

**TAI-I INTERNATIONAL HOLDINGS LTD:
RECORD DEBT LEVELS AND HIGH OPERATING COSTS
ARE STRANGLING THIS WIRE COMPANY**

Between January 1, 2004, and October 31, 2006, bank and other borrowings of publicly listed Tai-I International Holdings Ltd (&)(Code: 1808, Main Board, The Stock Exchange of Hongkong Ltd) rose from about 375,330,000 renminbi to 2,084,200,000 renminbi, an increase of about 455.30 percent – which was a record high.

(In this analysis, \$HK1.00 = 1.00 renminbi)

The Gearing Ratio (defined as being Total Debt divided by Total Assets) of this bare copper wire and magnet wire manufacturer stood at about 50.53 percent, as at October 31, 2006 – which was a record high.

Of the total debt of this Company, as at October 31, 2006, about 65 percent was unsecured – which was, also, a record high.

The debt rose from 1,104,957,000 renminbi, as at June 30, 2006, to 2,084,200,000, as at October 31, 2006.

That was an increase of about 979,243,000 million renminbi, or about 88.62 percent, within a period of just 4 months.

The sudden increase in debt is explained at Page 173 of the Placing and Public Offer Prospectus of Tai-I International, published on December 28, 2006, as follows:

‘... Such increase was mainly due to the increase in short-term bank loans utilised to finance the Group’s increasing working capital needs for the following purposes:

- 1. Pledged deposits for the issuance of letters of credit to fund principally the purchase of copper cathodes ...; and*
- 2. Trade and bills receivables’*

Yet, the investing public of Hongkong, in spite of the extremely heavy burden of debt, some of which (about 1.33 billion renminbi) had to be guaranteed by Tai-I Jiang Corporation (Guangzhou) Company Ltd [()] and Tai-I Copper (Guangzhou) Company Ltd [()], both Guarantors, being wholly owned subsidiaries of Tai-I International Holdings Ltd, were only too keen to line up in order to obtain shares on the day of the announcement of the Initial Public Offering (IPO).

The Company Placed, with international institutions and very well-heeled investors, 75 million, one-cent Shares at \$HK1.66 per Share and made a Public Offer to Hongkong investors of 75 million, one-cent Share at \$HK1.66 per Share.

The price of \$HK1.66 was at the top of the price range, \$HK1.38, being the lowest acceptable price.

Management said that the Placing Shares had been ‘*significantly over-subscribed*’.

As for the Public Offer tranche, it was over-subscribed by nearly 106 times: Hongkong investors applied for 1,585,200,000 Shares, one was told.

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