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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 689)**

## **PLACING OF EXISTING SHARES AND ISSUE OF WARRANTS AND SUBSCRIPTION FOR NEW SHARES AND RESUMPTION OF TRADING**

**Placing Agent**



**BOCI Asia Limited**

On 14 June 2007, the Seller, Climax Associates Limited, the controlling shareholder of the Company, entered into the Placing Agreement with the Company and the Placing Agent, BOCI Asia Limited, pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 573,540,000 Placing Shares, on behalf of the Seller, to placees who are independent of the Company and its connected persons, at the price of HK\$0.81 per Placing Share. On the same date, the Seller informed the Company that the Seller has entered into the Seller Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best effort basis, up to another 200,000,000 Shares, on behalf of the Seller, to placees who are independent of the Company and its connected persons, at the price of HK\$0.81 per Share.

On 14 June 2007, the Company entered into the Warrant Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place Warrants attaching the rights to subscribe for 143,380,000 Shares on the basis of the Initial Exercise Price of HK\$0.94 per Warrant Share, on behalf of the Company, to placees who are independent of the Company and its connected persons, at the issue price of HK\$0.08 per Warrant. Completion of the Warrant Placing Agreement is not conditional upon completion of the Placing Agreement and the Subscription Agreement, or vice versa.

On 14 June 2007, the Seller, Climax Associates Limited, the controlling shareholder of the Company, entered into the Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue to the Seller 573,540,000 Subscription Shares at the price of HK\$0.81 per Subscription Share. Completion of the Subscription Agreement is conditional upon the completion of the Placing Agreement.

Each of the Seller Placing Agreement, Warrant Placing Agreement and the Top-up Arrangement is not inter-conditional with each other.

The net proceeds from the Subscription will amount to approximately HK\$449.6 million. The net proceeds from the Warrant Placing will amount to approximately HK\$11.0 million. The aggregate amount of approximately HK\$460.6 million from the Subscription and the Warrant Placing is intended to apply as to approximately HK\$250,000,000 for the funds needed for the non-ferrous metal business, including but not limited to, the investment in the sino-foreign joint venture company to be formed by the Company and 大冶有色金屬公司 (Daye Nonferrous Metals Company) as detailed in the announcement of the Company dated 22 May 2007, and the balance of approximately HK\$210.6 million for general working capital of the Group.

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 2:30 p.m. on 12 June 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 June 2007.

## 1. PLACING AGREEMENT

On 14 June 2007, the Seller, Climax Associates Limited, the controlling shareholder of the Company, entered into the Placing Agreement with the Company and the Placing Agent, BOCI Asia Limited, pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 573,540,000 Placing Shares, on behalf of the Seller, to placees who are independent of the Company and its connected persons, at the price of HK\$0.81 per Placing Share.

To the best of the knowledge and belief of the Directors, and after making all reasonable enquiry, each of the Placing Agent and its ultimate beneficial owner(s) is third party independent of the Company and its connected persons.

On the same date, the Seller informed the Company that the Seller has entered into the Seller Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best effort basis, up to 200,000,000 Shares, on behalf of the Seller, to placees who are independent of the Company and its connected persons, at the price of HK\$0.81 per Share.

### **The Placing Shares**

Pursuant to the Placing Agreement, the Placing Agent agreed to place the Placing Shares, on behalf of the Seller, to independent placees at the price of HK\$0.81 per Placing Share. The number of placees shall be not less than six. The placees and their respective ultimate beneficial owners will be professional institutional or other investors independent of the Company and its connected persons. The Company does not expect that any placees will become its substantial shareholder upon the completion of the Placing Agreement and the Subscription Agreement.

The Placing Shares represent approximately 16.0% of the Company's issued share capital as at the date of this announcement, and approximately 13.8% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (but prior to the conversion of the Warrants).

### **The Placing Price**

The Placing Price is HK\$0.81 per Placing Share (exclusive of stamp duty, brokerage, if any) and represents:

- (i) a discount approximately 10.0% to the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 7.1% to the average closing price of HK\$0.872 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 1.6% to the average closing price of HK\$0.797 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

The Placing Price was negotiated on an arm's length basis between the Seller, the Company and the Placing Agent. The Directors (including independent non-executive Directors) consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

In consideration of the Placing Agent performing its obligations under the Placing Agreement, the Company will pay the Placing Agent a commission of 2.5% on the amount equal to the total sum of the Placing Price multiplied by the number of Shares placed by the Placing Agent. The commission was negotiated based on normal commercial terms and the Directors (including the independent non-executive Directors) are of the view that the placing commission payable to the Placing Agent is reasonable.

The placing commission under the Seller Placing Agreement for the placing of 200,000,000 Shares will be borne by the Seller.

### **Rights of the Placing Shares**

The Placing Shares are sold by the Seller free from all third party rights, liens, charges, options, equities and encumbrances and together with all rights attaching thereto including the right to receive all dividends and distributions declared, made or paid after the completion date.

### **Lock-up undertakings**

Pursuant to the Placing Agreement, the Company undertakes to the Placing Agent that it will not, and the Seller undertakes to the Placing Agent that it will not vote for any resolution to approve, for a period of three months from the completion of the Placing Agreement, except for the Subscription Shares to be issued under the Subscription Agreement, the Warrant Shares and the Shares to be issued pursuant to the terms of any employee share option scheme of the Company (i) allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe (either conditionally or unconditionally, or directly or indirectly, or otherwise) any Shares or any interests in Shares or any securities convertible into or exercisable or exchangeable for or substantially similar to any Shares or interest in Shares or (ii) agree (conditionally or unconditionally) to enter into or effect any such transaction with the same economic effect as any of the transactions described in (i) above or (iii) announce any intention to enter into or effect any such transaction described in (i) or (ii) above without first having obtained the written consent of the Placing Agent, such consent not to be unreasonably withheld.

### **Completion of the Placing**

Completion of the Placing shall take place on or around 20 June 2007 or such later time and/or date as the Seller, the Company and the Placing Agent may agree.

## **2. WARRANTS PLACING AGREEMENT**

On 14 June 2007, the Company entered into the Warrant Placing Agreement with the Placing Agent, BOCI pursuant to which the Placing Agent agreed to place Warrants attaching the rights to subscribe for 143,380,000 Shares on the basis of the Initial Exercise Price of HK\$0.94 per Warrant Share, on behalf of the Company, to places who are independent of the Company and its connected persons, at the issue price of HK\$0.08 per Warrant.

### **The Warrants**

Assuming full exercise of the Warrants, the Company will issue 143,380,000 Shares, representing approximately 4.0% of the existing issued share capital of the Company as at the date of this announcement or approximately 3.3% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and the Warrant Shares. The Warrant Shares will be issued under the general mandate granted to the Directors on 13 February 2007, which allows them to issue up to 716,942,514 Shares. Such general mandate has not been used as at the date of this announcement. There is no outstanding convertible securities of the Company as at the date of this announcement. The Warrant Shares, when fully paid, issued, and allotted, will rank *pari passu* in all respects with the Shares then in issue.

### **Issue price and Initial Exercise Price**

The total issue price of the Warrants is HK\$11,470,400 (equivalent to HK\$0.08 per Warrant), payable in cash upon completion of the Placing Agreement. The Initial Exercise Price is HK\$0.94 per Share, subject to adjustments for subdivision or consolidation of Shares, capitalization issue from profits or reserve, capital distribution, rights issues and other dilutive events as set out in the Warrant instrument.

The Initial Exercise Price per Warrant Share represents:

- (i) a premium of approximately 4.4% over the closing price of HK\$0.90 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 7.8% over the average of the closing price of HK\$0.872 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 17.9% over the average of the closing price of HK\$0.797 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day; and
- (iv) a premium of approximately 54.7% over the average of the closing price of approximately HK\$0.6075 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day.

### **Exercise Period**

The Warrants shall be exercisable, in whole or in part, at any time during the one-year period commencing from the second Business Days following the date on which the conditions of the Warrant Placing Agreement are fulfilled issue date thereof.

### **Transferability**

Rights of the Warrant holders represented by the Warrants shall be transferable in whole amounts or multiples of the Initial Exercise Price for the time being in force. No assignment or transfer of the Warrants to any connected persons of the Company or any its subsidiaries without the prior written approval of the Company.

## **Conditions precedent**

Completion of the Warrant Placing Agreement is conditional upon, among others, the following:

- (i) the giving of consent by the Bermuda Monetary Authority to the issue of the Warrants and to the allotment and issue of all Warrant Shares to be issued on exercise of the subscription rights attaching to the Warrants (if necessary);
- (ii) the granting by the Listing Committee of the listing of, and permission to deal in, all Warrant Shares to be issued on exercise of the subscription rights attaching to the Warrants; and
- (iii) the Company having obtained confirmation from the Bermuda legal counsels confirming that no prospectus is required to be issued or published for the placing of the Warrants.

According to the Warrant Placing Agreement, if the conditions have not been satisfied on or before 12:00 noon on 15 July 2007 (or such other date as the parties may agree in writing), the obligations of the Placing Agent in respect of the placing of Warrants under the Warrant Placing Agreement shall cease and determine.

The Warrants will not be listed or dealt on the Stock Exchange or other stock exchanges. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Warrants Shares.

## **Completion**

Completion of the Warrant Placing Agreement shall take place on the date being two Business Days following the fulfillment of the conditions as referred to in the above paragraph headed “*Conditions precedent*” (or such other time and/or date as the Company and the Placing Agent may agree).

Completion of the Warrant Placing Agreement is not conditional upon completion of the Placing Agreement and the Subscription Agreement, or vice versa.

## **3. SUBSCRIPTION AGREEMENT**

On 14 June 2007, the Seller entered into the Subscription Agreement with the Company, pursuant to which the Company has conditionally agreed to allot and issue to the Seller 573,540,000 Subscription Shares at the price of HK\$0.81 per Subscription Share.

### **The Subscription Shares**

The Company will allot and issue and the Seller will subscribe for 573,540,000 new Shares, representing approximately 16.0% of the Company’s existing issued share capital as at the date of this announcement and 13.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Subscription Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 13 February 2007. Such general mandate has not been used as at the date of this announcement.

### **Subscription Price**

The Subscription Price is HK\$0.81 per Subscription Share. The net proceeds from the Subscription will be approximately HK\$449.6 million, being the total Subscription Price after deducting the fees, costs and other expenses incurred in relation to the Subscription.

### **Ranking of the Subscription Shares**

The Subscription Shares, when fully paid, allotted and issued, will rank *pari passu* in all respects among themselves and with the then existing issued Shares.

### **Conditions of the Subscription**

Completion of the Subscription is conditional upon the fulfillment of the followings:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Subscription Shares;
- (b) completion of the Placing in accordance with the terms of the Placing Agreement; and
- (c) (if so required) the Bermuda Monetary Authority granting permission for the allotment and issue of the Subscription Shares.

### **Completion of the Subscription:**

Completion of the Subscription Agreement is conditional upon the completion of the Placing Agreement. The conditions in the Subscription Agreement are expected to be fulfilled on or before 28 June 2007. Completion of the Subscription shall take place on the second Business Day after the fulfillment of the conditions. If any of the above conditions is not fulfilled on or before 28 June 2007 (or such later date as may be agreed between the Company and the Seller), all rights, obligations and liabilities of the parties in relation to the Subscription shall cease and determine and none of the parties shall have any claim against any other in respect of the Subscription.

In the event that the Company and the Seller postpone the long-stop date for fulfillment of the conditions and the Subscription is not completed within 14 days of the signing of the Placing Agreement, the Subscription will constitute a connected transaction under the Listing Rules which will require the approval of the independent Shareholders and the Company will take steps to ensure compliance with the Listing Rules and further announcement will be made by the Company in this regard accordingly.

Each of the Seller Placing Agreement, Warrant Placing Agreement and the Top-up Arrangement is not inter-conditional with each other.

#### 4. SHAREHOLDING STRUCTURE

Set out below is the shareholding structure of the Company (i) as at the date of this announcement, (ii) immediately after the allotment and issue of the Placing Shares, (iii) immediately after the allotment and issue of the Subscription Shares and (iv) immediately after the exercise of the subscription rights attached to the Warrants :

	As at the date of this announcement		Immediately after the allotment and issue of the Placing Shares and following the completion of the Seller Placing Agreement		Immediately after the allotment and issue of the Placing Shares and the Subscription Shares		Immediately after the allotment and issue of the Placing Shares, the Subscription Shares, and the Warrant Shares upon the exercise of the subscription rights attached to the Warrants	
	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)	Shares	% (approx.)
The Seller Public	1,901,810,000	53.1	1,128,270,000	31.5	1,701,810,000	40.9	1,701,810,000	39.6
The places for the Placing Shares	-	-	573,540,000	16.0	573,540,000	13.8	573,540,000	13.3
The places for the Warrants Shares	-	-	-	-	-	-	143,380,000	3.3
Other public Shareholders	1,682,902,570	46.9	1,882,902,570	52.5	1,882,902,570	45.3	1,882,902,570	43.8
Total	<u>3,584,712,570</u>	<u>100.0</u>	<u>3,584,712,570</u>	<u>100.0</u>	<u>4,158,252,570</u>	<u>100.0</u>	<u>4,301,632,570</u>	<u>100.0</u>

#### 5. REASONS FOR THE PLACING, THE WARRANT PLACING AND THE SUBSCRIPTION

The Directors believe that the terms of the Placing, the Warrant Placing and the Subscription, including the Placing Price, the issue price per Warrant, the Initial Exercise Price and the Subscription Price, which have been negotiated on an arm's length basis in accordance with normal commercial terms, are fair, reasonable and in the interests of the Company and the Shareholders as a whole. The Directors consider that the Placing, the Warrant Placing and the Subscription represent an opportunity to raise additional capital for the Company while further broadening the shareholder base and the capital base of the Company.

The net proceeds from the Subscription will amount to approximately HK\$449.6 million (equivalent to a net Subscription price of approximately HK\$0.78 per Share). The net proceeds from the Warrant Placing will amount to approximately HK\$11.0 million. The Company intends to apply the aggregate amount of approximately HK\$460.6 million from the Subscription and the Warrant Placing as to approximately HK\$250,000,000 for the funds needed for the non-ferrous metal business, including but not limited to, the investment in the sino-foreign joint venture company to be formed by the Company and 大冶有色金属公司 (Daye Nonferrous Metals Company) as detailed in the announcement of the Company dated 22 May 2007, and the balance of approximately HK\$210.6 million for general working capital of the Group.

**6. FUND RAISING EXERCISE BY THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT**

<b>Date of Announcement</b>	<b>Nature of transaction</b>	<b>Underwriter/ Placing Agent</b>	<b>Gross Amount raised</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds</b>
21 April 2006	Open offer of 145,372,626 Shares (“Open Offer”)  Placing of 374,627,374 Shares (“April Placing”); and  Subscription of 2,075,000,000 Shares (“April Subscription”)	Grand Vinco Capital Limited    <b>(Subscriber)</b> Climax Associates Limited	Approximately HK\$8.7 million from Open Offer;  approximately HK\$22.5 million from the April Placing and  approximately HK\$83 million from the April Subscription	The aggregate net proceeds from the Open Offer, the April Placing and the April Subscription of approximately HK\$105 million is intended to be applied by the Company as follows: <ul style="list-style-type: none"> <li>– HK\$21.5 million for the settlement of the indebtedness of the Company;</li> <li>– where suitable manufacturing facility is identified, up to HK\$20 million for such investment; and</li> <li>– the remaining balance of HK\$63.5 million will be retained for the present as working capital for the Group.</li> </ul>	The aggregate net proceeds from the Open Offer, the April Placing and the April Subscription of approximately HK\$105 million has been applied (or if applicable, will be applied) by the Company, same as intended, as follows: <ul style="list-style-type: none"> <li>– HK\$21.5 million has been applied for the settlement of the indebtedness of the Company;</li> <li>– up to HK\$20 million will be applied for acquiring suitable manufacturing facility; and</li> <li>– approximately HK\$45.2 million were applied to the formation of (Qingyuan JCCL EPI Copper Limited);</li> <li>– approximately HK\$10.3 million has been applied for repurchase of the Shares; and</li> <li>– approximately HK\$8.0 million has been retained for general working capital of the Group</li> </ul>

<b>Date of Announcement</b>	<b>Nature of transaction</b>	<b>Underwriter/ Placing Agent</b>	<b>Gross Amount raised</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds</b>
5 December 2006	Subscription of 605,000,000 Shares (“December Subscription”)	Subscriber Climax Associates Limited	Approximately HK\$178.5 million	The net proceeds of approximately HK\$172 million was intended to be applied: <ul style="list-style-type: none"> <li>– as to approximately HK\$152 million for the funds needed for the non-ferrous metal business; and</li> <li>– as to HK\$20 million for general working capital of the Group</li> </ul>	The net proceeds of approximately HK\$172 million has been and will be applied: <ul style="list-style-type: none"> <li>– as to approximately HK\$149 million has been used for the non-ferrous metals business</li> <li>– approximately HK\$3 million has been used for the deposit in acquiring the shares in Guangzhou (Foshan) Metals Company Limited from Guangdong Guanghong International Trade Group Company Limited</li> <li>– approximately HK\$20 million will be used for general working capital.</li> </ul>

## 7. GENERAL

The Group is principally engaged in (i) non-ferrous metal business; and (ii) the sale and marketing of consumer electronic products. As set out in the Company’s 2006 annual report, the Group has diversifying its business to non-ferrous metals business after the completion of the restructuring proposal in 2006.

## 8. RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 2:30 p.m. on 12 June 2007 pending the release of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares with effect from 9:30 a.m. on 15 June 2007.

## 9. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“associates”	has the same meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	EPI (Holdings) Limited, a company incorporated in Bermuda whose shares are listed on The Stock Exchange
“connected persons”	has the same meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Initial Exercise Price”	the initial exercise price of HK\$0.94 per Warrant Share, subject to adjustments for subdivision or consolidation of shares, capitalization issue from profits or reserve, capital distribution, rights issues and other dilutive events as set out in the Warrant instrument, at which holders of the Warrants may subscribe for the Warrant Shares
“Last Trading Day”	12 June 2007, being the last day of trading of the Shares on the Stock Exchange before the publication of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing”	the placing of the Placing Shares pursuant to the terms of the Placing Agreement

“Placing Agreement”	the placing agreement dated 14 June 2007 made between the Seller, the Company and the Placing Agent in relation to the placing of 573,540,000 Placing Shares
“Placing Agent”	BOCI Asia Limited, a third party independent of the Seller, the Company and their respective associates
“Placing Shares”	an aggregate of up to 573,540,000 Shares beneficially owned by the Seller which the Placing Agent agreed to place on behalf of the Seller, to placees who are third parties independent of the Company and its connected persons the Placing Price
“Placing Price”	HK\$0.81 per Placing Share
“Seller”	Climax Associates Limited, a company incorporated with limited liability in the British Virgin Islands and owned as to 51% by Rich Concept Worldwide Limited, a company beneficially wholly-owned by Wong Chi Wing Joseph (an executive Director), 29% by Mr. Cheng Hairong (an executive Director) and 20% by Mr. Chu Kwok Chi Robert (an executive Director)
“Seller Placing Agreement”	the placing agreement dated 14 June 2007 made between the Seller and the Placing Agent in relation to the placing of 200,000,000 Shares beneficially owned by the Seller
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares by the Seller pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 14 June 2007 made between the Company and the Seller in relation to the Subscription
“Subscription Price”	HK\$0.81 per Subscription Share
“Subscription Shares”	an aggregate of up to 573,540,000 new Shares to be issued and allotted to the Seller pursuant to the Subscription Agreement
“Top-up Arrangement”	the Subscription Agreement and the Placing Agreement
“Warrants”	a total number of 143,380,000 Warrants to be issued by the Company
“Warrant Placing”	the placing of the Warrants pursuant to the terms of the Warrant Placing Agreement
“Warrant Placing Agreement”	the Warrant placing agreement dated 14 June 2007 made between the Company and the Placing Agent in relation to the Warrant Placing
“Warrant Shares”	143,380,000 new Shares which may fall to be issued and allotted upon the exercise of the subscription rights attaching to the Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board of  
**EPI (Holdings) Limited**  
**Hong Kin Choy, Bryan**  
*Company Secretary*

Hong Kong, 14 June 2007

*As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wong Chi Wing, Joseph, Mr. Cheng Hairong and Mr. Chu Kwok Chi, Robert, one non-executive Directors, namely Mr. Leung Hon Chuen and three independent non-executive Directors, namely, Mr. Xu Mingshe, Mr. Wu Xiaoke and Mr. Poon Kwok Shin, Edmond.*

*\* for identification purpose only*

Please also refer to the published version of this announcement in The Standard.