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

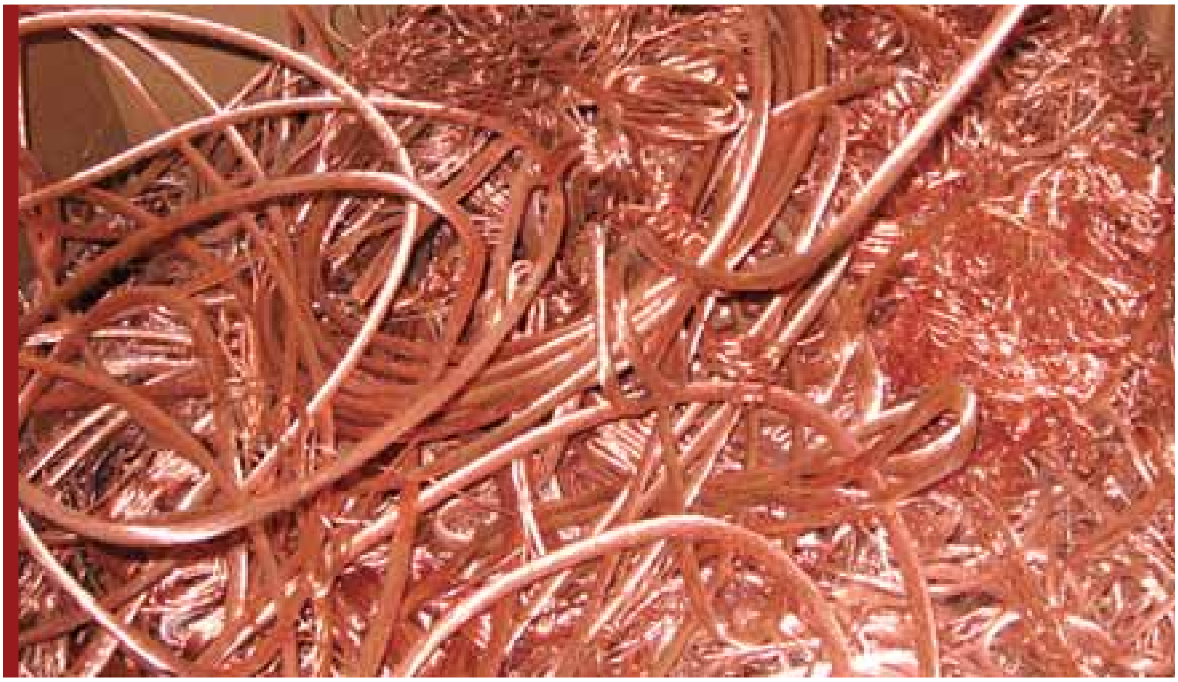
Turnover of the Group's consumer electronic business for the year 2006 was HK$264.8 million, representing a decrease of 48.4% from the HK$513.6 million recorded in 2005. The


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 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).

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 incrreasing 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

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.

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.

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.

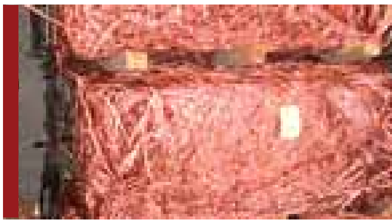
Demand for non-ferrous metals in China is expected to continue to rise in 2007 on the back of fast economic growth. During 2007, the Group will accelerate its business diversification activities in the non-ferrous metals industry, in particular, in copper and related metals. Our plans include the formation 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


No. 2 copper bales


Honey


Ocean

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.