



A  
Year for  
Transformation

Annual  
Report  
06

Ready for growth in China's non-ferrous metals market

**EPI** EPI (Holdings) Limited  
長盈集團(控股)有限公司

HKSE:0689

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## Corporate Profile

*EPI focuses on the high growth non-ferrous metals industry in the areas of copper, aluminium and zinc. Building on the solid foundations of its scrap copper business, EPI is developing a portfolio of businesses including global sourcing, smelting, logistic, warehousing, financing of metal businesses and investment in mining. The Group plans to accelerate its growth through selective mergers and acquisitions and by integrating the services of related supply chains, thus creating a worldwide non-ferrous metals sourcing network that provides major non-ferrous metals quasi-sovereign enterprises in China with high quality, value-added services. The Group also continues to operate its consumer electronics business on an ODM and OEM basis, serving existing clients in the United States, Europe and Asia. In this way, EPI aims to become a leader in its field in China and achieve stable, strong returns for its shareholders.*

*Corporate*

Anode casting machine in Qingyuan smelting plant



## Vision and Mission

**VISION** Our vision is to become the leading supplier of non-ferrous and scrap metals in China. We will achieve this by building a global supply chain network covering sourcing, smelting, logistics, warehousing, financing and mining investment, focused on copper, aluminum, zinc and precious metals.

**MISSION** Our mission is to develop strategic partnerships with selective major quasi-sovereign enterprises in China's non-ferrous metals sector, using our global sourcing and financing capabilities to provide them with high quality supply chain services. We aim to expand our business on the basis of well-structured risk management and sound finances, providing strong but stable returns to shareholders.

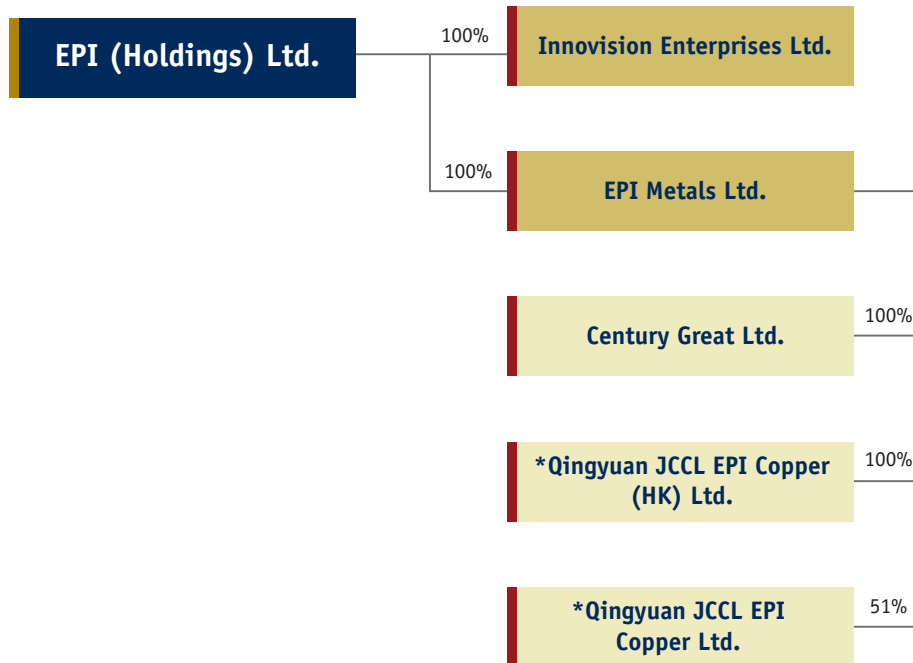


## Milestones

22 Sept 2006	Change of name from Greatwall Cybertech to EPI (Holdings) Limited
26 Sept 2006	Resumption of trading in shares on the Stock Exchange of Hong Kong Limited
26 Nov 2006	Established Qingyuan JCCL EPI Copper Limited, a joint venture partnership with Jiangxi Copper, the largest quasi-sovereign enterprise in the copper sector, to engage in copper sourcing and smelting in Qingyuan, China
5 Dec 2006	Raised HK\$172 million via the placement of 605 million shares to institutional investors
13 Feb 2007	Established Guangzhou (Foshan) Metals Company Limited, a joint venture partnership with the quasi-sovereign Guangdong Guanghong International Trade Group Co. Ltd., a subsidiary company of Guanghong Assets Management Co. Ltd., one of China's three largest asset management companies in Guangdong province, to engage in metal logistics and financing businesses in Nanhai, China
Apr 2007	Acquired a smelting plant in Qingyuan through Qingyuan JCCL EPI Copper Limited



# Corporate Structure



\*Note: formed in January 2007





## Chairman's and CEO Statement

Dear Shareholders,

I am pleased to report that EPI has entered a new stage of development that promises to create steady and strong returns for shareholders in future.

### Group Restructuring

During 2006, the Group completed a capital reorganisation and a financial restructuring that met with the approval of its creditors. Having fulfilled all conditions necessary, conditional approval for resumption of trading of the Company's shares on the Stock Exchange of Hong Kong, was granted by the Listing Review Committee and trading resumed on 26 September.

As a result of our efforts, the legal disputes which have in recent times strained the Group's financial resources have now been resolved. The petition lodged against the Company on 25 March 2003 was withdrawn and the provisional liquidation order was rescinded.

To mark this change of fundamentals and our new strategic direction, on 22 September the Group was renamed EPI (Holdings) Limited, signifying an "ever profitable" and continuously growing Group.

During the year, the Group's principal business activities during the first three quarters were the sale of consumer electronic products. In the fourth quarter, however, we began our diversification into the rapidly growing non-ferrous metals market in China, where we see many opportunities.

We began by establishing a scrap metal trading team. This was quickly followed by the formation of a joint venture with Jiangxi Copper Limited (Jiangxi Copper) for the development of a copper anode production in November 2006 and in February 2007 by a second joint venture with Guangdong Guanghong International Trade Group Co. Ltd, a wholly owned trading arm of Guanghong Assets Management Co. Ltd which operates under the supervision of Guangdong Provincial Government, to engage in metal logistics and financing businesses.

### Financial Performance and Dividend

For the year ended 31 December 2006, the Group recorded turnover of HK\$264.8 million and net profit attributable to shareholders of HK\$265 million, respectively a decrease of 48.4% and an increase of 3,231% over the previous year. The decline in turnover was caused by severe competition and increasing production costs at the consumer electronics

business. However, we were able to maintain a stable profit margin of 2.6%. In addition, the lower turnover was partially offset by revenue generated by the newly established scrap metal trading team in Nov 2006. In light of the results and the need to invest in future growth, the Board will not recommend a dividend.

The initial contribution from the non-ferrous metals business is an encouraging indicator and we plan to accelerate our activities in this area to capitalise on opportunities arising from the growing demand for copper in China that is being driven by the country's economic development. We believe this strategy offers the best opportunity to achieve steady profit growth in the years ahead and increase shareholder value.

### Future Prospects

Looking ahead, we expect the contribution of our non-ferrous metals business to increase substantially in the coming financial year. This business is expected by the end of April 2007 to see the addition of a smelting plant in Guangdong province that was acquired by our joint venture with Jiangxi Copper. We also expect to solidify our business model and operations in the coming year.

We will devote every effort to building a business that generates immediate results and combines full endeavour in seeking opportunity with prudence in assessing the risks and rewards involved in any new venture. We have already, I believe, taken our first confident steps on what will be a long track record of rapid growth.

### Appreciation

Finally, I would like to take this opportunity to express my appreciation to our shareholders for their support and to my fellow Directors and all staff members for their valuable contributions to our restructuring.

**Joseph Wong**  
Chairman & CEO

Hong Kong, 23 April 2007

A professional portrait of Joseph Wong Chi Wing, Chairman and CEO. He is a middle-aged man with dark hair, wearing glasses, a dark suit jacket, a white shirt, and a light-colored tie with small dark spots. He has his arms crossed and is looking slightly to the left of the camera. The background is a plain, light-colored wall.

**Joseph Wong Chi Wing**  
*Chairman and CEO*

*“We are building a business that generates immediate results and combines full endeavour in seeking opportunity with prudence in assessing risks and rewards.”*

## Management Discussion and Analysis

During 2006, the Group completed a corporate restructuring that succeeded in recapitalising the business, enabling trading in the Company's shares to resume and allowing management to embark upon a new strategic direction focused on the non-ferrous metals market in China.

### Restructuring and Recapitalisation

The Restructuring Proposal was completed on 20 September 2006, and as a result the Group emerged from provisional liquidation and the Company's shares resumed trading on the Stock Exchange of Hong Kong Limited (SEHK) on 26 September 2006.

The major elements of the Restructuring Proposal were implemented in the last four months of the year, namely a Special General Meeting of the shareholders held on 22 June 2006 to approve the Restructuring Proposal, a Scheme Creditors meeting held on 17 July 2006 to approve the Creditors' Scheme, share consolidation, issue of subscription shares, open offer and placing of new shares.

The Restructuring Proposal involved the subscription by Climax Associates Limited of 2,075,000,000 shares at HK\$0.04 per share; the placing of 374,627,374 shares at no less than HK\$0.06 per share (the placing price was finally determined at HK\$0.1 per share), and an open offer of 145,372,626 shares at HK\$0.06 per offer share on the basis of 9 offer shares for every 5 shares held. Total funds raised amounted to approximately HK\$105 million. (Full details are set out in the circular dated 29 May 2006.)

Subsequently, the Group was further recapitalised via the placing of 605,000,000 existing shares by Climax Associates Limited at HK\$0.295 per share, and the top-up subscription for new shares by Climax Associates Limited at HK\$0.295 per share. The event raised approximately HK\$172 million. (Full details are set out in the announcement dated 5 December 2006.)

Subsequent to completion of the Restructuring Proposal, the original Executive Directors resigned from the Board. Mr. Wong Chi Wing, Joseph, Mr. Cheng Hairong, and Mr. Chu Kwok Chi, Robert, the shareholders of Climax Associates Limited, were appointed Executive Directors of the Company.

It is the view of the new Board of Directors of the Company that severe competition and increasing production costs in the consumer electronics business have hindered the Group's growth. In order to maintain stable and increasing income for the Group, diversification of business activities is therefore necessary. After conducting detailed market studies, the Board of Directors has decided to diversify the Group's activities into the non-ferrous metals industry with a view to capitalise on business opportunities that are being generated by the fast growing demand for copper and related resources in China.

### Financial Review

Turnover of the Group's consumer electronic business for the year 2006 was HK\$264.8 million, representing a decrease of 48.4% from the HK\$513.6 million recorded in 2005. The



stripable wire/insulated wire



Copper cathodes



copper rice

## Management Discussion and Analysis



### No. 1 scrap copper

decline in revenue was caused by severe competition in the consumer electronics market together with increasing production costs. However, we were able to maintain a stable profit margin of 2.6% in 2006 (2005: 3.0%). In addition, part of the shortfall in the consumer electronic business was covered by the revenue generated by the newly established scrap metal trading team, which contributed a net profit of HK\$7.2 million for the year.

The Group made a profit before taxation of HK\$265.2 million (2005: profit before taxation of HK\$10 million). The substantial increase was due to non-recurring adjustments for the effects of debt restructuring, namely, a gain on debts waived of HK\$277.8 million less restructuring expenses of HK\$14.7 million. The profit from operations for the Group was HK\$2.24 million (2005: HK\$10.3 million). No dividend was declared for the year (2005: Nil).

As at 31 December 2006, the total assets and net assets of the Group were valued at HK\$283.5 million (31 December 2005: 14 million) and HK\$265.6 million (31 December 2005: a net liabilities of HK\$294.4 million) respectively. The net assets as at 31 December 2006 returned to a positive figure because of the elimination of the liabilities under indemnities given to subsidiaries not consolidated of approximately HK\$291 million brought forward from 31 December 2005 upon the payment of HK\$21.5 million to the Scheme Creditors pursuant to the completion of Restructuring Proposal.

As at 31 December 2006, the Group's cash on hand and bank deposits totalled approximately HK\$191.3 million (31 December 2005: HK\$59,000), representing an increase of 3,243 times against the balance as at 31 December 2005. The substantial increase in cash was due to the receipts

## Management Discussion and Analysis

of the subscription, placing and open offer money on 20 September 2006 pursuant to the Restructuring Proposal and the receipt of proceeds upon the completion of the placing of 605,000,000 existing shares and top-up subscription for new shares by the majority shareholder Climax Associated Limited in December 2006.

As at 31 December 2006, the Group's net current assets were valued at HK\$264.9 million and as at 31 December 2005 there were net current liabilities of HK\$294.4 million. The improvement was due to the increase in cash and the discharge of brought forward liabilities under indemnities given to subsidiaries not consolidated. The Group's liabilities as at 31 December 2006 mainly comprised trade and other payables repayable within one year. The gearing ratio was 6.3% (total borrowings/total assets).

### Liquidity and Financial Resources

During the year, the Group's financial resources comprised mainly of cash inflow generated by its business operations and the proceeds totalling approximately HK\$277 million from the fund raisings under the Restructuring Proposal and the subsequent placement of shares to Climax Associates Limited.

Following these events, the Group has retained sufficient funds for working capital and for realising its plans for diversifying its business into non-ferrous metals.

Depending on what additional funding is required to facilitate its current and future development plans (including its capital expenditure), the Group will make financial arrangements which may include equity financing and debt financing that are in the best interests of shareholders, after taking into account the Group's financial position, capital structure and cost of funding, along with market conditions at the time.

### Review of Operations

During the first three quarters of the year, the majority of the Group's operational activities were at its consumer electronics business.

#### Consumer electronics business

The Group's consumer electronics business arm, Innovision Enterprises Limited ("Innovision"), is involved in the production of DVD combos, home theatres and portable DVDs for the US, Asian and European markets. The business continued to face strong competition and rising costs during the year, which led to a decline in revenues. However, we were able to maintain a stable profit margin of 2.6% and the management will continue to take a cautious approach to accept sales orders.

In order to maintain good control over its production costs, Innovision has since its inception been sub-contracting its production on an OEM and ODM basis to reliable manufacturers in China. The company has also expanded its service scope to include product design and marketing for key clients.

#### Non-ferrous metals business

China's domestic copper consumption in 2006 recorded strong growth arising from its infrastructure development, growing motor vehicle production, real estate development and increasing demand for consumer products. (please refer to chart on page 13)

China's copper consumption of 3.876 million tons accounted for 21.80% of the world's as of 30 November 2006, exceeding its production by 960,000 tons (please refer to chart on page 13). (CRU Monitor-Nov. 06) and the country ranked among the largest three markets in the world by both production and consumption. (please refer to chart on page 13).

## Management Discussion and Analysis

## The China Market Consumption and Supply

Refined copper consumption	Mil / ton	YOY% change	% of the world
2003-04	3.456	+14.3%	20.6%
2005	3.781	+9.4%	22.4%
2006	3.876	+2.5%	21.8%
Refined copper supply/production	Mil / ton	YOY% change	% of the world
2003-04	2.198	+19.8%	13.8%
2005	2.587	+17.7%	15.6%
2006	2.916	+12.7%	16.4%
China S/D Balance	Thousands / ton	YOY% change	% of the world
2003-04	(1258)		
2005	(1194)		
2006	(960)		

Source: CRU Monitor, Nov 2006

## China Ranked Top 2 in the world and is in an increasing trend in production

## Top 4 Countries Copper Production % of Market Share in the World

Ranking	Countries	2003-04	YoY% change	2005	YoY% change	2006	YoY% change
1	Chile	18.2%	-1.8%	17.35%	-0.9%	17.3%	+6.9%
2	China	13.8%	+19.8%	15.6%	+17.7%	16.4%	+12.7%
3	Japan	8.7%	-2.7%	8.7%	+4.5%	8.8%	+8.5%
4	USA	8.1%	+0.9%	7.6%	-3.2%	7.5%	+6.4%

Source: CRU WBMS Nov 2006

## Three Sectors account for 93% of Chinese Copper Consumption and is in a strong demand trend

- Power Infrastructure ~41% → Distribution / Transmission ~70%  
Power Generation ~30%
- Consumer Appliances ~32% → Home Electrical ~71%  
Overall ~23%  
(air conditioner accounts for 50% of consumer electronic and 16% of all copper consumption)
- Building / Construction ~20% → Building / Construction ~66%  
(electrical building wire is 66% of segment and 13% of all copper consumption)
- Automotive ~3% → ↑ Rural area

Chinese Copper Consumption 2005-3.78 mil tons, 2006-3.87 mil tons

Source: CRU Monitor Nov 2006

## Management Discussion and Analysis



copper scrap for recycling

To capitalise on these market opportunities, we began diversification of business activities into the non-ferrous metals industry during the last two months of 2006. Our first move was the establishment of a scrap metal trading team, based in Hong Kong, conducting global sourcing of copper scrap for clients in China. The trading business generated a net profit of HK\$7.2 million within the last two months.

On 26 November 2006, our wholly owned subsidiary, EPI Metals Limited, together with Jiangxi Copper and Qingyuan Tongde Electric Co., Ltd established Qingyuan JCCL EPI Copper Limited (“Qingyuan JCCL EPI”) in Qingyuan, Guangdong province. The joint venture will engage in the production and sale of copper anode in China and the agreement calls for a period of cooperation over 15 years during which all the copper anode produced by the joint venture will be sold to Jiangxi Copper at the prevailing market price and on general commercial terms. Total investment of the joint venture is estimated at RMB\$180 million and EPI has a 51% interest.

Jiangxi Copper is a China-based publicly listed company trading on the Stock Exchange of Hong Kong. Headquartered in Jiangxi province, the company is involved in copper mining, milling, smelting, refining and trading. It is a strong and influential market player in the non-ferrous metal markets in China, enjoying a high reputation and strong finances.

### Prospects

During the coming year, the Group will continue to focus the bulk of its efforts on developing the highly promising non-ferrous metals business, while continuing to serve its existing customers in the consumer electronics field.

We will adopt proper measures to meet the increasing competition for our consumer electronics products, including imposing tight cost controls and actively seeking high quality and competitively priced sub-contractors in Asia. In addition, we will expand the client base for our product design and marketing services.

Demand for non-ferrous metals in China is expected to continue to rise in 2007 on the back of fast economic growth. During 2007, the Group will accelerate its business diversification activities in the non-ferrous metals industry, in particular, in copper and related metals. Our plans include the formation of joint venture operations for building new and acquiring existing non-ferrous metals production plants in China in co-operation with Jiangxi Copper and other reputable quasi-sovereign enterprises in China.



copper ingot



No.2 copper wire



copper concentrate

## Management Discussion and Analysis



QINGYUAN JCCL EPI was acquired a copper smelting plant in Qingyuan. The acquisition involves the purchase of a fully fledged copper ore and scrap copper smelting plants built on a block of land with a total area of 161,644 square meters to produce copper blister and copper anode and the plant to be in full operation by the end of June 2007. Maximum production capacity will be 100,000 tons per annum by the end of 2007, increasing to 200,000 tons per annum when at full production capacity in 2008.

Subsequent to the year end, in February 2007 the Group has established a second joint venture, Guangzhou (Foshan) Metals Company Limited ("GUANGFO"), with Foshan Nanhai Xinweifeng Trading Co. Ltd. and Guangdong Guanghong International Trade Group Co. Ltd. The joint venture provides one-stop metal warehousing, logistics, trading and financing services to small to medium size enterprises in Nanhai, a city in Guangdong province. Total investment is estimated at RMB10 million (HK\$10 million). The Group holds a 40% stake with an option to increase its shareholding to 50% within a year from signature of the joint venture agreement. We have seconded financial and risk management experts to assist in the formation of GUANGFO's management team. The joint venture is expected to be in full operation by mid 2007.

Guangdong Guanghong International Trade Group Co. Ltd is a wholly owned trading arm of Guanghong Assets Management Co. Ltd ("GUANGHONG") which operates under the supervision of Guangdong Provincial Government. GUANGHONG itself is one of the three largest asset-management companies as well as the leading enterprise in non-ferrous metals in Guangdong province.

We are confident that our close association with our existing Chinese business partners will provide expert guidance for the diversification of our activities into the non-ferrous metals markets. Our ultimate goal is to become one of the leading players in the non-ferrous metals markets in Asia.





From left to right, front to back:  
Robert Chu Kwok Chi, Joseph Wong Chi Wing, Cheng Hai Rong,  
Rose Cheung Siu Yuen, Kelvin Chu Kar Wing, Bryan Hong Kin Choy,  
Kenneth Huang Sai Jing, John Yue Yan Wai

Team

# Directors and Senior Management Profile

## Executive Directors

### WONG Chi Wing, Joseph

Aged 46, has been the Chairman and CEO for the Group since September 2006. He is also the chairman of Nomination Committee. Mr. Wong has over 20 years of investment banking experience in the Greater China region, including experience in Capital Markets, Corporate Finance, M&A, and Corporate Restructuring.

In 1990 Mr. Wong joined CEF Holdings, a financial investment group 50% owned by Canadian Imperial Bank of Commerce (CIBC) and 50% by Cheung Kong (Holdings) Limited., he was made Managing Director in 1995. He was also a Director of CEF (Capital Markets) Limited, and a member of CEF Holding's Commitment Committee responsible for credit risk management.

In 2004, Mr. Wong assumed the role of a "White Knight", rescuing Great Wall Cybertech Limited (HKEx: 689) by entering into an escrow and exclusivity agreement which saved the company from the threat of liquidation. On 26 September 2006, after Great Wall Cybertech had completed its restructuring, trading of its shares resumed on the Stock Exchange of Hong Kong Limited, and Mr. Wong was appointed as Chairman and CEO of the Group. The Group was then renamed EPI (Holdings) Limited.

Mr. Wong holds a Bachelor's Degree in Social Science from the Chinese University of Hong Kong, with a major in Economics.

### CHENG, Hairong

Aged 47, has been the Deputy Chairman and Executive Director for the Group since September 2006. Mr. Cheng has over 20 years' experience in establishing and managing listed companies in Hong Kong as an executive director and consultant. Mr. Cheng has extensive industry knowledge in China finance and investment in sectors such as life sciences, production of marine, biotech and herbal health

products, energy saving, tourism, trading, finance and brokerage. Mr. Cheng brings extensive experience and wide China business connections to EPI (Holdings) Limited.

He is the founder and Managing Director of China Point Stock Brokers Limited and founder, shareholder and President of ChinaXue Ling Ltd.

### CHU Kwok Chi, Robert

Aged 57, Mr. Chu has been a Sales Director for the Group since August 2004 and was appointed Executive Director for the Group on September 2006, heading consumer electronic business. Mr. Chu has over 30 years of experience in the international trade and the electronics industry. Mr. Chu has been responsible for the marketing, sales, trading and production of various private and listed consumer electronics companies in Hong Kong. He was the Managing Director of Eltic Electronics Company Limited, a subsidiary of Greatwall Cybertech (former name of EPI (Holdings) Limited), from 1990 to 2000.

Mr. Chu holds a Bachelor's Degree in Business Administration

## Non-Executive Director

### LEUNG Hon Chuen, David

Aged 55, has been Non-Executive Director for the Group since October 2006. He is also chairman of Remuneration Committee. Mr. Leung has had over 25 years of experience in the financial services industry in Canada and Asia. He worked for Canadian Imperial Bank of Commerce in Canada and Asia for 15 years, where he held senior management positions in investment banking, retail & corporate banking and private banking. From 1994 to 1997, he was the Director & General Manager of Essential Enterprises Company Limited (0128HK). He is now currently operating a financial and investment consultation company.

Mr. Leung has a Bachelor of Arts degree with a major in Economics from the University of Western Ontario in Canada.

## Directors and Senior Management Profile

### Independent Non-Executive Directors

#### **POON Kwok Shin, Edmond**

Aged 54, has been an Independent Non-Executive Director for the Group since November 2005. He is also the chairman of Audit Committee. Mr. Poon is a founder and Executive Director of Compass Technology Holdings Limited. He has 30 years of experience in financial accounting and auditing. From 1990 to 1996 he served as an Executive Director of QPL International Holdings Limited, a Hong Kong-based manufacturer of leadframes and provider of semiconductor assembly and test services. Prior to that he worked for 14 years with Kwan Wong Tan & Fong, which merged with Deloitte & Touche to form Deloitte Touche & Tohmatsu, an international accounting firm, and was a partner of that firm when he left.

Mr. Poon received a Higher Diploma in Electronic Engineering from Hong Kong Polytechnic University in 1976, and subsequently worked for international accounting firm Touche Ross & Co. while obtaining his professional qualifications in accounting and auditing. He is a Fellow Member of the Association of Chartered Certified Accountants and Hong Kong Institute of Certified Public Accountants.

#### **XU, Mingshe**

Aged 51, has been an Independent Non-Executive Director for the Group since October 2006. Dr. Xu has served as Deputy Executive Officer of ICEA Finance Holdings Limited, General Manager of the International Business Department of the Industrial and Commercial Bank of China Head Office, President of its Shenzhen Branch, as well as holding other significant positions. He has extensive experience in banking, economy, finance and public listing. He has participated in public listing issues in Hong Kong for more than 20 PRC enterprises, with total finance raised amounting to HK\$85 billion. He has also been engaged in project financing, syndicated loans, debt restructuring and acquisitions.

Dr. Xu obtained a Doctoral Degree in Economics from Xiamen University and a bachelor's degree in English from

the Guangzhou Institute of Foreign Languages, China. He is currently a senior economist. He has studied economics at the Institute of the International Monetary Fund in the United States and at the Beijing Institute of Economics and Management, where he also pursued his study of International Trade and International Law.

#### **Wu, Xiaoke**

Aged 54, has been an Independent Non-Executive Director for the Group since August 2002. He is a professional economist and a director of various companies in Hong Kong

### Senior Management Profile

#### **HONG Kin Choy, Bryan**

Aged 42, has been Chief Financial Officer & Company Secretary for the Group since October 2005. Mr. Hong oversees the Group's financials and carries out the role of Company Secretary. He is a practising certified public accountant in Hong Kong and a Fellow Member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Hong has over 20 years of experience in the fields of audit, accountancy, business advisory services and corporate finance. He spent five years with international accounting firm Deloitte Touche Tohmatsu, where he had extensive experience in accountancy, auditing and taxation.

Mr. Hong has wide experience in the commercial sector and has held Financial Controller and General Manager positions over more than ten years.

Prior to joining the Group, Mr. Hong was the General Manager of Bright & Shine Corporate Finance Limited, a corporation licensed under the SFO to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities.

#### **CHU Kar Wing, Kelvin**

Aged 50, has been Vice President for the Group since January 2007. He is responsible for the Group's overall risk control and its banking relationships.

## Directors and Senior Management Profile

Mr. Chu has over 20 years' experience in the banking industry and in commerce. He has been Deputy General Manager of the Bank of China, Hong Kong Branch, Deputy Chief Risk Officer, Bank of China Hong Kong Ltd., and General Manager of Mark Universal Ltd.

Appointed by the Government, Mr. Chu has acted as a Board Member for the Banking Training Board of the Vocational Training Council from 1992 to 1999 and as a Member of the HKSAR's SME Committee from 2000 to 2002.

Mr. Chu is currently an Independent Non-executive Director of four Hong Kong listed companies, namely Oriental Investment Corporation Ltd, Foundation Group Ltd, Emperor Entertainment Group Ltd, and New Chinese Medicine Holdings Ltd.

Mr. Chu graduated from the Economics Department of the Chinese University of Hong Kong in 1979.

### **CHEUNG Siu Yuen, Rose**

Aged 42, has been Vice President for the Group since October 2006. She is responsible for the Group's corporate development and capital markets.

Ms Cheung has 20 years of experience in strategy, capital markets, marketing and sales for listed companies involved in consumer electronics, media, telecommunications, and in financial institutions, in the Asia Pacific and China markets.

Prior to joining EPI (Holdings) Limited, Ms Cheung was the Director of Corporate Development for FE Global China Ltd; General Manager of Investor Relations for Skyworth Digital Holdings; Director of Asia Pacific Marketing, Beenz and has held managerial position with Cable & Wireless HKT.

Ms Cheung graduated from York University in Toronto, Canada with a BA (Hons) in Mass Communication and Psychology and has pursued education at Harvard University, United States resulting in credits in Banking, Finance and Eurodollar.

### **YUE Yan Wai, John**

Aged 47, has been Vice President for EPI Metals Ltd, a subsidiary of the Group since January 2007. He is head of the Group's metal sourcing team.

Mr. Yue has over 25 years of experience in sales, marketing and operations across the metal recycling and refinery business.

From 2004 to 2007, Mr. Yue worked with Ecycle Tech International Ltd in Hong Kong. As a partner and Director of the company, he was responsible for providing scrap refining services to many listed companies in Hong Kong, China and Asia, including Johnny Electric, Philips Semiconductors, SAE Magnetics, and Cooper Lighting

Prior to that, Mr. Yue worked at QPL Group as Sales Vice President from 1987 to 2003, where he was responsible for sales and marketing activities for the Group in Asia. Mr. Yue also worked as a sales manager for Heraeus Zenith Refinery Ltd and Truegold Refinery Ltd.

Mr Yue is a graduate of RMIT University in Melbourne, Australia, and holds a BA degree in management, specializing in marketing.

### **Huang Sai Jing, Kenneth**

Aged 44, has been General Manager for Guanghong (Foshan) Metal Co. Ltd., a joint venture partnership of EPI Metals Ltd since April 2007. Prior to that, Mr. Huang has been Group Treasury Manager of Yue Xiu Enterprises Co. Ltd. in the Bank of China Group, Director and Deputy General Manager of China Century Oriental Hotel & Tourism (Holdings) Company Ltd, and Project General Manager of Tian An China Investment Company, a subsidiary of the Sun Hung Kai Finance Group.

Mr. Huang graduated from Wuhan University, China in 1985, and also holds an MBA degree from Australia's Murdoch University.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance to achieving high standards of corporate governance to enhance corporate performance and accountability.

The Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

For the year ended 31 December 2006, the Company has complied with the CG Code with deviations from the code provision A.2.1, A.4.1 and E.1.2 of the CG Code as summarised below.

The code provision A.2.1 of the CG Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the Company. The Company recognises the importance of segregating the duties of the Chairman and the Chief Executive Officer and when a high calibre executive is identified, he will be invited to take up either one role in the forthcoming year.

The code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Currently the non-executive Directors were not appointed for a specific term. However, all non-executive Directors were subject to the retirement and rotation requirements in accordance with the Company's Bye-laws.

The code provision E.1.2 of the CG Code stipulates that the Chairman of the Board should attend the Annual General Meeting and arrange for the chairman of the audit, remuneration and nomination committees or in the absence of the chairman of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting. The Company did not hold any Annual General Meetings in the year 2003 to 2006 during the period under provisional liquidation. The Company will hold all the outstanding Annual General Meeting after the 2006 annual results announcement and the Chairman and the relevant committee chairman or member will attend the meeting to answer the questions of the shareholders.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code throughout the year.

## BOARD

### a) Board Composition

Upon the completion of Restructuring Proposal on 20 September 2006, all the executive Directors including Mr. Wu Shaozhang, Mr. Wong Kwok Wing, Mr. Tse On Kin, Mr. Chen Weixiong and Mr. Yuen Chung Yan John resigned and were replaced by Mr. Wong Chi Wing Joseph, Mr. Cheng Hairong and Mr. Chu Kwok Chi Robert.

Mr. Lee Shue Shing, an independent non-executive Director, resigned on 4 October 2006 and replaced by Mr. Xu Mingshe. On the same date, Mr. Leung Hon Chuen was appointed as the non-executive Director of the Company.

## Corporate Governance Report

The Board members as at 31 December 2006 and up to the date of the annual report are:

### *Chairman*

Mr. Wong Chi Wing Joseph

### *Deputy Chairman*

Mr. Cheng Hairong

### *Executive Directors*

Mr. Wong Chi Wing Joseph

Mr. Cheng Hairong

Mr. Chu Kwok Chi Robert

### *Non-Executive Directors*

Leung Hon Chuen

### **Independent Non-Executive Directors**

Mr. Poon Kwok Shin Edmond

Mr. Wu Xiaoke

Mr. Xu Mingshe

Biographical details of Directors of the Company are set out on page 17 under the section titled "Directors and senior management profile".

The Chairman is responsible for developing strategic direction and development of the Group and the executive Directors are responsible for managing the Group's business affairs, including the implementation of strategies adopted by the Board and attending to the formulation and successful implementation of Group's policies and assuming full accountability to the Board for all Group's operations.

The non-executive Director and independent non-executive Directors contribute to the Company with diversified industry expertise, advise the management on strategy development and ensure that the Board maintains high standards of financial and other mandatory reporting as well as provide adequate checks and balances to safeguard the interests of shareholders and the Company as a whole.

The Board delegates specific tasks to the Group's management including the implementation of strategies and decisions approved by the Board and the preparation of accounts for approval by the Board before public reporting.

### **b) Board Functions**

The Board is responsible for the promotion of the success of the Company by directing and guiding its affairs in an accountable and effective manner. Board members have a duty to act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders.

The types of decisions which are to be taken by the Board include:

1. Setting the Company's mission and values;
2. Formulating strategic directions of the Company;
3. Reviewing and guiding corporate strategy; setting performance objectives and monitoring implementation and corporate performance;
4. Monitoring and managing potential conflicts of interest of management and Board members; and
5. Ensuring the integrity of the Company's accounting and financial reporting systems, including the independent audit, and that appropriate systems of control are in place, in particular, systems for monitoring risk, financial control, and compliance with the law.

The Board gives clear directions as to the powers delegated to the management for the management and administration functions of the Group, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Group. The Board will review those arrangements on a

## Corporate Governance Report

periodic basis to ensure that they remain appropriate to the needs of the Group.

For the year ended 31 December 2006, the Board:-

1. reviewed and approved the annual results of the Group for the year ended 31 December 2005 and the interim results of the Group for the period ended 30 June 2005 and 30 June 2006.
2. reviewed and approved the Restructuring Proposal which involves, among other things, (i) the capital reorganisation, (ii) the subscription, (iii) the creditors' schemes, (iv) the open offer, (v) the placings, and (vi) the group reorganisation.
3. reviewed and approved the general mandates to issue and repurchase shares of the Company.
4. reviewed and approved the issue of 605,000,000 new shares under a top-up subscription with Climax Associates Limited, the major shareholder.
5. reviewed and approved the shares repurchase by the Company.
6. reviewed the internal controls of the Group
7. reviewed the performance of the Group and formulated business strategy of the Group.
8. reviewed and approved the diversification of business into non-ferrous metals.
9. reviewed and approved the formation of Qingyuan JCCL EPI Copper Limited in PRC for the production of copper anode.
10. reviewed and approved price-sensitive transactions.
11. reviewed and approved the resignation of Mr. Lee She Shing as the independent non-executive Director of the Company in which Mr. Lee confirmed that there were no disagreement with the Board, no matter relating to his resignation that needed to be brought to the attention of the shareholders of the Company and no claim to the Company for his resignation.

Regular Board meetings are scheduled in advance to give all Directors an opportunity to attend. All Directors are kept informed on a timely basis of major changes that may affect the Group's businesses, including relevant rules and regulations. Directors shall have full access to information on the Group and are able to obtain independent professional advice whenever deemed necessary by the Directors. No request was made by any Director for such independent professional advice in 2006. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings, which will be available for inspection by Directors upon request.

### c) Meeting Records

There were fourteen Board meetings held for the year ended 31 December 2006, two of which was held prior to the completion of Restructuring Proposal on 20 September 2006. There is a change of majority Board members upon the completion of Restructuring Proposal on 20 September 2006.

## Corporate Governance Report

The following was an attendance record of the Board Meetings held by the Board during the year:

Board Members	Attendance at meetings held from 1 January 2006 to before 20 September 2006	Attendance at meetings held from 20 September 2006 to 20 September 2006
Mr. Wu Shaozhang <sup>2</sup>		2/2
Mr. Wong Kwok Wing <sup>2</sup>		1/2
Mr. Tse On Kin <sup>2</sup>		2/2
Mr. Yuen Chung Yan, John <sup>2</sup>		0/2
Mr. Chen Weixiong <sup>2</sup>		1/2
Mr. Lee Shue Shing		1/2
Mr. Wu Xioake		1/2
Mr. Poon Kwok Shin Edmond		2/2

Board Members	Attendance at meetings held from 20 September 2006 to after 20 September 2006	Attendance at meetings held from 20 September 2006 to 31 December 2006
Mr. Wong Chi Wing Joseph <sup>1</sup>		12/12
Mr. Cheng Hairong <sup>1</sup>		12/12
Mr. Chu Kwok Chi Robert <sup>1</sup>		12/12
Mr. Leung Hon Chuen <sup>3</sup>		10/12
Mr. Poon Kwok Shin Edmond		12/12
Mr. Lee Shue Shing <sup>4</sup>		0/12
Mr. Xu Mingshe <sup>3</sup>		10/12
Mr. Wu Xioake		8/12

**Note:**

- 1 appointed on 20 September 2006
- 2 resigned on 20 September 2006
- 3 appointed on 4 October 4, 2006
- 4 resigned on 4 October 4, 2006

### d) Independent Non-executive Directors

All independent non-executive Directors are financially independent from the Company and any of its subsidiaries.

Each of the independent non-executive Directors has given a written confirmation to the Company confirming that he has met the criteria set out in Rule 3.13 of the Listing Rules regarding the guidelines for the assessment of independence of directors.

### e) Chairman and Chief Executive Officer

The chairman's responsibility is to provide leadership to the Board and formulate the Group's business strategies. The Chief Executive Officer is responsible for the day-to-day operation of the Company and implementation of the development strategy adopted by the Board. Mr. Wong Chi Wing Joseph is the chairman and Chief Executive Officer of the Company. The Company recognizes the importance of segregating the duties of the Chairman and the Chief Executive Officer and when a capable executive is identified, he will be invited to take up either one role in the forthcoming year.

### f) Accountability and Audit

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors also ensure that the financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting policies.

Due to the fact that the Company was under provisional liquidation prior to 20 September 2006 and Company lost control of a number of principal subsidiaries, the results of the principal subsidiaries have not been consolidated into the Group accounts. Accordingly, the auditors' report has been substantially qualified in this respect. Upon the completion of the Restructuring Proposal on 20 September 2006, all the uncertain issues have been cleared up and the Group's state of affairs are back in the control of the Directors.



## Corporate Governance Report

In preparing the financial statements, the Directors consider that the financial statements of the Group are prepared on a going concern basis and appropriate accounting policies have been consistently applied. The Directors have also made judgments and estimates that are prudent and reasonable in the preparation of the financial statements.

The statement of the auditors of the Company about their reporting responsibilities on the financial statements is set out in the independent auditor's report on page 33.

### g) Internal Control and Risk Management

The Board is responsible for the Group's system of internal control so as to maintain sound and effective controls to safeguard the shareholders' investment and the assets of the Group.

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process includes continuous updating of the internal control system of the Group in response to the changing business environment and regulatory requirements. The Board is also conducting a review of the internal controls of the Group to ensure that the policies and procedures in place are adequate.

### BOARD COMMITTEES

The Board has also established the following committees with defined terms of reference:-

1. Audit Committee
2. Remuneration Committee
3. Nomination Committee

Each Board Committee makes decision on matters within its term of reference and applicable limit of authority. The terms of reference as well as the structure and membership of each committee will be reviewed from time to time.

### 1) Audit Committee

- a) Composition of audit committee members

Mr. Poon Kwok Shin Edmond (*Chairman*)

Mr. Leung Hon Chuen

(appointed on 4 October 2006)

Mr. Xu Mingshe

(appointed on 4 October 2006)

Mr. Lee Shue Shing

(resigned on 4 October 2006)

Mr. Wu Xiaoke (resigned on 4 October 2006)

- b) Role and function

The audit committee is mainly responsible for:

- i. to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditors before submission to the Board.
- ii. to review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- iii. to review the adequacy and effectiveness of the Company's financial reporting system, internal control and risk management system and associated procedures.

## Corporate Governance Report

### c) Meeting records

Two meetings were held for the year ended 31 December 2006 and the attendance of each committee member is set out as follows:

<b>Committee Members</b>	<b>Attendance at meetings held for the year ended 31 December 2006</b>
Mr. Poon Kwok Shin Edmond	2/2
Mr. Lee Shue Shing <sup>2</sup>	1/2
Mr. Wu Xiaoke <sup>2</sup>	1/2
Mr. Leung Hon Chuen <sup>1</sup>	1/2
Mr. Xu Mingshe <sup>1</sup>	1/2

*Note:*

- 1 appointed on 4 October 4, 2006  
2 resigned on 4 October 4, 2006

During the meeting, the audit committee discussed with the following matters:-

#### i. Financial Reporting

The audit committee reviewed with the Chief Executive Officer, the Company Secretary and the Financial Controller of the Company the interim results.

#### ii. External Auditors

The audit committee reviewed the audit fee for the year ended 31 December 2005 and recommended to the Board.

### 2) Remuneration Committee

The Company established the remuneration committee on 4 October 2006.

#### a) Composition of remuneration committee members

Mr. Leung Hon Chuen (*Chairman*)  
Mr. Poon Kwok Shin Edmond  
Mr. Xu Mingshe

### b) Role and function

The remuneration committee is mainly responsible for:

- i. reviewing any significant changes in human resources policies and structure made in line with the prevailing trend and business development.
- ii. making recommendations to the Board on the Company's policy and structure of all remuneration of Directors and senior management and on the establishment of a formal and transparent procedures for developing policy on such remuneration;
- iii. reviewing and approve the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company; and
- iv. ensuring that no Director or any of his associates is involved in deciding his own remuneration.

## Corporate Governance Report

## c) Meeting Record

One meeting was held for the year ended 31 December 2006 and the attendance of each committee member is set out as follows:

Committee Members	Attendance at meetings held for the year ended	
	31 December 2006	
Mr. Leung Hon Chuen	1/1	
Mr. Poon Kwok Shin Edmond	1/1	
Mr. Xu Mingshe	1/1	

During the year under review, the remuneration committee reviewed the policies for the remuneration of Directors and senior management of the Group, staff costs and headcount of the Group.

## 3) Nomination Committee

The Company established the nomination committee on 4 October 2006.

## a) Composition of nomination committee members

Mr. Wong Chi Wing Joseph (*Chairman*)  
 Mr. Leung Hon Chuen  
 Mr. Poon Kwok Shin Edmond  
 Mr. Xu Mingshe  
 Mr. Wu Xiaoke

## b) Role and function

The nomination committee is mainly responsible for:

- i. review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- ii. identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for Directorships;
- iii. assess the independence of independent non-executive Directors; and
- iv. make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman and the Chief Executive Officer.

## Corporate Governance Report

### c) Meeting Records

One meeting was held for the year ended 31 December 2006 and the attendance of each committee member is set out as follows:

Committee Members	Attendance at meetings held for the year ended	
	31 December 2006	
Mr. Wong Chi Wing Joseph ( <i>Chairman</i> )	1/1	
Mr. Leung Hon Chuen	1/1	
Mr. Poon Kwok Shin Edmond	1/1	
Mr. Xu Mingshe	1/1	
Mr. Wu Xiaoke	1/1	

During the meeting, the nomination committee discussed for the need of segregating the duties of the Chairman and the Chief Executive Officer and unanimously agreed to identify a high caliber executive, who would be considered for an invitation in the next committee meeting, to take up either one role in the forthcoming year.

### EXTERNAL AUDITORS

It is the auditors' responsibility to form an independent opinion, based on their audit, on those financial statements and to report their opinion solely to the Company, as a body, in accordance with section 141 of the Companies Ordinance, and for no other purpose. They do not assume responsibility towards or accept liability to any other person for the contents of the auditors' report.

During the year, the remuneration paid to the Company's auditors, Messrs Ting Ho Kwan & Chan was as follows:

Services rendered	Fee paid/payable HK\$'000
Audit services	250
Non-audit services	80
	<hr/>

### COMMUNICATIONS WITH SHAREHOLDERS

In respect of each substantially separate issue at a general meeting, a separate resolution is proposed by the chairman of that meeting.

The Company did not hold any Annual General Meetings in the year 2003 to 2006 during the period under provisional liquidation. The Company will hold all the outstanding annual general meeting after the 2006 annual results announcement and the chairman and the relevant committee chairman or member will attend the meeting to answer the questions of the shareholders.

### VOTING BY POLL

The Company informs the shareholders (in its circulars convening a general meeting) the procedures for voting by poll and the rights of shareholders to demand a poll to ensure compliance with the requirements on the poll voting procedures. In accordance with Bye-Law 70 of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:-

- (i) by the chairman of the meeting; or
- (ii) by 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 meeting, or
- (iii) by any member or members present in person (or, in 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

## Corporate Governance Report

- (iv) by 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 holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The Company should count all proxy votes, and except where a poll is required, the chairman of a meeting should indicate to the meeting the level of proxies lodged on each resolution, and the balance for and against the resolution, after it has been dealt with on a show of hand. The Company should ensure that votes cast are properly counted and recorded.

The chairman of a meeting should at the commencement of the meeting ensure that an explanation is provided of:

- (i) the procedure for demanding a poll by shareholders before putting a resolution to the vote on a show of hands; and
- (ii) the detailed procedures for conducting a poll and then answer any questions from shareholders whenever voting by way of a poll is required.

# Directors' Report

The Directors have pleasure in presenting the annual report and the audited financial statements for the year ended 31 December 2006.

## CORPORATE RESTRUCTURING

On 13 April 2006, the Company and an investor, Climax Associates Limited ("Climax") and the provisional liquidators entered into a restructuring agreement in respect of the restructuring proposal (the "Restructuring Proposal"), which involves, among other things, (i) capital reorganisation, (ii) subscription, (iii) creditors' schemes, (iv) open offer, (v) placings, and (vi) group reorganisation. Details of the Restructuring Proposal are set out in the circular of the Company dated 29 May 2006.

The special general meeting held on 22 June 2006 duly passed the resolutions approving the transactions contemplated under the Restructuring Proposal.

The creditors' schemes were duly approved by the scheme creditors at the scheme creditors' meetings held on 17 July 2006.

On 20 September 2006, by two respective orders of the court, the winding-up petition lodged against the Company on 25 March 2003 was withdrawn and the provisional liquidators were released. On the same date, the Restructuring Proposal was completed.

## QUALIFICATION IN THE AUDITOR'S REPORT

Pursuant to the completion of the Restructuring Proposal on 20 September 2006, certain adjustments of debt restructuring had been put through in the consolidated income statement to ratify the opening balances of balance sheet as at 1 January 2006. As the auditors are unable to confirm the opening balance as at 1 January 2006 due to the limitation of audit scope during the period of provisional liquidation, they have to qualify the amount of gain on debts waived of HK\$277,844,000 arising from the debts restructuring of the Group.

The qualifications in the auditor's report set out on pages 33 to 35 in the Annual Report were restricted only to the opening balances as at 1 January 2006 and the adjustments

of the debts restructuring become effective at 1 August 2006, which had been put through in the current year's consolidated income statement.

Upon the completion of the Restructuring Proposal on 20 September 2006, all the balances shown in the balance sheet had been ratified and audited and the adjustments of the debt restructuring would not have any consequential effects to the Group in future years' consolidated income statement and the consolidated balance sheet.

The Directors as referred in the qualifications were former management who had resigned upon the completion of Restructuring Proposal on 20 September 2006.

## CHANGE OF COMPANY NAME

Pursuant to the special resolution passed at a special general meeting held on 22 September 2006 and the approval by the Registrar of Companies in Bermuda, the name of the company has been changed from "Great Wall Cybertech Limited" to "EPI (Holdings) Limited with effect from 22 September 2006.

The Company has also adopted the new Chinese name "長盈集團(控股)有限公司" in place of the previous Chinese name "長城數碼廣播有限公司" for identification purpose only.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 17 to the financial statements. The Group has gradual diversified its business to non-ferrous metals business after the completion of Restructuring Proposal.

## SEGMENT INFORMATION

No business segment information in respect of the Group's operation has been presented as all the Group's turnover was derived from consumer electronic operation.

No geographical segment information of the Group as its revenues are primarily generated in Hong Kong and its major assets are located in Hong Kong.

## Directors' Report

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the consolidated income statement on page 36.

The directors did not recommend the payment of a dividend for the year ended 31 December 2006 (2005: NIL).

### FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 75 of the Annual Report.

### PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment are set out in note 16 to the financial statements.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in 21 to the financial statements.

### PURCHASE, SALE OR REDEMPTION OF SHARES

At the special general meeting held on 22 June 2006, ordinary resolutions were passed to grant a general mandate to the Directors to exercise the powers of the Company to issue new shares up to a maximum of 20% of the issued share capital of the Company and to purchase shares up to a maximum of 10% of the issued share capital of the Company immediately following completion of the Restructuring Proposal.

On 18 December 2006, 605,000,000 shares were issued by the Company under a top-up subscription with Climax pursuant to the general mandate granted on 22 June 2006.

On 29 December 2006, the Company has purchased 25,300,000 Company's shares on the Stock Exchange at an aggregate price of HK\$5,583,000 pursuant to the general mandate granted on 22 June 2006.

### RESERVES

Movements in reserves of the Company during the year are set out in note 22 to the financial statements.

### DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report are:

#### Executive Directors:

Mr. Wong Chi Wing Joseph	(appointed on 20 September 2006)
Mr. Cheng Hairong	(appointed on 20 September 2006)
Mr. Chu Kwok Chi Robert	(appointed on 20 September 2006)
Mr. Wu Shaozhang	(resigned on 20 September 2006)
Mr. Wong Kwok Wing	(resigned on 20 September 2006)
Mr. Tse On Kin	(resigned on 20 September 2006)
Mr. Chen Weixiong	(resigned on 20 September 2006)
Mr. Yuen Chung Yan, John	(resigned on 20 September 2006)

#### Non-Executive Directors

Leung Hon Chuen	(appointed on 4 October 2006)
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#### Independent Non-Executive Directors

Mr. Poon Kwok Shin Edmond	
Mr. Wu Xiaoke	
Mr. Xu Mingshe	(appointed on 4 October 2006)
Mr. Lee Shue Shing	(resigned on 4 October 2006)

Biographical details of Directors of the Company are set out on page 17 under the section titled "Directors and senior management profile".

The Company has received from each of the Independent Non-Executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such Directors to be independent.

In accordance with Article 99(A) of the Company's Bye laws, Mr. Cheng Hairong, Mr. Chu Kwok Chi Robert and Mr. Leung Hon Chuen will retire and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

## Directors' Report

The Independent Non-Executive Directors are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the Company's Bye laws.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2006, the interests or short positions of the Directors and Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Director	Capacity/ nature of interest	Long position	Number of ordinary shares held Approximate percentage of interest
Mr. Wong Chi Wing Joseph	Corporate (Note)	2,001,810,000	55.09%

*Note* The Shares are held by Climax Associates Limited, which is a company incorporated in the British Virgin Islands and owned as to 51% by Rich Concept Worldwide Limited (a company beneficially wholly-owned by Mr. Wong Chi Wing Joseph, 29% by Cheng Hairong and 20% by Mr. Chu Kwok Chi Robert.

As at 31 December 2006, saved as disclosed above, none of the Directors, chief executive or their associates had any interests or short positions in the shares, underlying shares

or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

### DIRECTORS INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, or any of its subsidiaries, its holding company, or any subsidiaries of its holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the year.

### COMPETING INTEREST

None of the Directors or their respective associates (as defined in the Listing Rules) had an interest in a business, which competes or may compete with the business of the Group.

### EMOLUMENT POLICY

The emoluments of the employees of the Group is set up by the human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities of the Directors and senior management and comparable market statistics.

### SHARE OPTION SCHEME

The Company has adopted share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 21 to the financial statements.



## Directors' Report

No option under the Scheme was granted or exercised during the year nor outstanding at 31 December 2006.

### RETIREMENT BENEFITS SCHEME

Particulars of the retirement benefits schemes of the Group are set out in note 23 to the financial statements.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, as far as the Directors were aware, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which were taken or deemed to be have under such provisions), and required to be recorded in the register of interests required to be kept by the Company under Section 336 of the SFO:

#### Long positions in shares/underlying shares of the Company

Name	Nature of interest	Total number of ordinary shares	Approximate percentage of interest
Climax Associates Limited (Note 1)	Corporate	2,001,810,000	55.09%
Rich Concept Worldwide Limited (Note 2)	Interest of a controlled corporation	2,001,810,000	55.09%

#### Notes

- (1) Climax Associates Limited is 51% owned by Rich Concept Worldwide Limited.
- (2) Rich Concept Worldwide Limited is wholly owned by Mr. Wong Chi Wing, Joseph, a Director and Chairman of the Company.

Saved as disclosed above, as at 31 December 2006, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest and short position in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

### PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year attributable to the Group's major customers and suppliers are as follows:

#### Sales

- the largest customer 45.57%
- five largest customers combined 99.36%

#### Purchases

- the largest supplier 50.76%
- five largest customers combined 99.94%

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

### SUBSEQUENT EVENTS

Details of significant subsequent events of the Group are set out in 26 to the financial statements.

### AUDITORS

Messrs. Ting Ho Kwan & Chan, Certified Public Accountants (Practising), retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**Wong Chi Wing Joseph**  
Chairman

Hong Kong, 23 April 2007

# Independent Auditor's Report

## **TO THE SHAREHOLDERS OF EPI (HOLDINGS) LIMITED (FORMERLY GREAT WALL CYBERTECH LIMITED)**

*(Incorporated in Bermuda with limited liability)*

We have audited the financial statements of EPI (Holdings) Limited (the "Company") set out on pages 36 to 74, which comprise the balance sheets of the Company and the Group as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

## **AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except as described in the basis for qualified opinion paragraphs, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

## Independent Auditor's Report

### BASIS FOR QUALIFIED OPINION

1. Our report on the financial statements of the Company and of the Group for the year ended 31 December 2005 was disclaimed in view of the pervasive nature of the limitations on the scope of our audit resulting from insufficiency of supporting documentation and explanations. Accordingly, we were unable to form an opinion as to whether the net liabilities of the Company and of the Group as at 31 December 2005 and the results and cash flows and the related disclosures in the notes to the financial statements of the Company and of the Group for the year ended 31 December 2005 were fairly stated.

In summary the scope limitations included the following:

- i. Incomplete books and records of certain subsidiaries within the Group;
- ii. Insufficient information which prevented us from satisfying as to whether the amount of other payables of approximately HK\$293,807,000, including the liabilities under indemnities given to subsidiaries not consolidated of approximately HK\$291,130,000, included in the Group's balance sheet was free from material misstatement; and
- iii. Failure to consolidate certain subsidiaries within the Group into the financial statements in accordance with the Hong Kong Accounting Standard 27 issued by the HKICPA.

Any adjustments found to be necessary to the opening balances as at 1 January 2006 may affect the net liabilities of the Company and of the Group as at 31 December 2005 and the results and cash flows and the related disclosures in the notes to the financial statements of the Company and of the Group for the year ended 31 December 2006. Also the comparative figures in respect of the net liabilities of the Company and of the Group as at 31 December 2005 and the results and cash flows and the related disclosure in the notes to the financial statements of the Company and of the Group for the year ended 31 December 2005 may not be comparable with the figures for the current year.

2. As set out in note 3 and note 9 to the financial statements, the Directors have been unable to obtain sufficient documentary evidence to satisfy themselves as to whether the gain on debts waived of approximately HK\$277,844,000 arising from the Debt Restructuring carried out by the Company during the year and included in the profit of the Group for the year ended 31 December 2006 was fairly stated.
3. The Directors are unable to satisfy themselves as to the completeness of recording of transactions entered into by the Group and of the completeness of disclosure of finance lease obligations, segment information, pledged of assets, commitments and contingent liabilities for the period from 1 January 2006 to 20 September 2006 in the financial statements. Furthermore, the Directors are unable to determine the completeness of related party transactions, employee benefits and emoluments, and taxation and deferred taxation incurred for the period from 1 January 2006 to 20 September 2006.
4. Certain subsidiaries were disposed of according to the Debt Restructuring scheme carried out by the Company during the year. The Directors were unable to obtain sufficient information to include the results of these subsidiaries up to the date of their disposals in the consolidated financial statements. Accordingly the Directors were unable to satisfy themselves as to the truth and fairness of the gain on disposal of these subsidiaries so included in the financial statements.

## Independent Auditor's Report

There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the matters set out in the above paragraphs. Any adjustments to the above figures may affect the profit and cash flows and related notes to the financial statements of the Group for the year ended 31 December 2006.

### **QUALIFIED OPINION ARISING FROM LIMITATION OF AUDIT SCOPE**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the matters set out in the basis for qualified opinion paragraphs, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **TING HO KWAN & CHAN**

*Certified Public Accountants (practising)*

Hong Kong

23 April 2007

# Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
TURNOVER	7	264,803	513,610
COST OF SALES		(257,909)	(498,221)
GROSS PROFIT		6,894	15,389
OTHER INCOME AND GAINS, NET	7	8,064	2,139
GAIN ON DEBT RESTRUCTURING	9	263,168	-
SELLING AND DISTRIBUTION COSTS		(884)	(236)
ADMINISTRATIVE EXPENSES		(11,834)	(6,981)
FINANCE COSTS	10	(116)	(300)
<b>PROFIT BEFORE TAXATION</b>	11	<b>265,292</b>	10,011
TAXATION	13	(350)	(1,810)
<b>PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>	14	<b>264,942</b>	8,201
<b>EARNINGS PER SHARE</b>	15	<b>Cents</b>	<b>Cents</b> (As restated)
Basic		28.3	10.1
Diluted		N/A	N/A

# Consolidated Balance Sheet

At 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	16	779	67
<b>CURRENT ASSETS</b>			
Trade and other receivables	18	91,395	13,856
Cash and cash equivalents	19	191,344	59
		<b>282,739</b>	13,915
<b>CURRENT LIABILITIES</b>			
Amounts due to subsidiaries not consolidated		–	7,885
Trade and other payables	20	15,832	298,607
Profits tax payable		2,038	1,867
		<b>17,870</b>	308,359
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>264,869</b>	(294,444)
<b>NET ASSETS/(LIABILITIES)</b>		<b>265,648</b>	(294,377)
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>			
Issued capital	21	36,082	80,763
Reserves		229,566	(375,140)
		<b>265,648</b>	(294,377)

**Wong Chi Wing Joseph**  
Chairman

**Cheng Hairong**  
Deputy-chairman

# Balance Sheet

At 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	17	160,844	(7,333)
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	19	108,678	-
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	12,848	293,807
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>95,830</b>	<b>(293,807)</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>256,674</b>	<b>(301,140)</b>
<b>EQUITY</b>			
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY</b>			
Issued capital	21	36,082	80,763
Reserves	22	220,592	(381,903)
		<b>256,674</b>	<b>(301,140)</b>

**Wong Chi Wing Joseph**  
Chairman

**Cheng Hairong**  
Deputy-chairman

# Consolidated Statement of Changes in Equity

For The Year Ended 31 December 2006

	Attributable to the equity holders of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus account HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	
At 1 January 2005	80,763	792,011	9,924	145,372	(1,330,648)	(302,578)
Profit for the year	-	-	-	-	8,201	8,201
At 31 December 2005	80,763	792,011	9,924	145,372	(1,322,447)	(294,377)
Capital Reduction (note 21 (a) (ii))	(79,955)	-	-	79,955	-	-
Issue of subscription and additional shares (note 21 (a) (iii) (1))	24,278	62,250	-	(3,528)	-	83,000
Open Offer (note 21 (a) (iii) (2))	1,453	6,851	-	-	-	8,304
Shares Placing (note 21 (a) (iii) (2))	3,746	33,529	-	-	-	37,275
Capital Reserve Reduction	-	(894,641)	(9,924)	904,565	-	-
Set off against the entire accumulated losses of the Company	-	-	-	(1,066,042)	1,066,042	-
Shares Placing after Debt Restructuring (note 21 (b))	6,050	166,037	-	-	-	172,087
Shares Repurchase (note 21 (c))	(253)	(5,330)	-	-	-	(5,583)
Profit for the year	-	-	-	-	264,942	264,942
At 31 December 2006	36,082	160,707	-	60,322	8,537	265,648



# Consolidated Cash Flow Statement

For The Year Ended 31 December 2006

	Notes	2006 HK\$'000	2005 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		264,942	8,201
Adjustments for:			
Taxation	13	350	1,810
Depreciation	16	58	24
Impairment losses for:			
Trade and other receivables	11	-	661
Amounts due from subsidiaries not consolidated	11	-	37
Gain on debt restructuring	9	(263,168)	-
Interest income		(302)	-
Finance costs	10	116	300
		<b>1,996</b>	<b>11,033</b>
<b>Changes in working capital:</b>			
Trade and other receivables		(77,539)	(13,216)
Amounts due from subsidiaries not consolidated		-	(37)
Amounts due to subsidiaries not consolidated		(7,885)	189
Trade and other payables		16,569	1,250
Net cash used in operations		(66,859)	(781)
Taxation paid		(179)	-
<b>Net cash used in operating activities</b>		<b>(67,038)</b>	<b>(781)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(770)	(19)
Interest received		302	-
<b>Net cash used in investing activities</b>		<b>(468)</b>	<b>(19)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment to Schemes' creditors	3(i)(c)	(21,500)	-
Settlement of restructuring expenses		(14,676)	-
Proceeds from shares subscription		83,000	-
Net proceeds from open offer		8,304	-
Net proceeds from share placing		37,275	-
Net proceeds from share placing after Debt Restructuring		172,087	-
Repurchase of ordinary shares		(5,583)	-
Interest paid		(116)	(300)
<b>Net cash generated from/(used in) financing activities</b>		<b>258,791</b>	<b>(300)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
Cash and cash equivalents at beginning of the year	19	59	1,159
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	19	<b>191,344</b>	<b>59</b>

# Notes to the Financial Statements

For the year ended 31 December 2006

## 1. CORPORATE INFORMATION AND UPDATE

The Company was incorporated in Bermuda with limited liabilities and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The trading of the Company's shares on the Stock Exchange was suspended on 24 March 2003. Following completion of the Company's restructuring proposal ("Debt Restructuring") on 20 September 2006, trading of the Company's shares on the Stock Exchange was resumed on 26 September 2006. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The address of the principal place of business of the Company was 2503B-2505, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong during the year and the Company moved its principal place of business to Suite 6303-4 on 63/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on 8 March 2007.

Pursuant to a special resolution passed at the special general meeting of the Company held on 22 September 2006 and approved by the Registrar of Companies in Bermuda and Companies Registry in Hong Kong, the name of the Company has been changed from "Great Wall Cybertech Limited" to "EPI (Holdings) Limited" in English and for identification purpose, adopted "長盈集團(控股)有限公司" to replace "長城數碼廣播有限公司" as its Chinese name.

The Company is an investment holding company. The principal activities of the Company's subsidiaries of which their financial statements have been consolidated at 31 December 2006 are set out in note 17 to the financial statements.

Immediately upon completion of Debt Restructuring, the Group is controlled by the investor, Climax Associates Limited ("CA Ltd"), which is incorporated in the British Virgin Islands and owned 55% of the Company's shares as at 31 December 2006. In the opinion of the directors, the ultimate holding company is Rich Concept Worldwide Limited, which is incorporated in the British Virgin Islands.

## 2. APPOINTMENT AND RESIGNATION OF PROVISIONAL LIQUIDATORS

On 21 June 2003, Mr. Derek K. Y. Lai and Mr. Joseph K. C. Lo of Deloitte Touche Tohmatsu were appointed as joint and several provisional liquidators of the Company by the High Court of Hong Kong Special Administrative Region (the "High Court") so as to enforce and preserve the assets and business of the Company, to consider and review all debt restructuring proposals and/or scheme of arrangement to be proposed by any party.

Following conditional approval of Debt Restructuring on 26 September 2005 and completion of Debt Restructuring on 20 September 2006, being the closing date of the Debt Restructuring (the "Closing"), the petition against the Company on 25 March 2003 was withdrawn and the provisional liquidators were discharged and released by the court with effect from the Closing.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 3. DEBT RESTRUCTURING

On 13 April 2006, the Company, CA Ltd and provisional liquidators entered into a restructuring agreement for implementation of Debt Restructuring.

**(i) The principal elements of Debt Restructuring are as follows:**

*(a) Capital reorganisation*

The Company implemented capital reorganisation, involving share consolidation, capital reduction and capital reserve reduction.

(1) Share consolidation

Every 100 issued shares of HK\$0.01 each were consolidated into one consolidated share of HK\$1 each.

(2) Capital reduction

The nominal value of each consolidated share was reduced from HK\$1 each to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.99 on each issued consolidated share.

(3) Capital reserve reduction and reorganization

The Company carried out a cancellation of the entire amount standing to the credit of its share premium account (including the share premium before implementation of Debt Restructuring, the share premium arising from the subscription, open offer and placing as stated in (b), (d) & (e) respectively), capital redemption reserve account and capital reserve account. Amounts of approximately HK\$975,947,000 in aggregate arising from the above capital reserve reduction were credited directly to the contributed surplus account of the Company. Approximately HK\$3.5 million out of the above contributed surplus would then be used to apply for issue of 352,750,000 ordinary shares to CA Ltd (note b).

Upon completion of capital reorganisation, the above remaining contributed surplus of approximately HK\$1,137,424,000 would then be used to set off against the entire accumulated losses of the Company before completion of Debt Restructuring and after deducting the gain arising from the settlement and discharge in full of the indebtedness.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 3. DEBT RESTRUCTURING-CONTINUED

(b) *Subscription*

Pursuant to the subscription agreement dated 13 April 2006, CA Ltd subscribed for 2,075,000,000 ordinary shares at a subscription price of HK\$0.04 per share. In addition, 352,750,000 additional shares were allotted and issued to CA Ltd, credited as fully paid, on the basis of 17 additional shares for every 100 subscription shares subscribed by CA Ltd.

An amount of HK\$21.5 million out of the subscription proceeds has been transferred to the scheme administrators for the creditors' settlement (note c). Details of the usage of subscription proceeds are set out in note 21 (a)(iii) to the financial statements.

(c) *Creditors' Schemes*

All indebtedness of the Company has been restructured pursuant to the Creditors' Schemes. An amount of HK\$21.5 million out of the subscription proceeds as stated in (b) above and the entire interests of the companies excluding from the restructured group ("relevant assets") would be transferred to the scheme administrators for settlement and discharge of indebtedness according to the Creditors' Schemes. Upon the implementation of the Creditors' Schemes, the Company's indebtedness has then been fully discharged and settled.

(d) *Open offer*

Pursuant to Debt Restructuring, in order to restore the 25% public float as required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange (the "Listing Rules"), 145,372,626 offer shares have been made to the qualifying shareholders on the basis of nine offer shares for every five ordinary shares held by the qualifying shareholders at a subscription price of HK\$0.06 per offer share.

(e) *Placings*

As part of Debt Restructuring to restore the 25% public float as required by the Listing Rules, 374,627,374 placing shares and 156,500,000 sale shares were successfully placed to not less than six independent investors who are third parties independent of the Company and its connected persons and CA Ltd at a placing price of HK\$0.1 per share.

## Notes to the Financial Statements

For the year ended 31 December 2006

**3. DEBT RESTRUCTURING-CONTINUED****(ii) Completion of Debt Restructuring**

The completion of Debt Restructuring took place on 20 September 2006. Immediately after the Closing, the investor, CA Ltd, became the substantial shareholder of the Company.

In order to implement the group reorganisation to facilitate implementation of the Creditors' Schemes, the following former subsidiaries were transferred to the Scheme Administrators of the Creditors' Schemes, and after the Closing, formed no part of the restructured group. The subsidiaries so disposed of were:

Name	Proportion of nominal value of issued capital held by the Company	
	Directly	Indirectly
Great Wall Electronics Holding Limited	100%	–
Great Wall Electronics Group Limited	100%	–
Video Epoch Limited	–	100%
Video Epoch Electronic (Huizhou) Limited	–	100%
Huizhou City Caixing Electrical Appliance Limited	–	75%
Huizhou City Hua Xing Packing Material Company Limited	–	88%
Huizhou City Hang Tung Paper Products Printing Limited	–	70%
Brilliant Plastic Manufacturing Limited	–	100%
Brilliant Plastic and Mould Manufacturing (Huizhou) Limited	–	90%
Brilliant Plastic Industrial (Huizhou) Limited	–	100%
Art-Tech Speakers Manufacturing (Huizhou City) Limited	–	67%
Art-Tech Electronics (Huizhou) Limited	–	100%
Great Wall Industries Company Limited	–	100%
Guangzhou Rowa Electronics Company Limited	–	60%
Great Wall France SA	–	100%
Great Wall Capital Management Limited	–	100%
Great Wall Strategic Holding (BVI) Limited	–	100%
Star Source Industries Limited	–	100%
Well Consur Limited	–	100%
Lipon Products Limited	–	100%

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention.

#### Application of new/revised Hong Kong Financial Reporting Standards

The HKICPA has issued certain new and revised HKFRS that are first effective for the accounting period beginning on or after 1 January 2006 as follows:

The Companies (Amendments) Ordinance 2005;

HKAS 21 Amendments	–	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation;
HKAS 39 Amendments	–	Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
HKAS 39 Amendments	–	The Fair Value Option;
HKAS 39 and HKFRS 4 Amendments	–	Financial Guarantee Contracts;
HKFRS 6	–	Exploration for and Evaluation of Mineral Resources;
HK(IFRIC) – Int 4	–	Determining whether an Arrangement Contains a Lease;
HK(IFRIC) – Int 5	–	Rights to Interests Arising from Decommissioning, Restoration and Environment Rehabilitation Funds; and
HK(IFRIC) – Int 6	–	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

The application of these new and revised HKFRS had no material effect on the Company's results and equity for the current or prior accounting periods.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Standards, interpretation and amendments to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published which are relevant to the Group's operations and financial statements and are mandatory for the Group's accounting periods beginning on or after 1 January 2007 as follows:

HKAS 1 (Amendment)	-	Presentation of Financial Statements: Capital Disclosures (effective from 1 January 2007)
HKFRS 7	-	Financial Instruments: Disclosures (effective from 1 January 2007)
HKFRS 8	-	Operating Segments (effective from 1 January 2009)
HK(IFRIC) – Int 7	-	Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006)
HK(IFRIC) – Int 8	-	Scope of HKFRS 2 (effective from 1 May 2006)
HK(IFRIC) – Int 9	-	Reassessment of Embedded Derivatives (effective from 1 June 2006)
HK(IFRIC) – Int 10	-	Interim Financial Reporting and Impairment (effective from 1 November 2006)
HK(IFRIC) – Int 11	-	HKFRS 2 – Group and Treasury Share Transactions (effective from 1 March 2007)
HK(IFRIC) – Int12	-	Service Concession Arrangements (effective from 1 January 2008)

The Group has not early adopted the above standards, interpretation and amendments and is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

#### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the balance sheet date. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively.

Where the Company holds more than half of the issued share capital of a subsidiary, but does not control the composition of the board of directors or equivalent governing body, the financial statements of that subsidiary are not consolidated because it would be misleading to do so. Where the Company is in a position to exercise significant influence, such investments are dealt with as associates as appropriate. Otherwise, they are dealt with as available-for-sale investments.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### **Subsidiaries**

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less any accumulated impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries/associates/jointly controlled entities at the date of acquisition. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities respectively. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses and is not amortised. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### **Property, plant and equipment**

All property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.



## Notes to the Financial Statements

For the year ended 31 December 2006

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED****Property, plant and equipment-continued**

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate costs to their residual values (if, there are any) over their estimated useful lives, as follows:

Furniture, fixtures and equipment	20%-33 $\frac{1}{3}$ %
Motor vehicle	20%

The assets' residual values (if any) and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the income statement in the period the item is derecognised.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

**Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

**Trade and other receivables**

Trade and other receivables are initially measured at fair value and, after initial recognition, at amortised cost less any impairment losses for bad and doubtful debts, except for the following receivables:

- Interest-free loans made to related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost less any impairment losses for bad and doubtful debts, and
- Short-term receivables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount less any impairment losses for bad and doubtful debts.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Company determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases of assets are classified as finance leases when the leases transfer substantially all risks and rewards incidental to ownership of the assets to the Company. All other leases are classified as operating leases.

#### (i) Finance leases

Assets held under finance leases are recognised in the balance sheet at amounts equal to the fair value of the leased assets, or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liabilities, net of finance charges, on the finance leases are recorded as obligations under finance leases. All assets held under finance leases are classified as property, plant and equipment, except for those properties held to earn rental income which are classified as investment property, in the balance sheet.

Depreciation and impairment loss are calculated and recognised in the same manner as the depreciation and impairment loss on property, plant and equipment as set out above, except for the estimated useful lives cannot exceed the relevant lease terms, if shorter.

Minimum lease payments are apportioned between finance charge and the reduction of the outstanding liabilities. The finance charge is recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### (ii) Operating leases (both as the lessor and lessee)

Where the Group is the lessee, lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the income statement on a straight line basis over the lease period.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Cash and cash equivalents

Cash comprises cash on hand and at banks and demand deposits with banks. Cash equivalents are short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, bank overdrafts which are repayable on demand form an integral part of the Company's cash management are included as a component of cash and cash equivalents.

#### Trade and other payables

Trade and other payables are initially measured at fair value and, after initial recognition, at amortised cost, except for the following payables:

- short-term payables with no stated interest rate and the effect of discounting being immaterial, that are measured at their original invoiced amount.
- Interest free loans from related parties without any fixed repayment terms or the effect of discounting being immaterial, that are measured at cost.

#### Financial guarantee issued, provisions and contingent liabilities

##### (a) *Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised, in accordance with note (b) below if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Financial guarantee issued, provisions and contingent liabilities-continued

(b) *Other provisions and contingent liabilities*

Provision are recognised for other liabilities of uncertain timing or amount when the Group 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 expenditure 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 reliable, 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.

#### Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- Sale of goods  
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- Consultancy and management services  
Revenue is recognised when the relevant consultancy and management services are rendered.
- Gain on disposal of know-how technology  
Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the know how technology.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expense are translated at the dates of transactions); and
- (iii) all resulting exchange differences are recognised as a separate components of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing date.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Retirement benefits costs

The Group operates a defined contribution retirement benefits scheme set up under the Mandatory Provident Fund Schemes Ordinance (“MPF Scheme”) for its employees who are eligible to participate. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the scheme. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with Group’s internal financial reporting system, the group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on the similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financial expenses.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

#### Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### Related parties

A party is related to the Group if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (1) controls, is controlled by, or is under common control with, the Group;
  - (2) has an interest in the Group that gives it significant influence over the Group; or
  - (3) has joint control over the Group;
- (ii) the party is a jointly-controlled entity;
- (iii) the party is an associate;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

#### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow and fair value interest rate risk. Risk management is carried out by senior management of the Group under policies approved by the board of directors of the Company.

(i) *Market risk*

(1) Foreign exchange risk

The Group operates mainly in both the People's Republic of China ("the PRC") and Hong Kong. Most of the Group's assets and liabilities, revenue and payments are denominated in Hong Kong dollars and United States dollars, in which the Group considers there is no significant exposure to foreign exchange fluctuations as long as the Hong Kong-United States dollar exchange rate remains pegged. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(2) Price risk

Sales of consumer electronics products are exposed to drop in market prices. The Group manages the price risk exposure by selling the products on indent order basis and does not carry any inventories. The management continues to seek opportunities to diversify the Group's business to other business sectors so as to increase the overall profitability. During the year, the Group has gradually diversified to non-ferrous metals business.

(ii) *Credit risk*

The Group's credit risk is mainly attributable to trade and other receivables. The Group's top five customers account for over 99% of the turnover and therefore has concentrations of credit risk. It is the management's decision to concentrate the Group's sales to a few selected customers which are well known in the market during the time when the Group is under provisional liquidation. The exposures to these credit risks are monitored on an ongoing basis and the Group has established credit limits, credit approvals and other monitoring procedures to ensure appropriate actions are taken to recover overdue debts.



## Notes to the Financial Statements

For the year ended 31 December 2006

### 5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(iii) *Liquidity risk*

Individual operating units within the Group are responsible for their own cash management. To minimise liquidity risks, management of the Group regularly reviews the current and expected liquidity requirements of operating units to ensure they maintain sufficient liquid cash and adequate committed lines of funding from major financial institutions to meet the Group's liquidity requirements in the short and long term.

(iv) *Cash flow and fair value interest rate risk*

The Group does not have any long term borrowings. The management of the Group will regularly review the current and expected funding requirements and might borrow the funds at fixed rates or variable rates for a medium term or long term in case of need. Long term borrowings at variable interest rates will expose the Group to cash flow interest rate risk and those at fixed rates will expose the Group to fair value interest rate risk. The Group will monitor the interest rate risk exposure on a continuous basis and adjust the portfolio of borrowings where necessary.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets such as publicly traded derivatives is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the closing bid price at the balance sheet date; the appropriate quoted market price for financial liabilities is the closing ask price at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on the market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Note 4 to the financial statements includes a summary of significant accounting policies used in the preparation of the financial statements. The preparation of financial statements often requires the use of judgements to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning about the future may be required in selecting and applying those methods and policies in the financial statements. The Group bases its estimates and judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the financial statements.

#### (a) Estimated fair value of available-for sales financial assets and liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the closing bid price at the balance sheet date whereas the quoted market price used for financial liabilities held by the Group is the closing ask price at the balance sheet date.

The fair value of financial instruments that are not traded in active market is determined based on available recent market information such as most recent market transaction price with third parties and the latest available financial information existing at each balance sheet date.

#### (b) Estimated fair value of other financial assets and liabilities

The fair values of loans and receivables and financial liabilities are accounted for or disclosed in the financial statements. The calculation of fair values requires the Group to estimate the future cash flows expected to arise from those assets and liabilities and suitable discount rates. Variations in the estimated future cash flows and the discount rates used may result in adjustments to the carrying amounts of these assets and liabilities and the amounts disclosed in the financial statements.

#### (c) Useful lives of property, plant and equipment

In accordance with HKAS 16, the Group estimates the useful lives of property, plant and equipment in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in the market demands or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS-CONTINUED

**(d) Estimated impairment of long-lived assets**

The Group tests annually whether tangible and intangible long-lived assets not subject to amortisation have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

**(e) Impairment of available-for sale financial assets**

In determining when an investment is other than temporarily impaired, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, change in technology and operational and financing cash flow.

**(f) Income tax**

The Group is subject to income taxes mainly in Hong Kong and the PRC jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 7. TURNOVER, OTHER INCOME AND GAINS, NET

Turnover represents the net amounts received and receivable from goods sold to customers, less returns and discounts, during the year. An analysis of the Group's turnover, other income and gains, net is as follows:

	2006 HK\$'000	2005 HK\$'000
<b>Turnover</b>		
Sale of consumer electronic products	264,803	513,610
<b>Other income</b>		
Consultancy and management fees income	-	42
Interest income	302	-
Sundry income	7,762	97
	<b>8,064</b>	139
<b>Gains, net</b>		
Gain on disposal of know-how technology	-	2,000
	<b>8,064</b>	2,139
	<b>272,867</b>	515,749

### 8. SEGMENT INFORMATION

No business segment information in respect of the Group's operation has been presented as all the Group's turnover was derived from consumer electronic operation.

No geographical segment information of the Group as its revenue are primarily generated in Hong Kong and its major assets are located in Hong Kong.

### 9. GAIN ON DEBT RESTRUCTURING

	2006 HK\$'000	2005 HK\$'000
Gain on debts waived	277,844	-
Restructuring and scheme costs	(14,676)	-
	<b>263,168</b>	-

Gain on debts waived of approximately HK\$277,844,000 represented indebtedness discharged upon the Closing of Debt Restructuring.

As explained by the Directors, most of former accounting personnel and former directors had left the Group on or before completion of Debt Restructuring, the Directors were unable to obtain sufficient documentary information to satisfy themselves as to whether the gain on debts waived for the year ended 31 December 2006 was fairly stated.

## Notes to the Financial Statements

For the year ended 31 December 2006

**10. FINANCE COSTS**

	2006 HK\$'000	2005 HK\$'000
Interest on:		
Other loans wholly repayable within five years	116	300

**11. PROFIT BEFORE TAXATION**

The Group's profit before taxation is arrived at after charging:

	2006 HK\$'000	2005 HK\$'000
Staff costs:		
Wages and salaries	2,829	2,056
Directors' remuneration (note 12)	922	14
Mandatory provident fund contributions	93	76
Staff welfare and related expenses	-	6
	3,844	2,152
Depreciation	58	24
Management fee	210	350
Operating leases:		
Rental for premises	868	740
Auditor's remuneration	250	140
Impairment losses for:		
Trade and other receivables	-	661
Amounts due from subsidiaries not consolidated	-	37

## Notes to the Financial Statements

For the year ended 31 December 2006

### 12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the remuneration of the Directors of the Group were as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
<b>Fees</b>	188	14
<b>Salaries, allowances and benefits in kind</b>	730	–
<b>Retirement benefits scheme contributions</b>	4	–
	922	14

Details of the remuneration of the Directors for the year ended 31 December 2006 were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive Directors</b>				
Wong Chi Wing, Joseph	–	495	1	496
Chu Kwok Chi, Robert	–	235	3	238
<b>Non-executive Director</b>				
Leung Hon Chuen	37	–	–	37
<b>Independent non-executive Directors</b>				
Poon Kwok Shin	114	–	–	114
Xu Mingshe	37	–	–	37
	188	730	4	922

## Notes to the Financial Statements

For the year ended 31 December 2006

**12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS-CONTINUED**

Details of the remuneration of the Directors for the year ended 31 December 2005 were as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Independent non-executive Director</b>				
Poon Kwok Shin	14	–	–	14

There was no arrangement under which a Director waived or agreed to waive remuneration during the year. In addition, no remuneration was paid by the Group to any of the Directors as an inducement to join, or upon joining the Group or as compensation for loss of office. (2005: Nil).

Of the five individuals with the highest remunerations in the Group, one (2005: Nil) was Director of the Company whose emoluments are incurred in the disclosures above. The emoluments of the remaining four (2005: five) individuals were as follows:

	2006 HK\$'000	2005 HK\$'000
Salaries and benefits in kind	1,659	1,355

The number of the highest paid employees whose remuneration fell within the following bands is as follows:

	2006 Number of employees	2005 Number of employees
Nil to HK\$1,000,000	4	5

No emoluments were paid or payable to the above highest paid individuals as an inducement to join the Group or as compensation for loss of office during the year (2005: Nil).

## Notes to the Financial Statements

For the year ended 31 December 2006

### 13. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the year.

	2006 HK\$'000	2005 HK\$'000
Hong Kong Profits Tax	350	1,810

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate applicable to profits of the consolidated companies as follows:

	2006 HK\$'000	2005 HK\$'000
Profit before taxation	265,292	10,011
Calculated at a taxation rate of 17.5% (2005:17.5%)	46,426	1,752
Tax effect of income not subject to taxation	(46,106)	–
Tax effect of expenses not deductible for taxation purposes	1	6
Tax effect of tax losses unrecognised for the year	118	51
Tax effect of temporary differences unrecognised for the year	(89)	1
Taxation charge	350	1,810

### 14. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to the equity holders of the Company dealt with in the financial statements of the Company was the profit of HK\$262,731,240 (2005: the loss of HK\$292,000).

### 15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2006 is based on the profit for the year attributable to the equity holders of the Company of approximately HK\$264,942,000 (2005: HK\$8,201,000) and the weighted average number of 935,590,926 ordinary shares (for the year ended 31 December 2005: 80,762,570 ordinary shares as adjusted for effects of share consolidation on the Closing which was 8,076,257,020 as formerly reported) in issue.

No diluted earnings per share has been presented for the both years as there were no outstanding dilutive potential ordinary shares.



## Notes to the Financial Statements

For the year ended 31 December 2006

**16. PROPERTY, PLANT AND EQUIPMENT****Group**

	<b>Motor vehicle</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
<b>Cost:</b>			
At 1 January 2005	–	75	75
Additions	–	19	19
At 31 December 2005 and at 1 January 2006	–	94	94
Additions	485	285	770
At 31 December 2006	485	379	864
<b>Accumulated depreciation:</b>			
At 1 January 2005	–	3	3
Provided during the year	–	24	24
At 31 December 2005 and at 1 January 2006	–	27	27
Provided during the year	24	34	58
At 31 December 2006	24	61	85
<b>Net book value:</b>			
At 31 December 2006	461	318	779
At 31 December 2005	–	67	67

## Notes to the Financial Statements

For the year ended 31 December 2006

## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2006 HK\$'000	2005 HK\$'000
Unlisted shares, at cost	-	5,001
Due from subsidiaries	161,457	1,285,670
	161,457	1,290,671
Impairment losses	-	(1,290,671)
	161,457	-
Due to subsidiaries	(613)	(7,333)
	160,844	(7,333)

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the Company's subsidiaries as at 31 December 2006 which have been consolidated in these financial statements are as follows:

Name	Nominal value of issued and fully paid ordinary share capital	Attributable equity interest of the Company		Principal activities
		Direct	Indirect	
Fortune Hand Industries Limited	USD1	100%	-	Investment holding
Great Wall Infrastructure Limited	USD1	-	100%	Investment holding
Innovision Enterprises Limited	HKD1	-	100%	Sales, marketing, product design of audio-visual products
Eagle World Venture Limited	USD1	-	100%	Investment holding
EPI Metals Limited	HKD1	-	100%	Trading of Non-Ferrous Metals
Century Great Limited	HKD1	-	100%	Dormant

## Notes to the Financial Statements

For the year ended 31 December 2006

**17. INTERESTS IN SUBSIDIARIES-CONTINUED**

Note

1. The subsidiaries, Fortune Hand Industries Limited, Great Wall Infrastructure Limited and Eagle World Venture Limited, were incorporated in the British Virgin Islands and operated in Hong Kong.
2. The subsidiaries, Innovision Enterprises Limited, EPI Metals Limited and Century Great Limited, were incorporated and operated in Hong Kong.

**18. TRADE AND OTHER RECEIVABLES**

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade receivables	2,797	8,585	-	-
Less: impairment loss of receivables	-	655	-	-
	2,797	7,930	-	-
Other receivables and prepayments (note a)	88,598	5,926	-	-
	91,395	13,856	-	-

Note a: Included in other receivables of approximately HK\$57,350,000 represent payments in advance in accordance with the agency agreements entered into with the independent third parties and joint venture partner. Under these agency agreements, total agency fee income of approximately HK\$7,219,000 was earned during the year.

Included in trade and other receivables, the following amounts denominated in US dollars and Renminbi as of the balance sheet date:

	Group		Company	
	2006 '000	2005 '000	2006 '000	2005 '000
US Dollars	8,449	1,648	-	-
Renminbi	1	4	-	-

## Notes to the Financial Statements

For the year ended 31 December 2006

**18. TRADE AND OTHER RECEIVABLES-CONTINUED**

Sales of the Group are generally on the 90 days' credit terms. The aging analysis of trade receivables (net of impairment losses) is as follows:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Current	2,521	1,965	–	–
1 to 3 months	77	3,668	–	–
4 to 6 months	–	2,252	–	–
More than 6 months	199	45	–	–
	<b>2,797</b>	<b>7,930</b>	<b>–</b>	<b>–</b>

The Group has recognised a loss of HK\$Nil (2005: HK\$661,000) for the impairment of its trade and other receivables during the year ended 31 December 2006.

The fair value of the Group's trade and other receivables at 31 December 2006 approximates to the corresponding carrying amounts.

**19. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Cash at banks and in hand	175,664	59	103,678	–
Bank margin deposit	10,680	–	–	–
Pledged bank deposit	5,000	–	5,000	–
	<b>191,344</b>	<b>59</b>	<b>108,678</b>	<b>–</b>

Bank deposit of HK\$5,000,000 has been pledged to a bank to secure general banking facilities granted to the Group and the Company.

Included in cash and cash equivalents, the following amounts denominated in US dollars as of the balance sheet date:

	Group		Company	
	2006 '000	2005 '000	2006 '000	2005 '000
US Dollars	114	–	–	–

## Notes to the Financial Statements

For the year ended 31 December 2006

**20. TRADE AND OTHER PAYABLES**

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Trade payables	-	2,791	-	-
Other payables and accruals	15,832	295,816	12,848	293,807
	<b>15,832</b>	<b>298,607</b>	<b>12,848</b>	<b>293,807</b>

Included in trade and other payables, the following amounts denominated in US dollars and Renminbi as of the balance sheet date:

	Group		Company	
	2006 '000	2005 '000	2006 '000	2005 '000
US Dollars	89	402	-	-
Renminbi	-	3	-	-

Included in other payables and accruals were the liabilities under indemnities given to subsidiaries not consolidated of approximately HK\$Nil (2005: HK\$291,130,000).

At 31 December 2006, the aging analysis of the trade payables was as follows:

	Group		Company	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
1 to 3 months	-	2,791	-	-

## Notes to the Financial Statements

For the year ended 31 December 2006

### 21. SHARE CAPITAL

	Number of shares	Amount HK\$'000
<b>Authorised:</b>		
Ordinary shares of HK\$0.01 each at 1 January 2005, 31 December 2005 and 31 December 2006 <sup>#</sup>	25,000,000,000	250,000
<b>Issued and fully paid:</b>		
Ordinary shares of HK\$0.01 each at 1 January 2005 and 31 December 2005	8,076,257,020	80,763
Share Consolidation (note (a) (i))	(7,995,494,450)	–
Ordinary shares of HK\$1 each	80,762,570	80,763
Capital reduction (note (a) (ii))	–	(79,955)
Ordinary shares of HK\$0.01 each	80,762,570	808
Issue of Subscription and additional shares to the investor, CA Ltd (note (a) (iii)(1))	2,427,750,000	24,278
Open Offer (note (a) (iii)(2))	145,372,626	1,453
Shares Placing (note (a) (iii)(2))	374,627,374	3,746
Ordinary shares of HK\$0.01 each upon completion of capital restructuring	3,028,512,570	30,285
Shares Placing (note (b))	605,000,000	6,050
Shares Repurchase (note (c))	(25,300,000)	(253)
Ordinary shares of HK\$0.01 each at 31 December 2006	3,608,212,570	36,082

<sup>#</sup> The Directors confirmed that there was no movement of authorised share capital of the Company during the year.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 21. SHARE CAPITAL-CONTINUED

During the year, the movements in ordinary share capital were as follows:

- (a) Pursuant to special and ordinary resolutions passed at a special general meeting held on 22 June 2006, the following capital restructuring of the Company was duly passed and the capital restructuring became effective on 20 September 2006.

(i) Share consolidation

Every 100 issued shares of HK\$0.01 each in the capital of the Company was consolidated into one consolidated share of HK\$1 each.

(ii) Capital reduction

The issued share capital of the Company was reduced by cancelling the paid-up capital to the extent of HK\$0.99 on each consolidated share so that each of the issued shares became one fully paid share of HK\$0.01 each in the capital of the Company.

Surplus of approximately HK\$79,955,000 arising from capital reduction had been credited directly to the contributed surplus account of the Company.

(iii) Subscription, open offer and placing pursuant to Debt Restructuring

- (1) On 20 September 2006, 2,075 million ordinary shares of HK\$0.01 each were issued to CA Ltd at a consideration of HK\$83 million.

In addition, 352,750,000 ordinary shares of HK\$0.01 each were issued, and credited as fully paid, at par value to CA Ltd by way of capitalisation of the amounts standing to the credit of the contributed surplus account of the Company.

- (2) On 20 September 2006, 145,372,626 offer shares of HK\$0.01 each were issued to the qualifying shareholders at a subscription price of HK\$0.06 per share. On the same date, 374,627,374 placing shares of HK\$0.01 each were placed to not less than six independent investors at a placing price of HK\$0.1 per share.

HK\$21.5 million out of total subscription proceeds of HK\$83 million as stated in note (a)(iii)(1) has been transferred to the scheme administrators for settlement and discharge of indebtedness according to the Creditors' Schemes. The balance of the proceeds from subscription, open offer and placing were then used for working capital and investment of the Company.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 21. SHARE CAPITAL-CONTINUED

- (b) On 5 December 2006, the Company entered into a subscription agreement with CA Ltd to allot and issue 605,000,000 ordinary shares of HK\$0.01 each to CA Ltd at a subscription price of HK\$0.295 per share. The subscription agreement is conditional upon completion of a placing made by the placing agent on behalf of CA Ltd. On 18 December 2006, following completion of the placing made by CA Ltd, 605,000,000 ordinary shares of HK\$0.01 were issued to CA Ltd pursuant to the subscription agreement. HK\$152 million out of total subscription proceeds of HK\$172 million would be applied for the non-ferrous metal business and the balance of proceeds would be used for general working capital of the Group.
- (c) The Company repurchased its own shares on the Stock Exchange as follows:

Month of Repurchase	Number of ordinary shares	Price per ordinary share		Aggregate consideration paid
		Highest	Lowest	
December 2006	25,300,000	HK\$0.228	HK\$0.208	HK\$5,583,000

The above ordinary shares were subsequently cancelled.

#### Share options

On 15 April 2002, the Company terminated the old share option schemes, which had been adopted in 1991 and 1997, and adopted a new share option scheme (the "New Scheme"). The exercisable period for all the options granted under the old share option schemes which entitled the holder to subscribe for the shares of the Company had been expired on 6 March 2003.

The New Scheme shall be valid and effective for a period of 10 years from 15 April 2002, after which period no further share will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

The exercise price of the share options is determinable by the Directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options which must be a business day; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares. Since the date of the adoption of New Scheme, no options have ever been granted.



## Notes to the Financial Statements

For the year ended 31 December 2006

## 22. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus account HK\$'000 (Note)	Capital reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>Company</b>						
At 31 December 2004 and 1 January 2005	792,011	9,924	145,372	71,382	(1,400,300)	(381,611)
Loss for the year	-	-	-	-	(292)	(292)
At 31 December 2005	792,011	9,924	145,372	71,382	(1,400,592)	(381,903)
Capital Reduction (note 21(a)(ii))	-	-	79,955	-	-	79,955
Issue of subscription and additional shares (note 21(a) (iii)(1))	62,250	-	(3,528)	-	-	58,722
Open Offer (note 21(a) (iii) (2))	6,851	-	-	-	-	6,851
Shares Placing (note 21(a) (iii) (2))	33,529	-	-	-	-	33,529
Capital Reserve Reduction	(894,641)	(9,924)	975,947	(71,382)	-	-
Set off against the entire accumulated losses of the Company	-	-	(1,137,424)	-	1,137,424	-
Shares Placing after Debt						
Restructuring (note 21(b))	166,037	-	-	-	-	166,037
Shares Repurchase (note 21 (c))	(5,330)	-	-	-	-	(5,330)
Profit for the year	-	-	-	-	262,731	262,731
<b>At 31 December 2006</b>	<b>160,707</b>	<b>-</b>	<b>60,322</b>	<b>-</b>	<b>(437)</b>	<b>220,592</b>

Note: The contributed surplus account of the Company and the Group represents the credit arising from capital reduction.

## Notes to the Financial Statements

For the year ended 31 December 2006

### 23. RETIREMENT BENEFIT SCHEME

The Group contributes to a MPF Scheme for all qualifying employees employed under the jurisdiction of the Hong Kong Employment Ordinance. Contributions to the scheme by the Group and the employees are calculated as a percentage of employee's relevant income. The retirement benefit scheme costs charged to income statement represent contributions payable by the Group to the fund. The assets of the scheme are held separately from those of the Group in an independently administered fund.

### 24. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms of three years.

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2006 HK\$'000	2005 HK\$'000
<b>Within one year</b>	1,746	–
<b>In the second to fifth years, inclusive</b>	3,201	–
	<b>4,947</b>	<b>–</b>

At the balance sheet date, the Company did not have any operating lease arrangements (2005:Nil).

### 25. CAPITAL COMMITMENTS

On 26 November 2006, a subsidiary of the Company, EPI Metals Limited, entered into a joint venture agreement with independent third parties to establish an equity joint venture company in the PRC with registered capital of RMB90 million. Pursuant to the joint venture agreement, the Group agreed to contribute RMB45.9 million. At the balance sheet date, the Group had the following capital commitment in respect of establishment of the joint venture company:

	Group	
	2006 HK\$'000	2005 HK\$'000
<b>Contracted, but not provided for</b>	45,592	–

At the balance sheet date, the Company did not have any capital commitments (2005:Nil).

## Notes to the Financial Statements

For the year ended 31 December 2006

### 26. POST BALANCE SHEET EVENT

On 12 February 2007, a subsidiary of the Company, EPI Metals Limited, entered into a joint venture agreement with independent third parties to establish an equity joint venture company in the PRC with registered capital of RMB10 million. Pursuant to the joint venture agreement, the Group agreed to contribute RMB4 million.

In addition to the above as mentioned in note 25, the newly established joint venture company entered into an agreement on 2 April 2007 to acquire a factory in the PRC to facilitate its business operations at a consideration of RMB47 million.

### 27. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 April 2007.

# Five Year Financial Summary

## RESULTS

	For the year ended 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	<b>264,803</b>	513,610	119,677	59,070	137,501
Profit/(Loss) from operating activities	<b>2,240</b>	10,311	200,549	(34,738)	(895,859)
Gain on debt restructuring	<b>263,168</b>	–	–	–	–
Finance costs	<b>(116)</b>	(300)	(42)	(959)	(995)
Profit/(loss) before taxation	<b>265,292</b>	10,011	200,507	(35,697)	(896,854)
Taxation	<b>(350)</b>	(1,810)	(57)	–	–
Profit/(loss) for the year	<b>264,942</b>	8,201	200,450	(35,697)	(896,854)

## ASSETS AND LIABILITIES

	As at 31 December				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	<b>283,518</b>	13,982	2,532	48,037	73,857
Total liabilities	<b>(17,870)</b>	(308,359)	(305,110)	(545,595)	(546,288)
Shareholders' funds	<b>265,648</b>	(294,377)	(302,578)	(497,558)	(472,431)

# Corporate Information

**EPI (HOLDINGS) LIMITED**

*(Incorporated in Bermuda with limited liability)*

**STOCK CODE**

The Stock Exchange of Hong Kong Limited: 0689

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**DIRECTORS***Executive Directors:*

Mr. Wong Chi Wing Joseph (Chairman & CEO)  
Mr. Cheng Hairong (Deputy Chairman)  
Mr. Chu Kwok Chi Robert

*Non-executive Director:*

Mr. Leung Hon Chuen

*Independent Non-executive Directors:*

Mr. Poon Kwok Shin Edmond  
Mr. Xu Mingshe  
Mr. Wu Xioake

**COMPANY SECRETARY AND QUALIFIED ACCOUNTANT**

Hong Kin Choy

**PRINCIPAL BANKERS**

Citic Ka Wah Bank Limited  
Hang Seng Bank Limited  
Standard Chartered Bank Limited

**SOLICITORS**

Vincent T. K. Cheung, Yap & Co.

**AUDITORS**

Ting Ho Kwan & Chan

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