

# 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2006, by two respective orders of the court, the winding-up petition lodged against the Company on 25 March 2003 was withdrawn and the provisional liquidators were released.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