>(478,800)</u>	<u>(54,281)</u>

At 31 December 2009

	Weighted average contracted rate	Weighted average market rate	Notional amount <i>US\$'000</i>	Fair value <i>RMB'000</i>
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)
			<u>(88,742)</u>	<u>20</u>
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
			<u>18,000</u>	<u>3,414</u>
			<u>(70,742)</u>	<u>3,434</u>

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At 30 September 2010

	Weighted average contracted rate	Weighted average market rate	Notional amount <i>US\$'000</i>	Fair value <i>RMB'000</i>
Buy RMB/Sell US\$				
Less than 3 months	6.7302	6.6810	(24,000)	1,181
3 to 6 months	6.7390	6.6701	(12,000)	827
6 months to 1 year	6.6138	6.6203	(3,000)	(20)
			(39,000)	1,988
Sell RMB/Buy US\$				
Less than 3 months	6.6341	6.7011	24,000	1,607
3 to 6 months	6.6315	6.6915	12,000	720
6 months to 1 year	6.5530	6.6393	3,000	259
			39,000	2,586
			-	4,574

The above derivatives are measured at fair value based on the valuation provided by certain banks at the balance sheet dates. As none of the foreign exchange forward contracts met the requirements for cash flow hedge accounting, the net gains/(losses) arising from changes in the fair value were all recognised in the profit or loss account for the Relevant Period. The foreign currency risk related to these contracts is described in note 27(d).

18. Pledged deposits

Pledged deposits can be analysed as follows:

	At 31 December			At 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Guarantee deposits for issuance of commercial bills and letters of credit (note 20 and 21)	875,178	788,258	284,494	526,647

Pledged deposits earn interest at a rate ranging from 0.72% to 5.43%, 0.36 to 4.14%, 0.36% to 1.98% and 0.36% to 1.98% per annum for the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 respectively.

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19. Cash and cash equivalents

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

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash on hand	100	153	92	93
Deposits on demand	339,065	290,425	286,488	301,576
Time deposits	195,000	289,100	245,780	207,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less: Time deposits with original maturity more than 3 months	195,000	289,100	245,780	207,617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents in the combined cash flow statements	<u>339,165</u>	<u>290,578</u>	<u>286,580</u>	<u>301,669</u>

20. Bank loans

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current				
Bank loans and borrowings				
– Secured (i)	876,712	1,281,205	914,615	1,066,580
– Unsecured	329,608	–	–	–
– Bank advances under discounted bills (ii)	189,579	141,098	86,362	158,042
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>1,395,899</u>	<u>1,422,303</u>	<u>1,000,977</u>	<u>1,224,622</u>

All bank loans during the year are interest-bearing, with fixed rates that ranged from 5.47% to 10.13%, 1.96% to 8.96%, 0.24% to 5.31% and 1.49% to 5.31% for the years ended 31 December 2007, 2008 and 2009 and the nine months ended 30 September 2010 respectively.

- (i) Current secured bank loans as At 31 December 2007, 2008 and 2009 and 30 September 2010 were secured over the Privateco Group's buildings with a carrying amount of RMB91,621,000, RMB89,059,000, RMB86,485,000 and RMB84,555,000, and land use rights with carrying amounts of RMB33,020,000, RMB32,183,000, RMB31,346,000 and RMB30,718,000. Current secured bank loans as at 31 December 2008 were secured over the Privateco Group's inventories with a carrying amount of RMB100,000,000 (At 31 December 2007 and 2009 and 30 September 2010: Nil).

Certain letters of credit and commercial bills issued and subsequently converted to short-term trust receipt loans as at 31 December 2007, 2008 and 2009 and 30 September 2010 were secured over the Privateco Group's pledged deposits (see note 18) and certain machinery, equipment and tools with carrying amounts of RMB183,978,000, RMB170,546,000, RMB157,977,000 and RMB145,408,000.

- (ii) The Privateco 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 Privateco Group's "Bills receivable" and "Bank advances under discounted bills" as at the balance sheet dates.

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21. Trade and other payables

		At 31 December			At 30
		2007	2008	2009	September
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		2010			
		<i>RMB'000</i>			
Trade creditors	(i)	1,068,409	621,772	542,603	750,604
Bills payable	(ii)	<u>310,966</u>	<u>302,956</u>	<u>400,109</u>	<u>228,399</u>
		1,379,375	924,728	942,712	979,003
Non-trade payables and accrued expenses		73,329	93,337	48,677	70,313
Other taxes payable/(recoverable)		<u>5,101</u>	<u>1,406</u>	<u>(5,125)</u>	<u>19,564</u>
		<u>1,457,805</u>	<u>1,019,471</u>	<u>986,264</u>	<u>1,068,880</u>

All of the trade and other payables are expected to be settled within one year.

Included in trade and other payables are trade creditors and bills payables with the following ageing analysis as of the balance sheet dates:

		At 31 December			At 30
		2007	2008	2009	September
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		2010			
		<i>RMB'000</i>			
Due within 3 months or on demand		1,220,886	692,118	796,643	916,231
Due after 3 months but within 6 months		158,139	231,996	145,225	60,346
Due after 6 months but within 1 year		184	219	111	1,867
Due after 1 year but within 2 years		166	229	127	143
Due after 2 years		<u>–</u>	<u>166</u>	<u>606</u>	<u>416</u>
		<u>1,379,375</u>	<u>924,728</u>	<u>942,712</u>	<u>979,003</u>

(i) Certain letters of credit issued for the settlement of trade creditors were secured by pledged deposits (see note 18). As at 31 December 2007, 2008 and 2009 and 30 September 2010, outstanding letters of credit included in trade creditors amounted to RMB759,475,000, RMB614,196,000, RMB676,358,000 and RMB847,473,000 respectively.

(ii) Certain bills payable outstanding as At 31 December 2007, 2008 and 2009 and 30 September 2010 were secured by the Privateco Group's machinery, equipment and tools with carrying amounts of RMB183,978,000, RMB170,546,000, RMB157,977,000 and RMB145,408,000 respectively.

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22. Deferred tax assets/(liabilities)

The components of deferred tax assets/(liabilities) recognised in the combined balance sheets and the movements during the Relevant Period are shown as follows:

	Unrealised (gain)/ loss on derivative financial instruments	Impairment losses for doubtful debt s	Unutilised tax losses	Cash flow hedges	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2007	–	–	–	–	–	–
Credited to profit or loss	(7,902)	1,304	–	–	–	(6,598)
At 31 December 2007	<u>(7,902)</u>	<u>1,304</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(6,598)</u>
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	<u>7,861</u>	<u>3,725</u>	<u>1,778</u>	<u>3,843</u>	<u>7,204</u>	<u>24,411</u>
At 1 January 2009	7,861	3,725	1,778	3,843	7,204	24,411
Credited to profit or loss	(7,999)	4,471	13,683	–	(4,518)	5,637
Credited to reserves	–	–	–	(3,967)	–	(3,967)
At 31 December 2009	<u>(138)</u>	<u>8,196</u>	<u>15,461</u>	<u>(124)</u>	<u>2,686</u>	<u>26,081</u>
At 1 January 2010	(138)	8,196	15,461	(124)	2,686	26,081
Credited to profit or loss	(469)	745	(6,017)	–	805	(4,936)
Credited to reserves	–	–	–	83	–	83
At 30 September 2010	<u>(607)</u>	<u>8,941</u>	<u>9,444</u>	<u>(41)</u>	<u>3,491</u>	<u>21,228</u>

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.

	At 31 December			At 30
	2007	2008	2009	September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010
				<i>RMB'000</i>
Net deferred tax assets recognised on the balance sheets	–	24,411	26,081	21,228
Net deferred tax liabilities recognised on the balance sheets	(6,598)	–	–	–
	<u>(6,598)</u>	<u>24,411</u>	<u>26,081</u>	<u>21,228</u>

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23. Share capital and reserves

	Attributable to owners of the Privateco						
	Share capital	Merger reserve	PRC	Exchange reserve	Hedging reserve	Retained earnings	Total
			statutory reserve				
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(a)</i>	<i>(b)(i)</i>	<i>(b)(ii)</i>	<i>(b)(iii)</i>	<i>(b)(iv)</i>		
At 1 January 2007	78	418,860	18,701	–	–	64,787	502,426
Profit for the year	–	–	–	–	–	140,322	140,322
Capital injection	194,634	–	–	–	–	–	194,634
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	1,145	–	–	1,145
Transfer to reserve	–	–	7,558	–	–	(7,558)	–
At 31 December 2007	<u>194,712</u>	<u>418,860</u>	<u>26,259</u>	<u>1,145</u>	<u>–</u>	<u>197,551</u>	<u>838,527</u>
At 1 January 2008	194,712	418,860	26,259	1,145	–	197,551	838,527
Dividends declared and approved during the year	–	(32,338)	–	–	–	–	(32,338)
Loss for the year	–	–	–	–	–	(185,871)	(185,871)
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	(35,992)	–	(35,992)
– unrealised portion (<i>note 17(a)</i>)	–	–	–	–	(26,980)	–	(26,980)
– deferred tax credited (<i>note 22</i>)	–	–	–	–	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	–	–	–	1,250	–	–	1,250
At 31 December 2008	<u>194,712</u>	<u>386,522</u>	<u>26,259</u>	<u>2,395</u>	<u>(35,056)</u>	<u>11,680</u>	<u>586,512</u>
At 1 January 2009	194,712	386,522	26,259	2,395	(35,056)	11,680	586,512
Profit for the year	–	–	–	–	–	44,638	44,638
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	7,837	–	7,837
– unrealised portion (<i>note 17(a)</i>)	–	–	–	–	121	–	121
– deferred tax credited (<i>note 22</i>)	–	–	–	–	(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	–	–	–	68	–	–	68
At 31 December 2009	<u>194,712</u>	<u>386,522</u>	<u>26,259</u>	<u>2,463</u>	<u>440</u>	<u>56,318</u>	<u>666,714</u>

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	Attributable to owners of the Privateco						
	Share capital	Merger reserve	PRC statutory reserve	Exchange reserve	Hedging reserve	Retained earnings	Total
	RMB'000 (a)	RMB'000 (b)(i)	RMB'000 (b)(ii)	RMB'000 (b)(iii)	RMB'000 (b)(iv)	RMB'000	RMB'000
At 1 January 2010	194,712	386,522	26,259	2,463	440	56,318	666,714
Profit for the period	–	–	–	–	–	45,876	45,876
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	18,297	–	18,297
– unrealised portion (note 17(a))	–	–	–	–	4,391	–	4,391
– deferred tax credited (note 22)	–	–	–	–	(41)	–	(41)
Cash flow hedges:							
transfer from equity to profit or loss in cost of sales	–	–	–	–	(16,096)	–	(16,096)
Capital injection	27,973	–	–	–	–	–	27,973
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	346	–	–	346
At 30 September 2010	<u>222,685</u>	<u>386,522</u>	<u>26,259</u>	<u>2,809</u>	<u>6,991</u>	<u>102,194</u>	<u>747,460</u>
At 1 January 2009	194,712	386,522	26,259	2,395	(35,056)	11,680	586,512
Profit for the period	–	–	–	–	–	13,322	13,322
Cash flow hedges:							
effective portion of changes in fair value							
– realised portion	–	–	–	–	9,187	–	9,187
– unrealised portion (note 17(a))	–	–	–	–	2,231	–	2,231
– deferred tax credited (note 22)	–	–	–	–	(352)	–	(352)
Cash flow hedges:							
transfer from equity to profit or loss in cost of sales	–	–	–	–	27,153	–	27,153
Exchange differences on translation of financial statements of companies outside the PRC	–	–	–	25	–	–	25
At 30 September 2009 (unaudited)	<u>194,712</u>	<u>386,522</u>	<u>26,259</u>	<u>2,420</u>	<u>3,163</u>	<u>25,002</u>	<u>638,078</u>

(a) Share capital

For the purpose of this report, share capital in the combined balance sheets as at 31 December 2007, 2008 and 2009 and September 30, 2010 represents the aggregate amount of the share paid up capital of all the entities comprising the Privateco Group at the respective dates, after elimination of investments in subsidiaries.

(b) Nature and purpose of reserves

(i) 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 in exchange thereafter. The reserve is distributable.

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(ii) *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 Privateco'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.

(iii) *Exchange reserve*

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

(iv) *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).

(c) *Capital management*

The Privateco Group's primary objectives when managing capital are to safeguard the Privateco 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 Privateco 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 Privateco Group monitors its capital structure on the basis of a net debt-to-adjusted capital ratio. For this purpose, the Privateco 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.

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

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The net debt-to-adjusted capital ratio At 31 December 2007, 2008 and 2009 and 30 September 2010 is as follows:

	Note	At 31 December			At 30
		2007	2008	2009	September
		RMB'000	RMB'000	RMB'000	2010
					RMB'000
Current liabilities					
Bank loans	20	1,395,899	1,422,303	1,000,977	1,224,622
Total debt		1,395,899	1,422,303	1,000,977	1,224,622
Less: Cash and cash equivalents	19	(339,165)	(290,578)	(286,580)	(301,669)
Pledged deposits	18	(875,178)	(788,258)	(284,494)	(526,647)
Net debt		181,556	343,467	429,903	396,306
Total equity		838,527	586,512	666,714	747,640
Less: Proposed dividends		(32,400)	–	–	–
Adjusted capital		806,127	586,512	666,714	747,640
Net debt-to-adjusted capital ratio		23%	59%	64%	53%

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

24. Commitments

(i) Capital commitments

Outstanding capital commitments at each balance sheet date not provided for in the Financial Information were as follows:

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Contracted	–	16,582	–	–

(ii) Lease commitments

At each balance sheet dates, the total future minimum lease payments under non-cancellable operating leases in respect of properties were payable as follows:

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Less than one year	1,490	858	620	652
Between one and two years	47	128	9	–
Between two and three years	23	9	2	–
	1,560	995	631	652

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

25. Retirement benefits

As stipulated by the regulations of the PRC, the Privateco 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 Privateco Group has no other material obligation for the payment of retirement benefits associated with this scheme beyond the contributions described above.

26. Related party transactions

(a) Amounts due from a related party

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
The Company	–	29,856	35,287	64,003

The amounts due from the related party are unsecured, interest free and have no fixed repayment terms.

(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 Privateco Group, directly or indirectly, including directors and supervisors of the Privateco Group. The compensation of key management personnel is as follows:

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Short-term employee benefits	2,516	7,873	7,384	6,705

(c) Contributions to defined contribution retirement plans

The Privateco Group participates in defined contribution retirement plans organised by municipal government for its employees. The details of the Privateco Group's employee benefits plan are disclosed in note 25. As at 31 December 2007, 2008 and 2009 and 30 September 2010, there were no material outstanding contribution to post-employment benefit plans.

27. Financial risk management and fair values

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

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

(a) Credit risk

The Privateco 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 Privateco Group does not collect collateral from its customers.

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

The Privateco 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 Privateco 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 31 December 2007, 2008 and 2009 and 30 September 2010, the Privateco Group has a certain concentrations of credit risk as 5%, 14%, 6% and 5% of the total deposits and prepayments (included in trade and other receivables) were due from the Privateco Group's largest supplier, and 9%, 32%, 41% and 18% of the total deposits and prepayments were due from the Privateco Group's five largest suppliers respectively.

Further quantitative disclosures in respect of the Privateco Group's exposure to credit risk arising from trade and other receivables are set out in note 16.

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Privateco Group will not be able to meet its financial obligations as they fall due. The individual subsidiaries within the Privateco 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 Privateco Group's policy is to regularly monitor current and expected liquidity requirements to ensure that the Privateco 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.

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Contractual maturities of financial liabilities

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

	At 31 December 2007			
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Non-derivative financial liabilities				
Secured loans and borrowings	876,712	(885,522)	(773,174)	(112,348)
Unsecured loans and borrowings	329,608	(331,876)	(331,876)	–
Bank advances under discounted bills	189,579	(189,579)	(189,579)	–
Trade and other payables excluding advance from customers	1,445,821	(1,445,821)	(1,445,821)	–
Derivative financial liabilities				
Foreign exchange forward contracts held as fair value hedging instruments				
– outflow	(10,992)	(235,208)	(235,208)	–
– inflow	–	241,385	241,385	–
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow	(76,811)	(2,180,350)	(1,208,838)	(971,512)
– inflow	–	2,178,615	1,222,371	956,244
Other foreign exchange forward contracts	16,586	(1,399)	(1,399)	–
Copper futures contracts <i>(note 17(a))</i>	361	(361)	(361)	–
	<u>2,770,864</u>	<u>(2,850,116)</u>	<u>(2,722,500)</u>	<u>(127,616)</u>

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At 31 December 2008				
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
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	985,141	(985,141)	(985,141)	–
Derivative financial liabilities				
Foreign exchange forward contracts held as cash flow hedging instruments				
– outflow	70,663	(2,554,226)	(1,863,275)	(690,951)
– inflow	(211)	248,037	61,837	186,200
Copper futures contracts <i>(note 17(a))</i>	37,519	(37,519)	(36,445)	(1,074)
	2,515,415	(4,755,607)	(4,229,993)	(525,614)

At 31 December 2009				
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
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	979,545	(979,545)	(979,545)	–
Derivative financial liabilities				
Copper futures contracts <i>(note 17(a))</i>	6,387	(6,387)	(6,387)	–
	1,986,909	(1,990,254)	(1,940,762)	(49,492)

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	At 30 September 2010			
	Carrying amount <i>RMB'000</i>	Contractual undiscounted cash flow <i>RMB'000</i>	6 months or less or on demand <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Non-derivative financial liabilities				
Secured loans and borrowings	1,146,580	(1,155,426)	(1,155,426)	–
Bank advances under discounted bills	158,042	(158,042)	(158,042)	–
Trade and other payables excluding advance from customers	1,046,898	(1,046,898)	(1,046,898)	–
Derivative financial liabilities				
Copper futures contracts (note 17(a))	4,316	(4,316)	(4,316)	–
Copper options contracts (note 17(b))	4,724	(2,644)	(2,644)	–
	2,360,560	(2,367,326)	(2,367,326)	–

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.

	At 31 December 2008			
	Carrying amount <i>RMB'000</i>	Expected cash flow <i>RMB'000</i>	6 months or less <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Copper futures contracts liabilities	(26,980)	(68,566)	(63,521)	(5,045)
	At 31 December 2009			
	Carrying amount <i>RMB'000</i>	Expected cash flow <i>RMB'000</i>	6 months or less <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Copper futures contracts assets	121	(1,073)	(1,073)	–
	At 30 September 2010			
	Carrying amount <i>RMB'000</i>	Expected cash flow <i>RMB'000</i>	6 months or less <i>RMB'000</i>	6-12 months <i>RMB'000</i>
Copper futures contracts assets	4,391	(20,081)	(20,081)	–

In addition to copper futures contracts, the Privateco 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

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accounting described in the Privateco Group's accounting policies, the unrealised gains or losses arising from the change in fair value of these derivative instruments are recognised immediately in the profit or loss. As at 31 December 2008 and 2009 and 30 September 2010, the expected delivery periods of the forecast sales are from January 2009 to May 2009 and January 2010 to May 2010 and October 2010 to March 2011 respectively (At 31 December 2007: nil).

(c) Interest rate risk

The Privateco 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 Privateco Group to cash flow interest rate risk and fair value interest rate risk respectively.

(i) Interest rate profile

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

	2007		At 31 December 2008		2009		At 30 September 2010	
	Effective weighted average interest rates amount		Effective weighted average interest rates amount		Effective weighted average interest rates amount		Effective weighted average interest rates amount	
	%		%		%		%	
	(annual)	RMB'000	(annual)	RMB'000	(annual)	RMB'000	(annual)	RMB'000
Fixed rate instruments								
Time deposits	3.46	195,000	2.65	289,100	1.98	245,780	1.71	207,617
Pledged deposits	4.67	386,218	3.84	471,498	1.85	104,209	1.85	522,647
Bank loans	6.90	(1,395,899)	4.48	(1,422,303)	2.29	(1,000,977)	2.52	(1,224,622)
		<u>(814,681)</u>		<u>(661,705)</u>		<u>(650,988)</u>		<u>(494,358)</u>
Variable rate instruments								
Pledged deposits	0.94	488,960	0.36	316,760	0.36	180,285	0.36	4,000
Cash and cash equivalents	0.72	339,165	0.36	290,578	0.36	286,580	0.36	301,669
		<u>828,125</u>		<u>607,338</u>		<u>466,865</u>		<u>305,669</u>

(ii) Sensitivity analysis

At the balance sheet dates, 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 Privateco Group's profit after tax and retained profits by approximately RMB7,671,000, RMB5,531,000, RMB4,208,000 and RMB2,384,000. Other components of combined equity would not be affected by changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the Privateco Group's profit after tax and retained profits that would arise assuming that the change in interest rates had occurred at the balance sheet dates and had been applied to re-measure those financial instruments held by the Privateco Group which expose the Privateco Group to fair value interest rate risk at the balance sheet dates. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Privateco Group at the balance sheet dates, the impact on

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the Privateco 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 the Relevant Period.

(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 Privateco 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 Privateco 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 Privateco 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 Privateco Group hedges part of its estimated foreign currency exposure in respect of highly probable forecast sales transactions. The Privateco 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 dates.

At 31 December 2007, 2008 and 2009 and 30 September 2010, the Privateco Group had foreign exchange forward contracts hedging forecast transactions with a net gains/(losses) on fair value change of RMB38,328,000, RMB(54,281,000), RMB3,434,000 and RMB4,574,000 recognised as derivative financial instruments.

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(iii) *Exposure to currency risk*

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

	2007		At 31 December 2008		2009		At 30 September 2010	
	USD'000	HKD'000	USD'000	HKD'000	USD'000	HKD'000	USD'000	HKD'000
Trade and other receivables	68,450	146,383	54,888	50,559	65,790	53,371	109,539	62,343
Receivables due from related parties	-	-	-	33,854	-	40,076	-	74,121
Copper futures contracts held as fair value hedging instruments	-	-	(81)	-	(708)	-	(644)	-
Other copper futures contracts	-	-	(333)	-	-	-	613	-
Copper options contracts	-	-	-	-	-	-	(705)	-
Pledged deposits	37,215	-	-	-	-	-	15,976	-
Time deposits	-	-	-	-	1,551	-	31,000	-
Cash and cash equivalents	14,123	7,615	7,973	17,370	25,070	9,192	10,427	8,053
Bank loans	(77,682)	(136,158)	(76,651)	-	(50,346)	-	(76,774)	-
Trade and other payables	(106,987)	(1,769)	(91,747)	-	(75,845)	-	(116,710)	-
Gross balance sheet exposure	(64,881)	16,071	(105,951)	101,783	(34,488)	102,639	(27,278)	144,517
Deliverable foreign exchange forward contracts (note 17(c))								
- sell foreign currency	(330,690)	-	(383,800)	-	(88,742)	-	(39,000)	-
- buy foreign currency	-	-	36,000	-	-	-	-	-
Non-deliverable foreign exchange forward contracts (note 17(c))								
- sell foreign currency	(141,600)	-	(180,000)	-	-	-	-	-
- buy foreign currency	-	-	49,000	-	18,000	-	39,000	-
Net exposure	<u>(537,171)</u>	<u>16,071</u>	<u>(584,751)</u>	<u>101,783</u>	<u>(105,230)</u>	<u>102,639</u>	<u>(27,278)</u>	<u>144,517</u>

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(iv) *Sensitivity analysis*

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

	At 31 December		At 30 September	
	2007	2008	2009	2010
	Increase/ (decrease) in profit after tax and retained profits <i>RMB'000</i>	Increase/ (decrease) in loss after tax and accumulated losses <i>RMB'000</i>	Increase/ (decrease) in profit after tax and retained profits <i>RMB'000</i>	Increase/ (decrease) in profit after tax and retained profits <i>RMB'000</i>
USD				
– 6%, 6%, 1% and 1% strengthening of RMB	46,727	(223,408)	6,324	1,065
– 6%, 6%, 1% and 1% weakening of RMB	(46,727)	223,408	(6,324)	(1,065)
HKD				
– 6%, 6%, 1% and 1% strengthening of RMB	974	4,901	(813)	(474)
– 6%, 6%, 1% and 1% weakening of RMB	(974)	(4,901)	813	474

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Privateco 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 dates 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 Privateco Group which expose the Privateco Group to foreign currency risk at the balance sheet dates. The analysis excludes differences that would result from the translation of the Financial Information of foreign operations into the Privateco Group's presentation currency.

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(e) Commodity price risk

The Privateco Group's exposure to commodity price risk relates principally to the market price fluctuation for copper on copper futures contracts and inventories held without fixed sales orders and commitments to buy or sell amounts of copper at contracted price in future. To partially offset the risk of fluctuation in copper prices on copper inventories held, the Privateco Group enters into sales orders with certain customers to deliver goods in future periods at fixed future prices. In addition, the Privateco 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 Privateco Group's exposure to copper commodity price risk (including copper inventories, open copper futures contracts and copper options contracts) at balance sheet dates was as follows:

	At 31 December			At 30
	2007	2008	2009	September
	RMB'000	RMB'000	RMB'000	2010 RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	339,550	34,746	84,575	62,540
Notional amounts of copper futures contracts to:				
– buy copper (note 17(a))	91,113	133,939	61,155	64,329
– sell copper (note 17(a))	(87,986)	(1,469)	(125,690)	(82,644)
Notional amounts of Copper options Contracts to:				
– sell copper (note 17(b))	–	–	–	(54,822)
Net exposure	<u>342,677</u>	<u>167,216</u>	<u>20,040</u>	<u>(10,597)</u>

(ii) Sensitivity analysis

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

	At 31 December						At 30 September					
	2007			2008			2009			2010		
	Increase/ (decrease) in commodity price RMB'000	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in commodity price RMB'000	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in commodity price RMB'000	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in commodity price RMB'000	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
Copper inventory excluding inventory with sales orders at fixed contracted prices	10%	–	–	10%	–	–	10%	–	–	10%	–	–
	(10)%	(30,780)	–	(10)%	(3,162)	–	(10)%	(5,328)	–	(10)%	(3,415)	–
Copper futures contracts	10%	256	–	10%	2,305	6,265	10%	6,481	263	10%	6,083	4,592
	(10)%	(256)	–	(10)%	(2,305)	(6,265)	(10)%	(6,481)	(263)	(10)%	(6,083)	(4,592)
Copper options contracts	–	–	–	–	–	–	–	–	–	10%	(4,157)	–
	–	–	–	–	–	–	–	–	–	(10)%	4,157	–

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

(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 dates 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.

At 31 December 2007

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Forward exchange contracts	–	87,803	–	87,803
	<u>–</u>	<u>87,803</u>	<u>–</u>	<u>87,803</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(361)	–	–	(361)
– Forward exchange contracts	–	(16,586)	–	(16,586)
	<u>(361)</u>	<u>71,217</u>	<u>–</u>	<u>70,856</u>

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At 31 December 2008

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

At 31 December 2009

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Copper futures contracts	2,278	–	–	2,278
– Forward exchange contracts	–	3,434	–	3,434
	<u>2,278</u>	<u>3,434</u>	<u>–</u>	<u>5,712</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(6,387)	–	–	(6,387)
	<u>(6,387)</u>	<u>–</u>	<u>–</u>	<u>(6,387)</u>

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At 30 September 2010

	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Assets				
Derivative financial instruments:				
– Copper futures contracts	5,063	–	–	5,063
– Forward exchange contracts	–	4,574	–	4,574
	<u>5,063</u>	<u>4,574</u>	<u>–</u>	<u>9,637</u>
Liabilities				
Derivative financial instruments:				
– Copper futures contracts	(4,316)	–	–	(4,316)
– Copper options contracts	–	(4,724)	–	(4,724)
	<u>(4,316)</u>	<u>(4,724)</u>	<u>–</u>	<u>(9,040)</u>

During the Relevant Period 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 Privateco Group's and financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2007, 2008 and 2009 and 30 September 2010.

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28. Particulars of subsidiaries

As at the date of this report, the Privateco had direct or indirect interests in the following subsidiaries, which are private companies, the particulars of which are set out below:

Name of subsidiaries	Place of incorporation/ establishment and operation	Percentage of equity attributable to the Privateco		Issued and fully paid up/ registered capital '000	Principal activities	Auditor	Period/Year of audit
		Direct %	Indirect %				
Tai-I Copper (BVI) Limited	BVI	100%	-	US\$25,150	Investment holding	-	-
United Development International Limited	BVI	100%	-	US\$4,221.50	Investment holding	-	-
Supreme Union	HK	-	100%	HK\$32,547.70	Investment holding	-	-
Tai-I International (HK) Limited	HK	-	100%	HK\$6,000	Investment holding	Profectus & Co Certified Public Accountants	Period from 27 October 2008 to 31 December 2009
Tai-I Jiang Corp	PRC	-	100%	US\$44,720	Manufacture and sale of bare copper wires	Guangzhou Xin Zhong Nan Certified Public Accountants	2007 2008 2009
Tai-I Copper	PRC	-	100%	US\$50,760	Manufacture and sale of magnet wires	Guangzhou Xin Zhong Nan Certified Public Accountants	2007 2008 2009

29. Accounting estimates and judgements

The Privateco Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(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 dates.

(b) Impairment of property, plant and equipment

In considering the impairment losses that may be required for certain of the Privateco 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 Privateco 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.

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Changes in these estimates could have a significant impact on the carrying value of the assets and could result in impairment charges 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 collectability. 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.

30. Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting period ended 30 September 2010

Up to the date of issue of these Financial Information, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the period ended 30 September 2010 and which have not been adopted in these Financial Information.

	Effective for accounting period beginning on or after
Amendment to IAS 32, <i>Financial instruments: Presentation – Classification of rights issues</i>	1 February 2010
IFRIC 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendment to IFRS 1, <i>First-time adoption of International Financial Reporting Standards – limited exemption from comparative IFRS 7 disclosures for first-time adopters</i>	1 July 2010
Revised IAS 24, <i>Related party disclosures</i>	1 January 2011
Amendments to IFRIC 14, IAS 19 – <i>The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement</i>	1 January 2011
Amendments to IFRS 7, <i>Financial instruments: Disclosures – Transfers of financial assets</i>	1 July 2011
IFRS 9, <i>Financial instruments (2009)</i> <i>Basis for conclusions on IFRS 9 (2009)</i> <i>Amendments to other IFRSs and guidance on IFRS 9 (2009)</i>	1 January 2013
IFRS 9, <i>Financial instruments (2010)</i> <i>Basis for conclusions on IFRS 9 (2010)</i> <i>Implementation guidance on IFRS 9 (2010)</i>	1 January 2013

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The Privateco 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 Financial Information, the Privateco Group believes that the adoption of them is unlikely to have a significant impact on the Privateco Group's results of operations and financial position.

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

The calculation of basic and diluted earnings/(loss) per share is based on the profit/(loss) for the year/period during the Relevant Period and on the 596,158,000 ordinary shares of the Privateco in issue as at the date of the Circular, as if the shares were issued and outstanding throughout the Relevant Period.

There were no dilutive potential ordinary shares during the Relevant Period.

D SUBSEQUENT EVENTS

The Privateco was incorporated in the Bermuda on 9 November 2010. The companies comprising the Group underwent and completed a group restructuring in preparation for the Share Transfer of the Company on 23 December 2010. Further details of the Group Restructuring are set out in the sub-section headed "Group Restructuring" of the part "Letter from the Board" to the Circular. As a result of the Group Restructuring, the Privateco became the holding company of the Privateco Group.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Privateco and its subsidiaries and an associate in respect of any period subsequent to 30 September 2010.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong"

3. STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 30 November 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Privateco Offer Document, the Privateco Group had outstanding current bank loans and borrowings of approximately RMB1,328,736,000. As at 30 November 2010, current bank loans and borrowings amounting to approximately RMB210,000,000 were secured over buildings, land use right, machinery, equipment and tools belonging to the Privateco Group with an aggregate carrying value of approximately RMB260,195,000.

Banking facilities

At the close of business on 30 November 2010, being the latest practical date for this statement of indebtedness prior to the date of this Privateco Offer Document, the Privateco Group had banking facilities amounting to approximately RMB4,533,389,000. Of the total banking facilities, except for that utilised as bank loans and borrowings as stated above, approximately RMB1,157,576,000 was utilised for the issuance of letters of credit and commercial bills.

Disclaimer

Save as disclosed above, at the close of business on 30 November 2010, the Privateco Group did not have any other outstanding bank overdrafts or loans, or other similar indebtedness, mortgages, charges, or guarantees or other material contingent liabilities.

The Directors confirm that there has been no material change in the indebtedness and contingent liabilities of the Privateco Group since 30 November 2010 up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that, save as the significant increase in turnover and profits before and after tax for the nine months ended 30 September 2010 that disclosed in the accountants' report on the Privateco Group as set out in Appendix II to the Privateco Offer Document and save for effects of the Group Restructuring and the Distribution In Specie, as at the Latest Practicable Date, there are no material change in the financial or trading position or outlook of the Privateco Group since 30 September 2010, being the date to which the latest published audited financial statements of the Privateco Group were made up, up to the Latest Practicable Date.

The unaudited pro forma financial information on the Privateco Group contained in Appendix V of the Circular is reproduced below.

“(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP**Introduction to the unaudited pro forma financial information**

On 8 November 2010, Tai-I International Holdings Limited (the “Company”), Tai-I International (BVI) Limited (“Tai-I BVI”), Mr. Hsu Shou-Hsin, Affluent Start Holdings Investment Limited (“Affluent Start”) and Mr. King Pak Fu entered in to an agreement (“Agreement”) pursuant to which:

- (i) Affluent Start has conditionally agreed to acquire and Tai-I BVI has conditionally agreed to sell an aggregate of 195,487,000 shares, representing approximately 32.79% of the issued shares of the Company; and
- (ii) Affluent Start has conditionally agreed to subscribe for 210,000,000 new subscription shares of the Company in cash (the “Subscription”), representing approximately 26.05% of the issued shares of the Company as enlarged by the Subscription.

Pursuant to the Agreement, the Company completed a reorganisation of the Company and its subsidiaries (the “Group”)’s businesses (the “Group Restructuring”) on 23 December 2010. The key steps of Group Restructuring are set out below:

- (i) the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnet wire businesses) to Tai-I International (Bermuda) Limited (the “Privateco”), a wholly-owned subsidiary of the Company; and
- (ii) the Company transferred the intercompany balance due to Tai-I Copper (BVI) Limited to the Privateco for a consideration of HK\$1.00 with the consent of Tai-I Copper (BVI) Limited.

Following the completion of the Subscription and the Group Restructuring, the Company shall distribute all of its Privateco’s shares to the shareholders of the Company on a pro rata basis as described under “Distribution In Specie” as set out in the Part “Letter from the Board” of this circular. Tai-I BVI, the controlling shareholder of Privateco, shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares as described under “Possible Conditional Voluntary Cash Offer For The Privateco Shares” as set out in the Part “Letter from the Board” of this circular.

The accompanying unaudited pro forma financial information of the Privateco and its subsidiaries (the “Privateco Group”) has been prepared by the directors of the Company to illustrate the effect that the Group Restructuring might have on the presented financial information of the Privateco Group.

The unaudited pro forma combined balance sheet of the Privateco Group is prepared based upon the audited consolidated balance sheet of the Group as at 31 December 2009, which has been extracted from the published annual report of the Company for the year ended 31 December 2009 after incorporating the unaudited pro forma adjustments described in the accompanying notes, for the purpose of illustrating the effect of the Group Restructuring on the financial position of the Privateco Group as if the Group Restructuring had taken place on 31 December 2009.

The unaudited pro forma combined statement of comprehensive income and the unaudited pro forma combined cash flow statement of the Privateco Group is prepared based upon the audited consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year ended 31 December 2009, which have been extracted from the published annual report of the Company for the year ended 31 December 2009 after incorporating the unaudited pro forma adjustments described in the accompanying notes, for the purpose of illustrating the effect of the Group Restructuring on the results and cash flow of the Privateco Group as if the Group Restructuring had taken place at the commencement of the year ended 31 December 2009.

A narrative description of the unaudited pro forma adjustments of the Group Restructuring that are (i) directly attributable to the Group Restructuring concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Privateco Group; and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma financial information of the Privateco Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Privateco Group does not purport to describe the actual financial position, results and cash flow of the Privateco Group that would have been attained had the Group Restructuring been completed on 31 December 2009 or at the commencement of the year ended 31 December 2009. Further, the accompanying unaudited pro forma financial information of the Privateco Group does not purport to predict the Privateco Group’s future financial position, results and cash flow, and does not take into account of the subsequent acquisition by the Company and any trading or other transactions subsequent to the issuance date of the consolidated financial statements, being 12 March 2010, included in the unaudited pro forma financial information.

The unaudited pro forma financial information of the Privateco Group should be read in conjunction with other financial information included elsewhere in this circular.

APPENDIX III

**UNAUDITED PRO FORMA FINANCIAL
INFORMATION ON THE PRIVATECO GROUP**

**1. Unaudited pro forma combined balance sheet of the Privateco Group as at 31
December 2009**

	The Group	Pro Forma Adjustments		Pro Forma Combined Balance Sheet of the Privateco Group
		<i>RMB'000</i> <i>(Note b)</i>	<i>RMB'000</i> <i>(Note c(i))</i>	
Non-current assets				
Property, plant and equipment	428,014	(23)	–	427,991
Lease prepayments	31,346	–	–	31,346
Interest in an associate	18,750	–	–	18,750
Deferred tax assets	26,081	–	–	26,081
	<u>504,191</u>	<u>(23)</u>	<u>–</u>	<u>504,168</u>
Current assets				
Inventories	211,477	–	–	211,477
Trade and other receivables	1,085,762	(202)	–	1,085,560
Derivative financial instruments	5,712	–	–	5,712
Pledged deposits	284,494	–	–	284,494
Time deposits	245,780	–	–	245,780
Cash and cash equivalents	287,268	(688)	–	286,580
	<u>2,120,493</u>	<u>(890)</u>	<u>–</u>	<u>2,119,603</u>
Current liabilities				
Bank loans	(1,000,977)	–	–	(1,000,977)
Trade and other payables	(986,302)	38	(1,650)	(987,914)
Derivative financial instruments	(6,387)	–	–	(6,387)
Income tax recoverable	1,284	–	–	1,284
	<u>(1,992,382)</u>	<u>38</u>	<u>(1,650)</u>	<u>(1,993,994)</u>
Net current assets	<u>128,111</u>	<u>(852)</u>	<u>(1,650)</u>	<u>125,609</u>
Total assets less current liabilities	<u>632,302</u>	<u>(875)</u>	<u>(1,650)</u>	<u>629,777</u>
Net assets	<u>632,302</u>	<u>(875)</u>	<u>(1,650)</u>	<u>629,777</u>
Capital and reserves				
Share capital	(5,962)	5,962	–	–
Reserves	(626,340)	(5,087)	1,650	(629,777)
Total equity attributable to the equity holders of the Privateco	<u>(632,302)</u>	<u>875</u>	<u>1,650</u>	<u>(629,777)</u>

See accompanying notes to the unaudited pro forma financial information of the Privateco Group.

2. Unaudited pro forma combined statement of comprehensive income of the Privateco Group for the year ended 31 December 2009

	The Group RMB'000 (Note b)	Pro Forma Adjustment		Pro forma Combined Statement of Comprehensive Income of the Privateco Group RMB'000
		RMB'000 (Note c(ii))	RMB'000 (Note d)	
Turnover	4,369,621	–	–	4,369,621
Cost of sales	(4,238,205)	–	–	(4,238,205)
Gross profit	<u>131,416</u>	<u>–</u>	<u>–</u>	<u>131,416</u>
Other revenue	17,541	–	–	17,541
Other net loss	(2,810)	16	–	(2,794)
Distribution expenses	(18,628)	–	–	(18,628)
General and administrative expenses	(40,666)	5,262	(1,650)	(37,054)
Other operating expenses	(5,725)	17	–	(5,708)
Profit from operations	<u>81,128</u>	<u>5,295</u>	<u>(1,650)</u>	<u>84,773</u>
Finance costs	(48,626)	–	–	(48,626)
Share of profit of associate	<u>1,206</u>	<u>–</u>	<u>–</u>	<u>1,206</u>
Profit before taxation	33,708	5,295	(1,650)	37,353
Income tax credit	<u>5,637</u>	<u>–</u>	<u>–</u>	<u>5,637</u>
Profit for the year	<u>39,345</u>	<u>5,295</u>	<u>(1,650)</u>	<u>42,990</u>
Other comprehensive income for the year (after tax)				
Foreign currency translation differences for foreign operations	110	(42)	–	68
Cash flow hedge: net movement in hedging reserve	<u>35,496</u>	<u>–</u>	<u>–</u>	<u>35,496</u>
Total comprehensive income for the year attributable to the equity holders of the Privateco	<u>74,951</u>	<u>5,253</u>	<u>(1,650)</u>	<u>78,554</u>

See accompanying notes to the unaudited pro forma financial information of the Privateco Group.

3. Unaudited pro forma combined cash flow statement of the Privateco Group for the year ended 31 December 2009

	The Group	Pro Forma Adjustment	Pro forma Combined Cash flow Statement of the Privateco Group
	<i>RMB'000</i> <i>(Note b)</i>	<i>RMB'000</i> <i>(Note c(iii))</i>	<i>RMB'000</i>
Operating activities			
Profit before taxation	33,708	5,295	39,003
Adjustments for:			
– Depreciation	29,173	(74)	29,099
– Share of gain of associate	(1,206)	–	(1,206)
– Amortisation of lease prepayments	837	–	837
– Interest income	(13,291)	–	(13,291)
– Gain on disposal of property, plant and equipment	164	–	164
– Finance costs	48,626	–	48,626
– Unrealised loss on derivative financial instruments	675	–	675
– Foreign exchange loss	10,455	–	10,455
Operating profit before changes in working capital	109,141	5,221	114,362
Decrease in inventories	19,048	–	19,048
Increase in trade and other receivables	(80,680)	(5,723)	(86,403)
Decrease in trade and other payables	(149,699)	216	(149,483)
Decrease in bank advances under discounted bills	(54,736)	–	(54,736)
Cash used in operating activities	(156,926)	(286)	(157,212)
PRC income taxes paid	(4,414)	–	(4,414)
PRC income tax refund received	5,887	–	5,887
Net cash used in operating activities	(155,453)	(286)	(155,739)
Cash flow from investing activities			
Acquisition of property, plant and equipment	(19,584)	–	(19,584)
Proceeds from foreign exchange forward contracts	30,251	–	30,251
Payment in respect of foreign exchange forward contracts	(8,392)	–	(8,392)
Decrease in time deposits	43,320	–	43,320
Interest received	24,950	–	24,950
Net cash generated from investing activities	70,545	–	70,545

	The Group	Pro Forma Adjustment	Pro forma Combined Cash flow Statement of the Privateco Group
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Note b)</i>	<i>(Note c(iii))</i>	
Cash flow from financing activities			
Proceeds from interest-bearing loans and borrowings	2,221,354	–	2,221,354
Prepayment of interest-bearing loans and borrowings	(2,587,944)	–	(2,587,944)
Finance costs paid	(56,046)	–	(56,046)
Decrease in pledged deposits	503,764	–	503,764
Payment for repurchase of shares	(78)	78	–
	<u>81,050</u>	<u>78</u>	<u>81,128</u>
Net cash generated from financing activities	81,050	78	81,128
Effect of foreign exchange rate changes on cash	110	(42)	68
	<u>(3,748)</u>	<u>(250)</u>	<u>(3,998)</u>
Net decrease in cash and cash equivalents	(3,748)	(250)	(3,998)
Cash and cash equivalents at the beginning of year	291,016	(438)	290,578
Cash and cash equivalents at the end of year	287,268	(688)	286,580

See accompanying notes to the unaudited pro forma financial information of the Privateco Group.

4. Notes to the unaudited pro forma financial information of the Privateco Group

- (a) Upon the completion of the Group Restructuring on 23 December 2010, the Company transferred its entire interests in Tai-I Copper (BVI) Limited and United Development International Limited (being the companies through which the Company holds its entire interest in copper and magnetic wire businesses) to the Privateco, a wholly-owned subsidiary of the Company. Upon the completion of the Group Restructuring and Agreement, the Company shall distribute all of its Privateco's shares to the shareholders of the Company on a pro rata basis. Tai-I BVI shall make a voluntary cash offer to the other shareholders of Privateco to acquire all of their shares.
- (b) The financial figures presented in respect of the Group are extracted without adjustments from the published annual report of the Company for the year ended 31 December 2009.
- (c) Privateco was incorporated on 9 November 2010 and has not carried on any business since the date of its incorporation save for the Group Restructuring as disclosed in the section headed "Letter from the Board" contained in this circular.

The adjustments reflect (i) the de-consolidation of the assets and liabilities of the Company from the Group and the transfer of the intercompany balance due to Tai-I Copper (BVI) limited as at 31 December 2009 from the Company to the Privateco upon the completion of the Group Restructuring. (ii) the de-consolidation of the results of the Company from the Group upon the completion of the Group Restructuring. (iii) the de-consolidation of the cash flows of the Company from the Group upon the completion of the Group Restructuring.

- (d) The adjustment represents the estimated legal and professional fees to be borne by the Privateco Group in relation to the Group Restructuring.

**(B) ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE PRIVATECO GROUP**

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

18 January 2011

The Directors
Tai-I International Holdings Limited

Dear Sirs,

We report on the unaudited pro forma combined balance sheet as at 31 December 2009 and the unaudited pro forma combined statement of comprehensive income and combined cash flow statement for the year ended 31 December 2009 (collectively “the Unaudited Pro Forma Financial Information”) of Tai-I International (Bermuda) Limited (the “Privateco”) and its subsidiaries (“the Privateco Group”), set out in section A of Appendix V of the circular of Tai-I International Holdings Limited (“the Company”) dated 18 January 2011 (“the Circular”), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the Group Restructuring as defined in the Circular might have affected the financial information presented. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in notes to the Unaudited Pro Forma Financial Information of the Privateco Group in section A of Appendix V to the Circular.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (“HKSIR”) 300 “Accountants’ Reports on Pro Forma Financial Information in Investment Circulars” issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the Unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Privateco Group as at 31 December 2009 or any future date; or
- the results and cash flows of the Privateco Group for the year ended 31 December 2009 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Company, and

- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 4.29(1) of the Listing Rules.

Yours faithfully
KPMG
Certified Public Accountants
Hong Kong”

Set out below is a summary of certain provisions of the memorandum of association (the “Memorandum of Association”) and bye-laws (the “Bye-laws”) of the Privateco (referred to as the “Company” in this appendix) which has been adopted on 9 February 2011 under the Group Restructuring and of certain aspects of Bermuda company law.

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the Company is an exempted company as defined in the Companies Act 1981 of Bermuda. The Memorandum of Association also sets out the objects for which the Company was formed which are unrestricted and that the Company has the capacity, rights, powers and privileges of a natural person. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business within Bermuda.

In accordance with and subject to section 42A of the Companies Act 1981 of Bermuda, the Memorandum of Association empowers the Company to purchase its own shares and pursuant to its Bye-laws, this power is exercisable by the board of directors of the Company (the “board” or “Directors”) upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The following is a summary of certain provisions of the Bye-laws:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Act 1981 of Bermuda, any preference shares may be issued or converted into shares that are liable to be redeemed, at a determinable date or at the option of the Company or, if so authorised by the Memorandum of Association, at the option of the holder, on such terms and in such manner as the Company before the issue or conversion may by ordinary resolution determine. The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Act 1981 of Bermuda, the Bye-laws, any direction that may be given by the Company in general meeting and without prejudice to any special rights or restrictions for the time being

attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries.

Note: The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the Companies Act 1981 of Bermuda to be exercised or done by the Company in general meeting and this includes the power to dispose of the assets of the Company.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act 1981 of Bermuda contains restrictions on companies making loans or providing security for loans to their directors, the relevant provisions of which are summarised in the paragraph headed “Bermuda Company Law” in this Appendix.

(v) Financial assistance to purchase shares of the Company

Neither the Company nor any of its subsidiaries shall directly or indirectly give financial assistance to a person who is acquiring or proposing to acquire shares in the Company for the purpose of that acquisition whether before or at the

same time as the acquisition takes place or afterwards, provided that the Bye-laws shall not prohibit transactions permitted under the Companies Act 1981 of Bermuda.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of auditor of the Company) in conjunction with his office of Director for such period and, subject to the Companies Act 1981 of Bermuda, upon such terms as the board may determine, and may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Bye-laws. A Director may be or become a director or other officer of, or a member of, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Bye-laws, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Act 1981 of Bermuda and to the Bye-laws, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested but this prohibition shall not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 30 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived);
or
- (ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vii) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such remuneration (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Bye-law. A Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependants or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as is mentioned in the

previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(viii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Note: There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or, subject to authorisation by the members in general meeting, as an addition to the existing board but so that the number of Directors so appointed shall not exceed any maximum number determined from time to time by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Any Member holding fifteen per cent (15%) (or more) of the issued shares of the Company may at any time by a written notice to the Company nominate one person (for every fifteen per cent (15%) of the issued shares of the Company in respect of which such Member is the registered holder) to be appointed as a Director and remove and replace any such Director so nominated and appointed.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention to do so and be served on such Director fourteen (14) days before the meeting and, at such meeting, such Director shall be entitled to be heard on the motion for his removal. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors unless otherwise determined from time to time by members of the Company.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the board may determine and the board may revoke or terminate any of such appointments (but without prejudice to any claim for damages that such Director may have against the Company or vice versa). The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ix) Borrowing powers

The board may from time to time at its discretion exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Act 1981 of Bermuda, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Bye-laws in general, can be varied with the sanction of a special resolution of the Company.

(b) Alterations to constitutional documents

The Bye-laws may be rescinded, altered or amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association, to confirm any such rescission, alteration or amendment to the Bye-laws or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Act 1981 of Bermuda:

- (i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

- (iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association;
- (v) change the currency denomination of its share capital;
- (vi) make provision for the issue and allotment of shares which do not carry any voting rights; and
- (vii) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may, by special resolution, subject to any confirmation or consent required by law, reduce its authorised or issued share capital or, save for the use of share premium as expressly permitted by the Companies Act 1981 of Bermuda, any share premium account or other undistributable reserve.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Act 1981 of Bermuda, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons or (in the case of a member being a corporation) its duly authorised representative holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or (in the case of a member being a corporation) its duly authorised representative or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

(e) Special resolution-majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear business days specifying the intention to propose the resolution as a special resolution,

has been duly given. Except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and not less than ten (10) clear business days has been given.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Bye-laws, at any general meeting on a show of hands, every member who is present in person (or being a corporation, is present by its duly authorised representative) or by proxy shall have one vote and on a poll every member present in person or by proxy or (being a corporation) by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share.

Notwithstanding anything contained in the Bye-laws, where more than one proxy is appointed by a member which is a clearing house (as defined in the Bye-laws) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded by (i) the chairman of the meeting or (ii) at least three members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the member or (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting or (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly

authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares held by that clearing house (or its nominee(s)) in respect of the number and class of shares specified in the relevant authorisation including the right to vote individually on a show of hands.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year other than the year in which its statutory meeting is convened at such time (within a period of not more than 15 months after the holding of the last preceding annual general meeting unless a longer period has been approved by the members) and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the provisions of the Companies Act 1981 of Bermuda or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or, subject to the Companies Act 1981 of Bermuda, at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting.

Subject to the Companies Act 1981 of Bermuda, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting in accordance with the requirements of the Companies Act 1981 of Bermuda provided that this provision shall not require a copy of those documents to be sent to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures; however, to the extent permitted by and subject to compliance with all applicable laws, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served

on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Subject to the Companies Act 1981 of Bermuda, at the annual general meeting or at a subsequent special general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the members appoint another auditor. Such auditor may be a member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company. The remuneration of the auditor shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than Bermuda. If the auditing standards of a country or jurisdiction other than Bermuda are used, the financial statements and the report of the auditor should disclose this fact and name such country and jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days and any special general meeting at which it is proposed to pass a special resolution shall (save as set out in sub-paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear business days. All other special general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in Bermuda or such other place in Bermuda at which the principal register is kept in accordance with the Companies Act 1981 of Bermuda.

Unless any share is issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists or any share is transferred to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien, the Board shall not refuse to register a transfer of any share (being a fully paid up share) to any person.

The board may decline to recognise any instrument of transfer unless the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in an appointed newspaper, at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Bye-laws supplement the Company's Memorandum of Association (which gives the Company the power to purchase its own shares) by providing that the power is exercisable by the board upon such terms and conditions as it thinks fit.

(l) Power for any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of shares in the Company by a subsidiary. However this is permitted under Bermuda law.

(m) Dividends and other methods of distribution

Subject to the Companies Act 1981 of Bermuda, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board. The Company in general meeting may also make a distribution to its members out of contributed surplus (as ascertained in accordance with the Companies Act 1981 of Bermuda). No dividend shall be paid or distribution made out of contributed surplus if to do so would render the Company unable to pay its liabilities as they become due or the realisable value of its assets would thereby become less than the aggregate of its liabilities and its issued share capital and share premium account.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to a member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

(o) Call on shares and forfeiture of shares

Subject to the Bye-laws and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect.

Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in

respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

The register and branch register of members shall be open to inspection between 10:00 a.m. and 12:00 noon on every business day by members of the public without charge at the registered office or such other place in Bermuda at which the register is kept in accordance with the Companies Act 1981 of Bermuda, unless the register is closed in accordance with the Companies Act 1981 of Bermuda.

(q) Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Bermuda law, as summarised in paragraph 4(e) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act 1981 of Bermuda, divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Reserved Matters

No material related party transaction may be undertaken by the Company unless (1) it is a transaction on normal commercial terms in the ordinary and usual course of business (as defined in the Listing Rules) of the Company or its subsidiaries; or (2) it is a transaction involving any acquisition or disposal of assets with total assets (as defined in the Listing Rules) or attributable revenue (as defined in the Listing Rules) of (a) less than 2.5% of total assets (as defined in the Listing Rules) or total revenue (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts; or (b) more than 2.5% but less than 25% of total assets (as defined in the Listing Rules) and total revenue (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts and the total consideration is less than HK\$10,000,000; or (3) it is made subject to the approval of disinterested member(s), if any, by way of ordinary resolution in general meeting. Where any such transaction requiring approval of disinterested member(s) is proposed for consideration by the members, the board shall prepare and send a notice convening the general meeting accompanied by a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction and the advice of an independent financial adviser as to whether the terms of such proposed transaction are fair and reasonable.

Notwithstanding any provision contained in the Bye-laws and without prejudice to the above paragraph, no non-related party transaction involving acquisition or disposal of assets with an aggregate value of more than fifty (50) per cent of the value of the aggregate total assets (as defined in the Listing Rules) of the Company and its subsidiaries as shown in the latest audited consolidated accounts may be undertaken by the Company, unless it is made subject to the approval of the member(s) by way of ordinary resolution in general meeting. Where any such transaction requiring approval of the members is proposed for consideration by the members, the Company shall at its own costs and expenses prepare and send, together with the notice convening the general meeting, a circular to all members containing a summary of the terms of the proposed transaction and other relevant information relating to such transaction. So long as the proposed transaction falling to be considered under this paragraph is not subject to the paragraph above regarding related party transaction, the requirement as to approval by the members shall be satisfied without holding a general meeting if a member, or group of members, holding more than fifty (50) per cent of the shares and being entitled to receive notice of and to attend and vote at general meetings of the Company, has or have given written notice(s) to the board confirming its or their approval of the proposed transaction.

The Directors shall obtain the approval of the members by way of ordinary resolution in general meeting prior to allotting, issuing or granting shares, securities convertible into shares or options, warrants or similar rights to subscribe for any shares or such convertible securities. However, no such consent shall be required (i) for the allotment, issue or grant of such shares or securities pursuant to an offer made to the members, excluding for that purpose any member who is resident in a place where such

offer is not permitted under the law of that place and where appropriate, to holders of other equity securities of the Company entitled to be offered them, in proportion (apart from fractional entitlements) to their then holdings; or (ii) if, but only to the extent that, the existing members have by ordinary resolution given a general mandate to the Directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to allot or issue such securities or to grant any offers, agreements or options which would or might require securities to be issued, allotted or disposed of, whether during the continuance of such mandate or thereafter, subject to a restriction that the aggregate number of shares or securities allotted or agreed to be allotted must not exceed in aggregate twenty (20) per cent of the issued share capital of the Company in issue from time to time.

(u) Untraceable members

The Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in newspapers giving notice of its intention to sell such shares and a period of three months, has elapsed since such advertisement. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Other provisions

The Bye-laws provide that to the extent that it is not prohibited by and is in compliance with the Companies Act 1981 of Bermuda, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

The Bye-laws also provide that the Company is required to maintain at its registered office a register of directors and officers in accordance with the provisions of the Companies Act 1981 of Bermuda and such register is open to inspection by members of the public without charge between 10:00 a.m. and 12:00 noon on every business day.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association may be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the confirmation of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter the provisions of the Memorandum of Association or to confirm any amendment to the Bye-laws

or to change the name of the Company. For these purposes, a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast by such members of the Company as, being entitled to do so, vote in person or, in the case of such members as are corporations, by their respective duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than twenty-one (21) clear days' notice specifying the intention to propose the resolution as a special resolution has been duly given. Except in the case of an annual general meeting, the requirement of twenty-one (21) clear days' notice may be waived by a majority in number of the members having the right to attend and vote at the relevant meeting, being a majority together holding not less than 95 percent in nominal value of the shares giving that right.

4. BERMUDA COMPANY LAW

The Company is incorporated in Bermuda and, therefore, operates subject to Bermuda law. Set out below is a summary of certain provisions of Bermuda company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Bermuda company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Share capital

The Companies Act 1981 of Bermuda provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account", to which the provisions of the Companies Act 1981 of Bermuda relating to a reduction of share capital of a company shall apply as if the share premium account were paid up share capital of the company except that the share premium account may be applied by the company:

- (i) in paying up unissued shares of the company to be issued to members of the company as fully paid bonus shares;
- (ii) in writing off:
 - (aa) the preliminary expenses of the company; or
 - (bb) the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; or
- (iii) in providing for the premiums payable on redemption of any shares or of any debentures of the company.

In the case of an exchange of shares the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company.

The Companies Act 1981 of Bermuda permits a company to issue preference shares and subject to the conditions stipulated therein to convert those preference shares into redeemable preference shares.

The Companies Act 1981 of Bermuda includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. Where provision is made by the memorandum of association or bye-laws for authorising the variation of rights attached to any class of shares in the company, the consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required, and where no provision for varying such rights is made in the memorandum of association or bye-laws and nothing therein precludes a variation of such rights, the written consent of the holders of three-fourths of the issued shares of that class or the sanction of a resolution passed as aforesaid is required.

(b) Financial assistance to purchase shares of a company or its holding company

A company is prohibited from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares unless there are reasonable grounds for believing that the company is, and would after the giving of such financial assistance be, able to pay its liabilities as they become due. In certain circumstances, the prohibition from giving financial assistance may be excluded such as where the assistance is only an incidental part of a larger purpose or the assistance is of an insignificant amount such as the payment of minor costs.

(c) Purchase of shares and warrants by a company and its subsidiaries

A company may, if authorised by its memorandum of association or bye-laws, purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares or out of the funds of the company otherwise available for dividend or distribution or out of the proceeds of a fresh issue of shares made for the purpose. Any premium payable on a purchase over the par value of the shares to be purchased must be provided for out of funds of the company otherwise available for dividend or distribution or out of the company's share premium account. Any amount due to a shareholder on a purchase by a company of its own shares may (i) be paid in cash; (ii) be satisfied by the transfer of any part of the undertaking or property of the company having the same value; or (iii) be satisfied partly under (i) and partly under (ii). Any purchase by a company of its own shares may be authorised by its board of directors or otherwise by or in accordance with the provisions of its bye-laws. Such purchase may not be made if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the company is, or after the purchase would be, unable to pay its liabilities as they become due. The shares so purchased may either be cancelled or held as treasury shares. Any purchased shares that are cancelled will, in effect, revert to the status of authorised but unissued shares. If shares of the company are held as treasury shares, the company is prohibited to exercise any rights in respect of those shares, including any right to attend and vote at meetings, including a meeting under a scheme of arrangement, and any purported exercise of such a right is void. No

dividend shall be paid to the company in respect of shares held by the company as treasury shares; and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) shall be made to the company in respect of shares held by the company as treasury shares. Any shares allotted by the company as fully paid bonus shares in respect of shares held by the company as treasury shares shall be treated for the purposes of the Companies Act 1981 of Bermuda as if they had been acquired by the company at the time they were allotted.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Bermuda law that a company's memorandum of association or its bye-laws contain a specific provision enabling such purchases.

Under Bermuda law, a subsidiary may hold shares in its holding company and in certain circumstances, may acquire such shares. The holding company is, however, prohibited from giving financial assistance for the purpose of the acquisition, subject to certain circumstances provided by the Companies Act 1981 of Bermuda. A company, whether a subsidiary or a holding company, may only purchase its own shares if it is authorised to do so in its memorandum of association or bye-laws pursuant to section 42A of the Companies Act 1981 of Bermuda.

(d) Dividends and distributions

A company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts. Contributed surplus is defined for purposes of section 54 of the Companies Act 1981 of Bermuda to include the proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital and donations of cash and other assets to the company.

(e) Protection of minorities

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of the company's memorandum of association and bye-laws. Furthermore, consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than actually approved it.

Any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, may petition the court which may, if it is of the opinion that to wind up the company would unfairly prejudice that part of the members but that otherwise the facts would justify the making of a winding up order on just and equitable grounds, make such order as it thinks fit, whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company itself and in the case of a purchase by the company itself, for the reduction accordingly of the company's capital, or otherwise. Bermuda law also provides that the company may be wound up by the Bermuda court, if the court is of the opinion that it is just and equitable to do so. Both these provisions are available to minority shareholders seeking relief from the oppressive conduct of the majority, and the court has wide discretion to make such orders as it thinks fit.

Except as mentioned above, claims against a company by its shareholders must be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers of shares in a company against persons, including directors and officers, responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein, but this confers no right of action against the company itself. In addition, such company, as opposed to its shareholders, may take action against its officers including directors, for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company.

(f) Management

The Companies Act 1981 of Bermuda contains no specific restrictions on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore, the Companies Act 1981 of Bermuda requires that every officer should comply with the Companies Act 1981 of Bermuda, regulations passed pursuant to the Companies Act 1981 of Bermuda and the bye-laws of the company. The directors of a company may, subject to the bye-laws of the company, exercise all the powers of the company except those powers that are required by the Companies Act 1981 of Bermuda or the bye-laws to be exercised by the members of the company.

(g) Accounting and auditing requirements

The Companies Act 1981 of Bermuda requires a company to cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Furthermore, it requires that a company keeps its records of account at the registered office of the company or at such other place as the directors think fit and that such records shall at all times be open to inspection by the directors or the resident representative of the company. If the records of account are kept at some place outside Bermuda, there shall be kept at the office of the company in Bermuda such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each three month period, except that where the company is listed on an appointed stock exchange, there shall be kept such records as will enable the directors or the resident representative of the company to ascertain with reasonable accuracy the financial position of the company at the end of each six month period.

The Companies Act 1981 of Bermuda requires that the directors of the company must, at least once a year, lay before the company in general meeting financial statements for the relevant accounting period. Further, the company's auditor must audit the financial statements so as to enable him to report to the members. Based on the results of his audit, which must be made in accordance with generally accepted auditing standards, the auditor must then make a report to the members. The generally accepted auditing standards may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be appointed by the Minister of Finance of Bermuda under the Companies Act 1981 of Bermuda; and where the generally accepted auditing standards used are other than those of Bermuda, the report of the auditor shall identify the generally accepted auditing standards used. All members of the company are entitled to receive a copy of every financial statement prepared in accordance with these requirements, at least five (5) days before the general meeting of the company at which the financial statements are to be tabled. A company the shares of which are listed on an appointed stock exchange may send to its members summarized financial statements instead. The summarized financial statements must be derived from the company's financial statements for the relevant period and contain the information set out in the Companies Act 1981 of Bermuda. The summarized financial statements sent to the company's members must be accompanied by an auditor's report on the summarized financial statements and a notice stating how a member may notify the company of his election to receive financial statements for the relevant period and/or for subsequent periods.

The summarized financial statements together with the auditor's report thereon and the accompanied notice must be sent to the members of the company not less than twenty-one (21) days before the general meeting at which the financial statements are

laid. Copies of the financial statements must be sent to a member who elects to receive the same within seven (7) days of receipt by the company of the member's notice of election.

(h) Auditors

At each annual general meeting, a company must appoint an auditor to hold office until the close of the next annual general meeting; however, this requirement may be waived if all of the shareholders and all of the directors, either in writing or at the general meeting, agree that there shall be no auditor.

A person, other than an incumbent auditor, shall not be capable of being appointed auditor at an annual general meeting unless notice in writing of an intention to nominate that person to the office of auditor has been given not less than twenty-one (21) days before the annual general meeting. The company must send a copy of such notice to the incumbent auditor and give notice thereof to the members not less than seven (7) days before the annual general meeting. An incumbent auditor may, however, by notice in writing to the secretary of the company waive the requirements of the foregoing.

Where an auditor is appointed to replace another auditor, the new auditor must seek from the replaced auditor a written statement as to the circumstances of the latter's replacement. If the replaced auditor does not respond within fifteen (15) days, the new auditor may act in any event. An appointment as auditor of a person who has not requested a written statement from the replaced auditor is voidable by a resolution of the shareholders at a general meeting. An auditor who has resigned, been removed or whose term of office has expired or is about to expire, or who has vacated office is entitled to attend the general meeting of the company at which he is to be removed or his successor is to be appointed; to receive all notices of, and other communications relating to, that meeting which a member is entitled to receive; and to be heard at that meeting on any part of the business of the meeting that relates to his duties as auditor or former auditor.

(i) Exchange control

An exempted company is usually designated as "non-resident" for Bermuda exchange control purposes by the Bermuda Monetary Authority. Where a company is so designated, it is free to deal in currencies of countries outside the Bermuda exchange control area which are freely convertible into currencies of any other country. The permission of the Bermuda Monetary Authority is required for the issue of shares and securities by the company and the subsequent transfer of such shares and securities. In granting such permission, the Bermuda Monetary Authority accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in any document with regard to such issue. Before the company can issue or transfer any further shares and securities in excess of the amounts already approved, it must obtain the prior consent of the Bermuda Monetary Authority.

The Bermuda Monetary Authority has granted general permission for the issue and transfer of shares and securities to and between persons regarded as resident outside Bermuda for exchange control purposes without specific consent for so long as any equity securities, including shares, are listed on an appointed stock exchange (as defined in the Companies Act 1981 of Bermuda). Issues to and transfers involving persons regarded as “resident” for exchange control purposes in Bermuda will be subject to specific exchange control authorisation.

(j) Taxation

Under present Bermuda law, no Bermuda withholding tax on dividends or other distributions, nor any Bermuda tax computed on profits or income or on any capital asset, gain or appreciation will be payable by an exempted company or its operations, nor is there any Bermuda tax in the nature of estate duty or inheritance tax applicable to shares, debentures or other obligations of the company held by non-residents of Bermuda. Furthermore, a company may apply to the Minister of Finance of Bermuda for an assurance, under the Exempted Undertakings Tax Protection Act 1966 of Bermuda, that no such taxes shall be so applicable until 28th March 2016, although this assurance will not prevent the imposition of any Bermuda tax payable in relation to any land in Bermuda leased or let to the company or to persons ordinarily resident in Bermuda.

(k) Stamp duty

An exempted company is exempt from all stamp duties except on transactions involving “Bermuda property”. This term relates, essentially, to real and personal property physically situated in Bermuda, including shares in local companies (as opposed to exempted companies). Transfers of shares and warrants in all exempted companies are exempt from Bermuda stamp duty.

(l) Loans to directors

Bermuda law prohibits the making of loans by a company to any of its directors or to their families or companies in which they hold more than a twenty per cent. (20%) interest, without the consent of any member or members holding in aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the company. These prohibitions do not apply to (a) anything done to provide a director with funds to meet the expenditure incurred or to be incurred by him for the purposes of the company, provided that the company gives its prior approval at a general meeting or, if not, the loan is made on condition that it will be repaid within six months of the next following annual general meeting if the loan is not approved at or before such meeting, (b) in the case of a company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons, anything done by the company in the ordinary course of that business, or (c) any advance of moneys by the company to any officer or auditor under Section 98(2)(c) of the Companies Act 1981 of Bermuda which allows the company to advance moneys to an officer or auditor of the company for the

costs incurred in defending any civil or criminal proceedings against them, on condition that the officer or auditor shall repay the advance if any allegation of fraud or dishonesty is proved against them. If the approval of the company is not given for a loan, the directors who authorised it will be jointly and severally liable for any loss arising therefrom.

(m) Inspection of corporate records

Members of the general public have the right to inspect the public documents of a company available at the office of the Registrar of Companies in Bermuda which will include the company's certificate of incorporation, its memorandum of association (including its objects and powers) and any alteration to the company's memorandum of association. The members of the company have the additional right to inspect the bye-laws of a company, minutes of general meetings and the company's audited financial statements, which must be presented to the annual general meeting. Minutes of general meetings of a company are also open for inspection by directors of the company without charge for not less than two (2) hours during business hours each day. The register of members of a company is open for inspection by members of the public without charge. The company is required to maintain its share register in Bermuda but may, subject to the provisions of the Companies Act 1981 of Bermuda, establish a branch register outside Bermuda. Any branch register of members established by the company is subject to the same rights of inspection as the principal register of members of the company in Bermuda. Any person may on payment of a fee prescribed by the Companies Act 1981 of Bermuda require a copy of the register of members or any part thereof which must be provided within fourteen (14) days of a request. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

A company is required to maintain a register of directors and officers at its registered office and such register must be made available for inspection for not less than two (2) hours in each day by members of the public without charge. If summarized financial statements are sent by a company to its members pursuant to section 87A of the Companies Act 1981 of Bermuda, a copy of the summarized financial statements must be made available for inspection by the public at the registered office of the company in Bermuda.

(n) Winding up

A company may be wound up by the Bermuda court on application presented by the company itself, its creditors or its contributors. The Bermuda court also has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Bermuda court, just and equitable that such company be wound up.

A company may be wound up voluntarily when the members so resolve in general meeting, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum expires, or the event occurs on the

occurrence of which the memorandum provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above. Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval.

Where, on a voluntary winding up, a majority of directors make a statutory declaration of solvency, the winding up will be a members' voluntary winding up. In any case where such declaration has not been made, the winding up will be a creditors' voluntary winding up.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators within the period prescribed by the Companies Act 1981 of Bermuda for the purpose of winding up the affairs of the company and distributing its assets. If the liquidator at any time forms the opinion that such company will not be able to pay its debts in full, he is obliged to summon a meeting of creditors.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting requires at least one month's notice published in an appointed newspaper in Bermuda.

In the case of a creditors' voluntary winding up of a company, the company must call a meeting of creditors of the company to be summoned on the day following the day on which the meeting of the members at which the resolution for winding up is to be proposed is held. Notice of such meeting of creditors must be sent at the same time as notice is sent to members. In addition, such company must cause a notice to appear in an appointed newspaper on at least two occasions.

The creditors and the members at their respective meetings may nominate a person to be liquidator for the purposes of winding up the affairs of the company provided that if the creditors nominate a different person, the person nominated by the creditors shall be the liquidator. The creditors at the creditors' meeting may also appoint a committee of inspection consisting of not more than five persons.

If a creditors' winding up continues for more than one year, the liquidator is required to summon a general meeting of the company and a meeting of the creditors at the end of each year to lay before such meetings an account of his acts and dealings and of the conduct of the winding up during the preceding year. As soon as the affairs of the company are fully wound up, the liquidator must make an account of the winding up, showing how the winding up has been conducted and the property of the

company has been disposed of, and thereupon shall call a general meeting of the company and a meeting of the creditors for the purposes of laying the account before such meetings and giving an explanation thereof.

5. GENERAL

Conyers Dill & Pearman, the Company's legal advisers on Bermuda law, have sent to the Company a letter summarising certain provisions of the memorandum of association and bye-laws of the Company and certain aspects of Bermuda company law. The letter, together with a copy of the Companies Act 1981 of Bermuda, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

RESPONSIBILITY STATEMENTS

This Privateco Offer Document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Privateco Group and the Offeror.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Privateco Offer Document (other than that relating to the Offeror and Taiwan Tai-I, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Privateco Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Document, the omission of which would make any statement in this Privateco Offer Document misleading.

As at the Latest Practicable Date, Mr. Hsu is the sole director of the Offeror. Mr. Hsu and the directors of Taiwan Tai-I accept full responsibility for the accuracy of the information contained in this Privateco Offer Document relating to the Offeror and Taiwan Tai-I, the terms and conditions of the Privateco Offer and the Offeror's intention regarding the Privateco Group and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Privateco Offer Document have been arrived at after due and careful consideration and there are no other facts not contained in this Privateco Offer Document, the omission of which would make any statement in this Privateco Offer Document misleading.

SHARE CAPITAL

The authorised and issued share capital of the Privateco as at the Latest Practicable Date were as follows:

<i>Authorised:</i>		<i>HK\$</i>
<u>600,000,000</u>	Privateco Shares	<u>6,000,000</u>
 <i>Issued and fully paid or credited as fully paid:</i>		
1	Privateco Share allotted and issued on 9 November 2010	0.01
<u>596,157,999</u>	Privateco Shares allotted and issued on 23 December 2010	<u>5,961,579.99</u>
<u>596,158,000</u>	Privateco Shares as at the Latest Practicable Date	<u>5,961,580.00</u>

Save for (i) the initial allotment of 1 Privateco Share to the Listco upon incorporation of the Privateco and (ii) the 596,157,999 Privateco Shares allotted and issued on 23 December 2010 pursuant to the Group Restructuring, the Privateco has not issued any Privateco Shares since 9 November 2010, being the date of its incorporation.

All Privateco Shares in issue rank *pari passu* in all respects with each other including all rights as regards rights to dividends, voting and return of capital.

As at the Latest Practicable Date, the Privateco Group did not have any outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Privateco Shares.

SHAREHOLDINGS AND DEALINGS

As at the Latest Practicable Date, the shareholdings in Privateco in which the Offeror and the director of the Offeror are interested (as defined in Note 3 of paragraph 4 of Schedule 1 of the Takeovers Code) were as follows:

<i>Name</i>	<i>Capacity</i>	<i>Number of Privateco Shares held</i>	<i>Percentage of shareholding</i>	<i>Note</i>
Offeror	Beneficial owner	195,487,000	32.79%	1
Mr. Hsu	Family interest	360,000	0.06%	2

Notes:

1. The Offeror is a wholly owned subsidiary of Taiwan Tai-I. As at the Latest Practicable Date, Mr. Hsu was directly interested in 8,229,880 shares in Taiwan Tai-I, representing approximately 3.86% of the total issued share capital of Taiwan Tai-I.
2. These 360,000 Privateco Shares representing approximately 0.06% of the total issued share capital of the Privateco were directly held by Mrs. Hsu Hong Min-Hui, the spouse of Mr. Hsu.

As at the Latest Practicable Date,

- (i) none of the Directors had any interests in any shares, convertible securities, warrants, options or other derivatives of the Privateco or any associated corporation;
- (ii) the close relatives (as defined in Note 8 to the definition of “acting in concert” under the Takeovers Code) of Mr. Hsu, the sole director the Offeror, which include the mother, the spouse, a child and a sister of Mr. Hsu, were directly interested in an aggregate of 1,690,000 Privateco Shares representing approximately 0.28% of the total issued share capital of Privateco. Save as disclosed above, none of the Offeror and parties acting in concert with it owned or controlled any Privateco Shares, option, warrants, derivatives or securities convertible into Privateco Shares;
- (iii) the Privateco held no shares, options, warrants, derivatives or securities convertible into shares in the Offeror;
- (iv) none of the Directors held any shares, options, warrants, derivatives or securities convertible into shares in the Offeror;
- (v) none of the Privateco’s subsidiaries, pension fund of Privateco or of its subsidiaries, or any advisers to the Privateco as specified in class (2) of the definition of associate under the Takeovers Code owned or controlled any Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares;
- (vi) there is no Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares which the Privateco or any Directors has borrowed or lent; and
- (vii) there is no Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares which the Offeror or any persons acting in concert with the Offeror has borrowed or lent.

Save for the Distribution In Specie of a total of 197,177,000 Privateco Shares to the Offeror and its parties acting in concert, none of the persons whose shareholdings are disclosed in (i) to (v) above dealt for value in the shares, options, warrants, derivatives or securities convertible into Privateco Shares during the period beginning six months prior to 22 September 2010 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.

MARKET PRICES

As the Privateco Shares are not listed on the Stock Exchange or any other stock exchange, there is no information in relation to the prices of the Privateco Shares quoted on the Stock Exchange or any other stock exchange.

ARRANGEMENTS IN CONNECTION WITH THE PRIVATECO OFFER

- (i) As at the Latest Practicable Date, there was no agreement, arrangement or understanding whereby any securities to be acquired pursuant to the Privateco Offer will be transferred, charged or pledged to any other persons.
- (ii) As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any parties acting in concert with it and any of the Directors, recent Directors, Privateco Shareholders or recent Privateco Shareholders having any connection with or dependent upon the Privateco Offer.
- (iii) Save for the Distribution In Specie, as at the Latest Practicable Date, no person had any arrangement of the kind referred to in note 8 to Rule 22 of the Takeovers Code with (a) the Privateco; (b) any person who is an associate of the Privateco by virtue of classes (1), (2), (3) and (4) of the definition of associate in the Takeovers Code; (c) the Offeror; (d) any parties acting in concert with the Offeror; or (e) (so far as Mr. Hsu, the sole director of the Offeror, and the financial adviser of the Offeror are aware) other associates of the Offeror.
- (iv) Save for the Completion and the Distribution In Specie, as at the Latest Practicable Date, there was no agreement or arrangement to which the Offeror is a party which relates to the circumstances in which it may or may not invoke or seek to invoke a condition to the Privateco Offer.

ARRANGEMENTS AFFECTING THE DIRECTORS

There is no benefit (other than statutory compensation) to be given to any Director as compensation for loss of office or otherwise in connection with the Privateco Offer. There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Privateco Offer or is otherwise connected with the Privateco Offer. There is no material contract entered into by the Offeror in which any Director has a material personal interest.

SERVICE CONTRACT

As at the Latest Practicable Date, there were no service contracts with the Privateco Group and the Privateco's associated companies in force for Directors (i) which (including both continuous and fixed terms contracts) have been entered into or amended within the period beginning six months prior to 22 September 2010 (being the commencement date of

the offer period as defined in the Takeovers Code for the Privateco Offer); (ii) which are continuous contracts with a notice period of 12 months or more; or (iii) which are fixed term contracts with more than 12 months to run irrespective of the notice period.

EXPERTS AND CONSENTS

The following are the qualifications of the experts whose letters or reports (as the case may be) are contained in this Privateco Offer Document:

Name	Qualification
Beijing Securities	a corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Conyers Dill & Pearman ("Conyers")	Bermuda legal advisers
Polaris	a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 3 (leveraged foreign exchange trading), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Each of Beijing Securities, Conyers and Polaris has given and has not withdrawn its written consent to the issue of this Privateco Offer Document, with the inclusion of its letter or report or references to its name in the form and context in which they are included.

LITIGATION

As at the Latest Practicable Date, no member of the Privateco Group was engaged in any litigation or arbitration of material importance and no litigation of claim of material importance is known to the Directors to be pending or threatened by or against any member of the Privateco Group.

MATERIAL CONTRACTS

The following material contracts, not being contracts entered into in the ordinary course of business of the Privateco Group, have been entered into by the Privateco Group since its incorporation on 9 November 2010:

- (i) deed of novation dated 23 December 2010 entered into between the Listco and the Privateco in respect of the transfer of payment obligations owed by the Listco to Tai-I Copper (BVI) Limited to the Privateco, resulting in that payment obligation be owed by the Privateco to Tai-I Copper (BVI) Limited; and

- (ii) deed of assignment of Domain Name dated 23 December 2010 entered into between the Listco and the Privateco in respect of the transfer of entire interests in the Domain Name by the Listco, free from all encumbrances and third party rights, to the Privateco at the consideration of HK\$1.

MISCELLANEOUS

- (i) The principal members of the parties acting in concert with the Offeror are Taiwan Tai-I and Mr. Hsu (the sole director of the Offeror). As at the Latest Practicable Date, the board of directors of Taiwan Tai-I comprises seven directors, namely Mr. Hsu Jui-Chun, Mr. Hsu, Mr. Hsu Shou-Teh, Mr. Liao Wen-Lung, Mr. Kanayama Akikazu, Mr. Huang Dong-Chuan and Ms. Hsu Yu-Ying. The registered office of Taiwan Tai-I is situated at 10th Floor, No. 129, Sec. 3, Minsheng E. Rd., Songshan District, Taipei City, Taiwan. The correspondence address of Mr. Hsu is 6th Floor, No. 65 Cing Cheng Street, Taipei City, Taiwan. The close relatives of Mr. Hsu (being the mother, the spouse, a child and a sister of Mr. Hsu) are parties presumed to be acting in concert with Mr. Hsu under the Takeovers Code.
- (ii) No persons, prior to the posting of this Privateco Offer Document, have irrevocably committed themselves to accept or reject the Privateco Offer.
- (iii) As at the Latest Practicable Date, no Privateco Shares, options, warrants, derivatives or securities convertible into Privateco Shares were managed on a discretionary basis by fund managers connected with the Privateco or being dealt during the period beginning six months prior to 22 September 2010 (being the commencement date of the offer period as defined in the Takeovers Code for the Privateco Offer) up to and including the Latest Practicable Date.
- (iv) The registered office of the Offeror is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, BVI. The correspondence address of the Offeror is Room 1502, 15/F., The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong.
- (v) The registered office of Polaris is at Room 1003-4, Tower 1, Admiralty Centre, 18 Harcourt Road, Hong Kong.
- (vi) The English text of each of this Privateco Offer Document and the accompanying Pink Form of Acceptance shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection between 9:00 a.m. and 5:00 p.m. from Monday to Friday, excluding public holidays, at Room 1502, 15/F., The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong and will be displayed on the websites of the Listco (www.tai-i-int.com) and the SFC (www.sfc.hk) at the date of this Privateco Offer Document up to and including the First Closing Date:

- (i) the memorandum and articles of association of the Offeror;

- (ii) the memorandum of association and the Bye-laws of the Privateco;
- (iii) the letter from Polaris, the text of which is set out in this Privateco Offer Document;
- (iv) the letter of advice from Beijing Securities, the text of which is set out in this Privateco Offer Document;
- (v) the accountants' report on financial information of the Privateco Group, the text of which is set out in Appendix II to this Privateco Offer Document;
- (vi) the accountants' report on unaudited pro forma financial information on the Privateco Group, the text of each of which is set out in Appendix III to this Privateco Offer Document;
- (vii) the letter from Conyers dated 18 January 2011 as referred to in the Circular and in Appendix IV to this Privateco Offer Document summarising certain provisions of the memorandum of association and bye-laws of the Privateco and certain aspects of Bermuda company law, together with a copy of the Companies Act 1981 of Bermuda; and
- (viii) the written consents referred to in the section headed "Experts and consents" in this appendix.

BOX A 甲欄	NAME(S) AND ADDRESS OF REGISTERED SHAREHOLDER(S) 已登記股東之姓名及地址

BOX B 乙欄	ENTITLEMENTS OF PRIVATECO SHARES OF HK\$0.01 EACH AT THE RECORD DATE ON 8 FEBRUARY, 2011 於二零一一年二月八日記錄日期之每股面值0.01港元之私營公司股份之權利。

TAI-I INTERNATIONAL (BERMUDA) LIMITED

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

FORM OF ACCEPTANCE AND TRANSFER OF SHARE(S) OF HK\$0.01 EACH IN THE ISSUED SHARE CAPITAL OF TAI-I INTERNATIONAL (BERMUDA) LIMITED TAI-I INTERNATIONAL (BERMUDA) LIMITED 已發行股本中 每股面值 0.01 港元之股份之 接納及過戶表格

The form must be completed in full
本表格每項均須填寫

Transfer Agents:
轉讓代理：

Computershare
Hong Kong Investor
Services Limited
Shops 1712-1716,
17th Floor,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong
香港中央
證券登記有限公司
香港灣仔
皇后大道東 183 號
合和中心 17 樓
1712-1716 室

FOR THE CONSIDERATION stated below, the registered shareholder(s) named in Box A above ("Transferor(s)") hereby transfer(s) to the "Transferee" named below the share(s) of HK\$0.01 each in the issued share capital of TAI-I INTERNATIONAL (BERMUDA) LIMITED ("Privateco Shares") specified below.
上面甲欄所述之已登記股東(「轉讓人」)現按下列代價,將其所持有下列 TAI-I INTERNATIONAL (BERMUDA) LIMITED 已發行股本中每股面值 0.01 港元之股份(「私營公司股份」)轉讓予下述之「承讓人」。

Number of Privateco Share(s) tendered (Note) 交回私營公司股份之數目(附註)	FIGURES 數目	WORDS 大寫
CONSIDERATION 代價	Cash: HK\$0.45 in cash for each Privateco Share 現金: 每股私營公司股份可得現金 0.45 港元	
TRANSFEREE 承讓人	Name 名稱: TAI-I INTERNATIONAL (BVI) LIMITED 台一國際(英屬維京群島)有限公司 Correspondence address 通訊地址: Room 1502, 15/F, The Chinese Bank Building, 61-65 Des Voeux Road Central, Hong Kong 香港德輔道中 61-65 號華人銀行大廈 15 樓 1502 室 Occupation 職業: Corporation 法團	

Signed by the Transferor(s) in the presence of:
轉讓人在下列見證下簽署:
SIGNATURE OF WITNESS 見證人簽署

Signature(s) of Transferor(s)/
Company chop, if applicable
轉讓人簽署/公司印鑑(如適用)

Name of Witness 見證人姓名

Address of Witness 見證人地址

Occupation of Witness 見證人職業

Telephone number of transferor(s)
轉讓人聯絡電話

Date of submission of this Form of
Acceptance and Transfer
提交本接納及過戶表格之日期

ALL JOINT
HOLDERS MUST
SIGN HERE
所有聯名股東
均須於本欄
簽署

Do not complete 請勿填寫本欄

Signed by the Transferee in the presence of:
承讓人在下列見證人見證下簽署:

Name of Witness 見證人姓名

Signature of Witness 見證人簽署

Address of Witness 見證人地址

Occupation of Witness 見證人職業

Date of Transfer 轉讓日期

For and on behalf of 代表
Tai-I International (BVI) Limited
台一國際(英屬維京群島)有限公司

Signature of Transferee or their duly authorized agent(s)
承讓人或其正式授權代表簽署

Note: YOU MUST INSERT THE TOTAL NUMBER OF PRIVATECO SHARE(S) TENDERED UNDER THE PRIVATECO OFFER. If no number is inserted or a number in excess of your registered holding of Privateco Share(s) (as indicated in BOX B above) is inserted, your acceptance will be treated as invalid.

附註: 請填上閣下就私營公司收購建議交回之私營公司股份總數,如無詳列數額或如所填上之數額乃超過閣下已登記持有之私營公司股份數量(如乙欄所顯示),則閣下之接納將被視作無效。

PERSONAL DATA

Personal Information Collection Statement

This personal information collection statement informs you of the policies and practice of Tai-I BVI and the Transfer Agent in relation to personal data and the Personal Data (Privacy) Ordinance of Hong Kong (the "Privacy Ordinance").

1. Reasons for the collection of your personal data

To accept the Privateco Offer for your Privateco Shares, you must provide the personal data requested. Failure to supply the requested data may result in the processing of your acceptance being rejected or delayed.

2. Purposes

The personal data which you provide on this form may be used, held and/or stored (by whatever means) for the following purposes:

- processing your acceptance and verification of compliance with the terms and application procedures set out in this form;
- conducting or assisting to conduct signature verification, and any other verification or exchange of information;
- distributing communications from Tai-I BVI and/or its subsidiaries or agents such as Polaris and the Transfer Agent;
- compiling statistical information and shareholder profiles;
- making disclosures as required by laws, rules or regulations (whether statutory or otherwise);
- disclosing relevant information to facilitate claims or entitlements;
- any other purposes in connection with the business of Tai-I BVI or the Transfer Agent; and
- any other incidental or associated purposes relating to the above and/or to enable Tai-I BVI and/or Polaris to discharge their obligations to Privateco Shareholders and/or under applicable regulations, and any other purposes to which Privateco Shareholders may from time to time agree or be informed of.

3. Transfer of personal data

The personal data provided in this form will be kept confidential but Tai-I BVI, Polaris and/or the Transfer Agent may, to the extent necessary for achieving the purposes above or any of them, make such enquiries as they consider necessary to confirm the accuracy of the personal data and, in particular, they may disclose, obtain, transfer (whether within or outside Hong Kong) such personal data to, from or with any and all of the following persons and entities:

- Tai-I BVI and/or its subsidiaries or agents such as Polaris and the Transfer Agent;
- any agents, contractors or third party service providers who offer administrative, telecommunications, computer, payment or other services to Tai-I BVI, Polaris and/or the Transfer Agent in connection with the operation of its business;
- any regulatory or governmental bodies;
- any other persons or institutions with which you have or propose to have dealings, such as bankers, solicitors, professional accountants, licensed securities dealers or registered institutions in securities; and
- any other persons or institutions whom Tai-I BVI, Polaris and/or the Transfer Agent consider(s) to be necessary or desirable in the circumstances.

4. Access and correction of personal data

The Privacy Ordinance provides you with the rights to ascertain whether Tai-I BVI, Polaris and/or the Transfer Agent hold(s) your personal data, to obtain a copy of that data, and to correct any data that is incorrect. In accordance with the Privacy Ordinance, Tai-I BVI, Polaris and the Transfer Agent have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices and the kinds of data held should be addressed to Tai-I BVI, Polaris or the Transfer Agent (as the case may be).

BY SIGNING THIS FORM YOU AGREE TO ALL OF THE ABOVE

個人資料

個人資料收集聲明

本個人資料收集聲明知會閣下有關台一國際(英屬維京群島)及轉讓代理就個人資料及香港之個人資料(私隱)條例(「私隱條例」)之政策及實務做法。

1. 收集閣下個人資料之原因

倘閣下欲就閣下之私營公司股份接納私營公司收購建議,則閣下須提供所需之個人資料。若未能提供所需資料,可能會導致閣下之接納不予受理或遭延誤。

2. 資料用途

閣下於本表格所提供之個人資料可以任何方式被採用、持有及/或保存,以作下列用途:

- 處理閣下之接納及核實是否遵守本表格所呈列之條款及申請程序;
- 進行或協助進行核對簽名,以及校對或交換任何其他資料;
- 送遞台一國際(英屬維京群島)及/或其附屬公司或代理人(例如寶來及轉讓代理)所發出之通訊;
- 編製統計資料及股東資料;
- 遵照法例、規則或規例(不論法定或在其他方面)之要求作出披露;
- 披露有關資料以便進行申索或獲得所有權;
- 與台一國際(英屬維京群島)或轉讓代理之業務有關之任何其他用途;及
- 與上述有關之任何其他附帶或相關用途及/或令台一國際(英屬維京群島)及/或寶來得以履行彼等對私營公司股東及/或適用法規項下之責任,以及私營公司股東可能不時同意或獲知會之任何其他用途。

3. 向他人提供個人資料

本表格所載之個人資料將會保密,但台一國際(英屬維京群島)、寶來及/或轉讓代理可作出必要之查詢以確定個人資料之準確性,以便資料可作任何上述用途,尤其可能會向下列任何及所有人士及實體披露、取得或提供該等個人資料(不論在香港或香港以外地方):

- 台一國際(英屬維京群島)及/或其附屬公司或代理人(例如寶來及轉讓代理);
- 任何向台一國際(英屬維京群島)、寶來及/或轉讓代理提供與其業務運作有關之行政、電訊、電腦、付款或其地服務之代理人、承包商或第三方服務供應商;
- 任何監管或政府機構;
- 與閣下有案務往來或將有案務往來之任何其他人士或機構,例如銀行、律師、專業會計師或持牌證券交易商或註冊證券機構;及
- 台一國際(英屬維京群島)、寶來及/或轉讓代理在該情況下認為必需或適當之任何其他人士或機構。

4. 查閱及更正個人資料

私隱條例賦予閣下權利確定台一國際(英屬維京群島)、寶來及/或轉讓代理是否持有閣下之個人資料,索取資料副本及更正任何不確資料。根據私隱條例,台一國際(英屬維京群島)、寶來及轉讓代理有權就處理任何查閱資料之查詢收取合理費用。所有關於查閱資料或更正資料或查閱關於政策及實務做法及所持之資料類別之查詢,應向台一國際(英屬維京群島)、寶來或轉讓代理(視乎情況而定)提出。

閣下簽署本表格即表示同意上述各項

THIS FORM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this form or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, professional accountant or other professional adviser.

If you have sold or transferred all your shares of HK\$0.01 each ("Privateco Shares") in the issued share capital of Tai-I INTERNATIONAL (BERMUDA) LIMITED ("Privateco"), you should at once hand this form of acceptance and transfer and the accompanying composite offer and response document (the "Document") dated 18 February, 2011 or around that date to the purchaser or the transferee, or to the bank or the licensed securities dealer or registered institution in securities or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

HOW TO COMPLETE THIS FORM

You should read the Document before completing this form. To accept the conditional voluntary cash offer for the Privateco Shares (the "Privateco Offer") made by Polaris Securities (Hong Kong) Limited ("Polaris") on behalf of Tai-I International (BVI) Limited ("Tai-I BVI") to acquire your Privateco Shares at a cash price of HK\$0.45 each, you should duly complete and sign this form and forward this entire form by post or by hand, marked "Privateco Offer" on the envelope, to, which should also reach, Computershare Hong Kong Investor Services Limited (the "Transfer Agent") at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Friday, 11 March 2011 or such later date as stated in the Document. All words and expressions defined in the Document shall, unless the context otherwise requires, have the same meanings when used in this form.

FORM OF ACCEPTANCE AND TRANSFER IN RESPECT OF THE PRIVATECO OFFER

To: Polaris and Tai-I BVI

1. My/Our execution of this form of acceptance and transfer overleaf (whether or not such form is dated) which shall be binding on my/our successors and assignees shall constitute:

- (i) my/our irrevocable acceptance of the Privateco Offer made by Polaris on behalf of Tai-I BVI as contained in the Document for the consideration and on and subject to the terms and conditions therein and herein mentioned, in respect of the number of Privateco Shares specified in this form in respect of which I/we am/are registered as the holder(s);
- (ii) my/our irrevocable instruction and authority to Tai-I BVI and/or Polaris and/or their respective agent(s), in relation to the number of Privateco Shares tendered under the Privateco Offer, to send a cheque crossed "Not Negotiable — Account Payee Only" drawn in my/our favour for the consideration to which I/we shall have become entitled under the terms of the Privateco Offer, by ordinary post at my/our risk to the person named below or, if no name and/or address is stated below, to me/to the first-named Privateco Shareholder of joint registered holders of Privateco Shares at the address shown in the register of members of Privateco;

(Here insert name and address of the person to whom the cheque is to be sent if different from the registered Privateco Shareholder or the first-named Privateco Shareholder of joint registered holders of Privateco Shares.)

Name: (in block capitals) _____

Address: (in block capitals) _____

- (iii) my/our irrevocable instruction and authority to Tai-I BVI and/or Polaris or such person or persons as any of Tai-I BVI or Polaris may direct to complete and execute any document on my/our behalf including but without limitation to insert a date in this form or, if I/we or any other person shall have inserted a date, to delete such date and insert another date and to do any other act, that may be necessary or expedient for the purpose of vesting my/our Privateco Shares in Tai-I BVI;
 - (iv) my/our undertaking to execute such further documents and to do such acts and things by way of further assurance as may be necessary or desirable to transfer my/our Privateco Shares tendered under the Privateco Offer to Tai-I BVI or such person or persons as it may direct free from all rights of pre-emption, options, liens, claims, charges, encumbrances, equities and third party rights and together with all rights attaching or accruing thereto including the right to receive all dividends and distributions declared, made or paid on or after the date of the issue of my/our Privateco Shares; and
 - (v) my/our agreement to ratify each and every act or thing which may be done or effected by Tai-I BVI and/or Polaris and/or their respective agent(s) or such person or persons as it/they may direct on the exercise of any of the authorities contained herein.
2. I/We understand and agree that if no number is specified or a number in excess of my/our registered holding of Privateco Share(s), is specified in this term, my/our acceptance will be treated as invalid.
3. In the event of the Privateco Offer lapsing or in the event that my/our acceptance is not valid, or is treated as invalid, in accordance with the terms of the Privateco Offer, all instructions, authorisations and undertakings contained in paragraph 1 above shall cease and in which event, I/we hereby irrevocably authorise and request you to return to me/us this form duly cancelled, by ordinary post at my/our risk to the person named in paragraph 1(ii) above or, if no name and/or address is stated above, to me or the first-named Privateco Shareholder (in the case of joint registered holders of Privateco Shares) at the address shown in the register of members of Privateco.
4. I/We understand and agree that cheque(s) issued for acceptance of the Privateco Offer not presented for payment within six months from the date of issue of the relevant cheques will not be honoured and will be of no further effect, in which circumstances, I/we should contact Tai-I BVI for payment.
5. I/We hereby warrant that I/we have the full right, power and authority to sell and pass the title and ownership of such Privateco Shares to Tai-I BVI by way of acceptance of the Privateco Offer.
6. I/We hereby warrant and undertake to Tai-I BVI and/or Polaris that I/we have satisfied the laws of the jurisdiction where my/our address is stated in the register of members of Privateco in connection with my/our acceptance of the Privateco Offer, including the obtaining of any governmental, exchange control or other consent which may be required to comply with other necessary formalities or legal requirements.
7. I/We undertake to Tai-I BVI and/or Polaris that I/we shall be responsible for the payment of any transfer or other taxes payable in respect of the jurisdiction where my/our address is located as set out in the register of members of Privateco.
8. I/We acknowledge that, save as expressly provided in the Document and in this form, all acceptances, instructions, authorities and undertaking hereby given shall be irrevocable.
9. I/We understand that no acknowledgement of receipt of this form by the Transfer Agent will be given.

本表格乃要件，請即處理

閣下如對本表格任何方面或應採取之行動有任何疑問，應諮詢持牌證券交易商或註冊證券機構、銀行經理、專業會計師或其他專業顧問。

閣下如已出售或轉讓名下所有 TAI-I INTERNATIONAL (BERMUDA) LIMITED (「私營公司」) 已發行股本中每股面值 0.01 港元之股份 (「私營公司股份」)，應立即將此接納及過戶表格連同隨附於二零一一年二月十八日或前後刊發之綜合收購建議及回應文件 (「該文件」) 交予買主或承讓人，或經手買賣或轉讓之銀行、持牌證券交易商或註冊證券機構或其他代理，以便轉交買主或承讓人。

本表格填寫方法

閣下務請細閱該文件後，方填寫本表。閣下接納由寶來證券 (香港) 有限公司 (「寶來」) 代表台一國際 (英屬維京群島) 有限公司 (「台一國際 (英屬維京群島)」) 就私營公司股份提出之有條件自願現金收購建議 (「私營公司收購建議」)，以每股 0.45 港元之現金價格收購閣下之私營公司股份，則應填妥並簽署本表格，並最遲須於二零一一年三月十一日星期五或該文件所述之較後日期下午四時正前將整份表格寄抵或送達香港中央證券登記有限公司 (「轉讓代理」)，地址為香港灣仔皇后大道東 183 號合和中心 17 樓 1712-1716 室，信封面請註明「私營公司收購建議」。除非文義另有所指，否則該文件所界定之所有文字及詞彙與本表格所採用者具有相同涵義。

私營公司收購建議之接納及過戶表格

致：寶來及台一國際 (英屬維京群島)

1. 本人/吾等簽署背頁之接納及過戶表格 (無論該表格是否已註明日期)。對本人/吾等之承繼人及承讓人亦將受此約束，亦構成：

- (i) 本人/吾等不可撤回地接納由寶來代表台一國際 (英屬維京群島) 提出並載於該文件中之私營公司收購建議，以所載代價並按該文件及本表格所載有關條款及條件收購本表格上所填數目及本人/吾等為登記持有之私營公司股份；
- (ii) 本人/吾等不可撤回地指示並授權台一國際 (英屬維京群島) 及/或寶來及/或彼等各自之代理人就根據私營公司收購建議交回之私營公司股份數目，將本人/吾等按私營公司收購建議之條款應得之代價，以「不得轉讓—只准入抬頭人賬戶」方式開出劃線支票予本人/吾等，然後按下列姓名及地址以普通郵遞方式寄予所列人士，或如未於下欄列明姓名及/或地址，則按私營公司股東名冊所示地址寄予本人/寄予名列首位之私營公司股份聯名登記私營公司股東。郵誤風險由本人/吾等承擔；

(如收取支票之人士及地址並非私營公司登記股東或名列首位之私營公司股份聯名登記股東所登記之姓名及地址，則請在本欄填上收取支票人士之姓名及地址。)

姓名：(請用正楷填寫) _____

地址：(請用正楷填寫) _____

- (iii) 本人/吾等不可撤回地指示並授權台一國際 (英屬維京群島) 及/或寶來或任何台一國際 (英屬維京群島) 或寶來之指定人士，代表本人/吾等填寫及簽署任何文件，包括但不限於在本表格填上日期，或如本人/吾等或任何其他人士已填上日期，則刪去該日期而填上另一日期，及採取任何必要或權宜之行動，使本人/吾等之私營公司股份轉歸台一國際 (英屬維京群島) 所有；
 - (iv) 本人/吾等承諾於有需要或適當時簽署其他文件，並辦理其他手續及事項，以確保本人/吾等就私營公司收購建議交回以轉歸予台一國際 (英屬維京群島) 或由其指定之人士之私營公司股份不受任何優先購買限、購股權、留置權、申索、押記、產權負擔、衡平權及第三者權利所限制，並確保私營公司股份可享有於發行本人/吾等之私營公司股份之日或之後所附帶或累計之一切權利，包括獲派於該日或之後所宣派、派發或支付一切股息及其他分派之權利；及
 - (v) 本人/吾等同意追認台一國際 (英屬維京群島) 及/或寶來及/或彼等各自之代理人或其/彼等可能指定之人士就行使本表格所載在何授權而可能作出或進行之各項行動或事宜。
2. 本人/吾等明白並同意，倘本表格並無列明私營公司股份數目或所列數目超出本人/吾等登記所持之私營公司股份，則本人/吾等之接納將被視作無效。
3. 倘私營公司收購建議失效或倘根據私營公司收購建議之條款，本人/吾等之接納為無效或被視為無效，則上文第 1 段所載之所有指示、授權及承諾皆將終止，在此情況下，本人/吾等謹此不可撤回地授權並要求閣下將已有效註銷之本表格以普通郵遞方式寄予上文 1(ii) 段所列人士，或如上文未有列註明姓名及/地址，則按私營公司股東名冊列明之地址寄予本人或名列首位之私營公司股東 (如屬私營公司股份聯名股東)，郵誤風險概由本人/吾等承擔。
4. 本人/吾等明白並同意，就接納私營公司收購建議而開立之支票如在相關支票開立日期後六個月內未獲提兌將不獲兌現，且將再無效力，在此情況下，本人/吾等應就付款知會台一國際 (英屬維京群島)。
5. 本人/吾等謹此保證本人/吾等擁有一切權利、權力及授權，以透過接納私營公司收購建議之方式出售及轉交該等私營公司股份之所有權及擁有權予台一國際 (英屬維京群島)。
6. 本人/吾等謹此向台一國際 (英屬維京群島) 及/或寶來保證及承諾，本人/吾等已就本人/吾等接納私營公司收購建議遵守本人/吾等於私營公司股東名冊列明之地址所處司法權區之法律，包括取得任何政府、外匯管制或為遵守其他必要手續或法律規定之其他批准。
7. 本人/吾等向台一國際 (英屬維京群島) 及/或寶來承諾，本人/吾等須就本人/吾等按私營公司股東名冊列明之地址所處司法權區，支付任何應付之過戶稅或其他稅項。
8. 本人/吾等知悉，除該文件及本表格明確規定者外，所作出之一切接納，指示、授權及承諾均為不可撤回。
9. 本人/吾等知悉，交回本表格概不會獲轉讓代理發出收據。