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.

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.

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 polices 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.

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.

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.

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$^{1}/_{3}$%
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.

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.

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.

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 approximately 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.

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.

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.

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.

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.

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.

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.

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
Turnover		
Sale of consumer electronic products	264,803	513,610
Other income		
Consultancy and management fees income	–	42
Interest income	302	–
Sundry income	7,762	97
	8,064	139
Gains, net		
Gain on disposal of know-how technology	–	2,000
	8,064	2,139
	272,867	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)	–
	263,168	-

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.

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	2005
	HK$'000	HK$'000
Fees	**188**	14
Salaries, allowances and benefits in kind	**730**	–
Retirement benefits scheme contributions	**4**	–
	922	14

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

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

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
Independent non-executive Director				
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	2005
	HK$'000	HK$'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	2005
	HK$'000	HK$'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.

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Motor vehicle HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost:			
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
Accumulated depreciation:			
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
Net book value:			
At 31 December 2006	461	318	779
At 31 December 2005	–	67	67

17. INTERESTS IN SUBSIDIARIES

	Company	
	2006	2005
	HK$'000	HK$'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 Direct	Indirect	Principal activities
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

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	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'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 join 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	2005	**2006**	2005
	'000	'000	**'000**	'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	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'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	**–**	–
	2,797	7,930	**–**	–

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	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**175,664**	59	**103,678**	–
Bank margin deposit	**10,680**	–	**–**	–
Pledged bank deposit	**5,000**	–	**5,000**	–
	191,344	59	**108,678**	–

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	2005	**2006**	2005
	'000	'000	**'000**	'000
US Dollars	**114**	–	**–**	–

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**–**	2,791	**–**	–
Other payables and accruals	**15,832**	295,816	**12,848**	293,807
	15,832	298,607	**12,848**	293,807

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

	Group		Company	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'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	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'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
Authorised:		
Ordinary shares of HK$0.01 each at 1 January 2005, 31 December 2005 and 31 December 2006 #	25,000,000,000	250,000
Issued and fully paid:		
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

The Directors confirmed that there was no movement of authorised share capital of the Company during the year.

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.

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 Highest	Lowest	Aggregate consideration paid
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
Company						
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
At 31 December 2006	**160,707**	**–**	**60,322**	**–**	**(437)**	**220,592**

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	2005
	HK$'000	HK$'000
Within one year	**1,746**	–
In the second to fifth years, inclusive	**3,201**	–
	4,947	–

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	2005
	HK$'000	HK$'000
Contracted, but not provided for	**45,592**	–

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

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.