

# 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 The petition lodged against the Company on 25 March 2003 was withdrawn and the provisional liquidation order was rescinded.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 portrait of Joseph Wong Chi Wing, Chairman and CEO, wearing a dark suit, white shirt, and patterned tie, with his arms crossed. 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.”*