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**MAJOR AND CONNECTED TRANSACTION  
IN RELATION TO  
THE COOPERATION AGREEMENT**

**Financial adviser to EPI (Holdings) Limited**



On 11 December 2008 (after trading hours), SE Metals, Southstart and the Company entered into the Cooperation Agreement with Jiangtong Southern HK and SZ Jiangtong Southern, pursuant to which Southstart and Jiangtong Southern HK agreed to jointly manage SE Metals, a wholly owned subsidiary of the Company, and through SE Metals, to jointly develop the business in the overseas sourcing and import of scrap copper to the PRC. Jiangtong Southern HK will be primarily responsible for carrying out the operational activities of the SE Metals Group, including managing all day-to-day operations, handling hedging activities, liaising with customers and suppliers regarding the quality of materials and preparing business plans and budgets. In return, Jiangtong Southern HK will be entitled to receive an annual management fee equivalent to 50% of the annual distributable profit of the SE Metals Group (before management fee to Jiangtong Southern HK). If the SE Metals Group incurs loss for any financial year, Jiangtong Southern HK will pay compensation to the Company equivalent to 50% of such loss. In addition, pursuant to the Cooperation Agreement, Southstart granted Jiangtong Southern HK the Option to acquire 50% equity interest in SE Metals at the nominal price of HK\$1.0. The Option is exercisable during the period of 5 years commencing from the date of the Cooperation Agreement. The Company and SZ Jiangtong Southern have joined in the Cooperation Agreement to give certain exclusivity undertakings.

The entering into of the Cooperation Agreement constitutes a joint arrangement pursuant to Rule 14.04(1)(f) of the Listing Rules. Further, based on the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules, the entering into of the Cooperation Agreement constitutes a major transaction of the Company. In addition, SZ Jiangtong Southern is an associate of Jiangxi Copper Company Limited which has 40% interest in JCCL EPI and is the substantial shareholder of JCCL EPI. JCCL EPI is a 60% owned subsidiary of the Company. Accordingly, SZ Jiangtong Southern is a connected person of the Company and the joint arrangement contemplated under the Cooperation Agreement constitutes a connected transaction of the Company.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Cooperation Agreement. Guangdong Securities Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

A circular containing (i) further information relating to the Cooperation Agreement, (ii) a letter from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from Guangdong Securities Limited to the Independent Board Committee and the Independent Shareholders, (iv) accountants' report on SE Metals, (v) unaudited proforma statement of assets and liabilities of the Group, and (vi) a notice to convene the SGM will be despatched to the Shareholders in accordance with the Listing Rules.

## **THE COOPERATION AGREEMENT**

### **Date:**

11 December 2008

### **Parties:**

- (a) Southstart, a wholly owned subsidiary of the Company
- (b) Jiangtong Southern HK, a wholly owned subsidiary of SZ Jiangtong Southern
- (c) the Company
- (d) SZ Jiangtong Southern
- (e) SE Metals, a wholly owned subsidiary of the Company

### **Principal terms of the Cooperation Agreement:**

Pursuant to the Cooperation Agreement, Southstart, a wholly owned subsidiary of the Company and Jiangtong Southern HK, a wholly owned subsidiary of SZ Jiangtong Southern, agreed to jointly manage SE Metals, a wholly owned subsidiary of the Company, and through SE Metals, to jointly develop the business in the overseas sourcing and import of scrap copper to the PRC.

### *Term*

5 years from the date of the Cooperation Agreement unless the parties shall otherwise agree in writing.

### *Exclusivity*

Before the end of the Term, unless otherwise agreed between the Company and SZ Jiangtong Southern, each of them undertakes that the Group and SZ Jiangtong Southern Group (including their respective subsidiaries) respectively shall carry on its business of overseas sourcing of scrap copper for selling the same to the PRC through the SE Metals Group and shall not carry on such business in any manner whether independently or together with any third party or participate in the operation of any third party (including but not limited to direct or indirect investment in the equity interest of or by way of other investment in any companies carrying on similar business).

### *Board composition*

The Board would consist of three members, two of which will be appointed by Southstart and one of which by Jiangtong Southern HK.

### *Management of SE Metals*

A Management Committee will be established which shall comprise 4 members, with each of Southstart and Jiangtong Southern HK having the right to appoint 2 members. The Board will delegate to the Management Committee all decision making power in relation to day-to-day operations of SE Metals.

Jiangtong Southern HK will appoint the general manager of SE Metals, whilst the deputy general manager and department managers will be nominated by the general manager for the approval of the Management Committee. Other staff will be transferred either from Jiangtong Southern HK Group or the Southstart Group or recruited from outside as the Management Committee may determine.

Jiangtong Southern HK will be primarily responsible for carrying out the operational activities of the SE Metals Group, including managing all day-to-day operations, handling hedging activities, liaising with customers and suppliers regarding the quality of materials and preparing business plans and budgets.

As set out in the Cooperation Agreement, the following matters (including decisions of the Management Committee) shall first be approved by both Southstart and Jiangtong Southern HK in writing:

- (i) unless already provided for in an annual budget of the SE Metals Group approved by the parties to the Cooperation Agreement, entering into of any agreement which will create commitment or liability of more than HK\$200 million of the SE Metals Group;
- (ii) acquisition of any assets (other than those required for the normal operation of the SE Metals Group);
- (iii) any member of the SE Metals Group disposing of or creating any security interest or encumbrance against its assets;
- (iv) granting of or entering into any license agreements or arrangements in relation to intellectual properties rights of the SE Metals Group;

- (v) approval of annual budget of the SE Metals Group;
- (vi) entering into any transactions other than in the usual and ordinary course of business of the SE Metals Group of more than HK\$100,000; and
- (vii) making any decision relating to appointment, remuneration, compensation, transfer or dismissal of employees or consultants of the SE Metals Group with remuneration or fees of HK\$1 million or more per annum.

Unless authorised by the Management Committee, Jiangtong Southern HK shall not enter into any agreements and/or make any arrangements which will subject SE Metals to any obligations or liabilities of any nature, whether absolute or contingent (including obligations or liabilities in the form of guarantee, indemnities, warranties, undertakings or any other forms) to any third parties.

#### *Financing arrangements*

If financing banks of SE Metals require securities or guarantees outside of the SE Metals Group, each of Southstart and Jiangtong Southern HK undertakes to arrange for the same on a 50:50 basis so as to support the financing activities of the SE Metals Group. The Management Committee may also resolve to require Southstart and Jiangtong Southern HK to provide cash advances for the operational needs of the SE Metals Group and such amount should also be advanced by Southstart and Jiangtong Southern HK on a 50:50 basis.

Jiangtong Southern HK will be responsible to determine the hedging activities of the SE Metals Group. If the hedging activities are conducted in the PRC with currency in Renminbi, Jiangtong Southern HK will arrange for the deposit required; if the hedging activities are conducted outside the PRC with currencies other than Renminbi, Southstart will arrange for the deposit required. All hedging costs, interests as well as profits and losses incurred as a result of the hedging activities will be borne by SE Metals.

Each of Southstart and Jiangtong Southern HK will not charge the SE Metals Group for any interests on guarantees, letter of credits and loans to, and hedging deposits paid on behalf of the SE Metals Group. Further, the aggregated bank guarantees, unexpired letter of credits and loans provided, and hedging deposits paid on behalf of the SE Metals Group by each of Southstart and Jiangtong Southern HK will be treated as loans to SE Metals and will not at any time exceed HK\$200 million. The financing of not more than HK\$200 million to be provided by each of Southstart and Jiangtong Southern HK to SE Metals was determined based on the estimated funding needs of SE Metals, the business prospects of SE Metals and the 50% sharing of profits of SE Metals by each of Southstart and Jiangtong Southern HK. Any further financing needs of the SE Metals Group will be subject to further agreement between Southstart and Jiangtong Southern HK, and in case any such further agreement should be subject to any requirements under the Listing Rules, the Company will comply with the relevant requirements of the Listing Rules as and when appropriate.

### *Management fee*

Jiangtong Southern HK will be entitled to receive an annual management fee equivalent to 50% of the annual distributable profit of the SE Metals Group (before management fee to Jiangtong Southern HK) based on audited consolidated financial statements of the SE Metals Group to be prepared based on Hong Kong Financial Reporting Standards and prepared by an auditor appointed by Southstart and Jiangtong Southern HK (or failing any agreement on such appointment 60 days prior to the end of a financial year, by the auditor of the Group). 80% of the management fee will be payable within 60 days after the audited consolidated financial statements of the SE Metals Group are issued and the payment of the remaining 20% will be determined by the Management Committee based on the cashflow position of the SE Metals Group. Subject to further agreement between Southstart and Jiangtong Southern HK, the management fee can be prepaid in several installments. No management fee will be payable for any financial year if the SE Metals Group does not generate distributable profit for such year.

In addition, if the SE Metals Group incurs loss for any financial year, Jiangtong Southern HK will pay compensation to Southstart equivalent to 50% of such loss which will be payable within 60 days from the date of issue of the audited consolidated financial statements of the SE Metals Group.

### *The Option*

Pursuant to the terms of the Cooperation Agreement, in consideration of a premium of HK\$1.00 paid by Jiangtong Southern HK to Southstart on the date of the Cooperation Agreement, Southstart granted Jiangtong Southern HK the Option to acquire 50% equity interest in SE Metals at the nominal price of HK\$1.0. Subject to the fulfillment of the condition precedent of the Cooperation Agreement as mentioned below, the Option is exercisable at the discretion of Jiangtong Southern HK anytime during the period of 5 years commencing from the date of the Cooperation Agreement. In the event that during the term of the Cooperation Agreement Jiangtong Southern HK has exercised the Option, no management fee will be payable for that particular year and afterwards; and the undertaking by Jiangtong Southern HK to compensate Southstart 50% of the loss incurred by the SE Metals Group will also cease.

### *Condition precedent*

The Cooperation Agreement is conditional upon all relevant approvals and requirements under the Listing Rules (including all necessary approvals by the Independent Shareholders) having been obtained and complied with by the Company.

None of the parties to the Cooperation Agreement has the right to waive the above condition. In the event that the above condition has not been fulfilled within 90 days from the date of the Cooperation Agreement, the Cooperation Agreement shall lapse and terminate and all obligations and liabilities of the parties shall cease.

## **INFORMATION ON SZ JIANGTONG SOUTHERN AND JIANGTONG SOUTHERN HK**

SZ Jiangtong Southern is a wholly owned subsidiary of Jiangxi Copper Corporation and is principally engaged in sales and distributions of non-ferrous metals and related metal products, cables and chemical products. By leveraging onto the massive resources and networks of Jiangxi Copper Corporation, SZ Jiangtong Southern is in the advantage to bridge the sales and trading networks between the Southern PRC and overseas.

Jiangtong Southern HK is a wholly owned subsidiary of SZ Jiangtong Southern and is principally engaged in trading and sales of scrap copper and various copper products. It serves as one of the major trading platform of Jiangxi Copper Corporation.

## **REASONS FOR AND BENEFITS OF ENTERING INTO OF THE COOPERATION AGREEMENT**

The Group is principally engaged in sourcing and trading of non-ferrous metals and audio-visual products, and through JCCL EPI, engaged in copper smelting and production of copper anode.

SE Metals has not carried on any significant business activities since its incorporation in 2 October 2008 and did not prepare any financial statement. As at 30 November 2008, the net deficit of SE Metals was approximately HK\$32,000. After fulfillment of the condition precedent, the Group will conduct its business in trading of scrap copper through SE Metals and SE Metals will serve as the overseas scrap copper trading platform of the Group and Jiangxi Copper Corporation. After fulfillment of the condition precedent, SE Metals will become the jointly controlled entity of the Group and the Group will recognise its interest in SE metals using proportionate consolidation. The Directors are of the view that by combining SZ Jiangtong Southern's expertise and experience in trading of copper related raw materials and other non-ferrous metals with the Group's existing business network in the business, the Cooperation Agreement will further strengthen the Group's business in trading of copper related raw materials and other non-ferrous metals.

The Directors (excluding the independent non-executive Directors whose view is subject to the advice from the independent financial adviser) consider that the terms of the Cooperation Agreement are on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

The entering into of the Cooperation Agreement constitutes a joint arrangement pursuant to Rule 14.04(1)(f) of the Listing Rules. Further, based on the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules, the entering into of the Cooperation Agreement constitutes a major transaction of the Company. In addition, SZ Jiangtong Southern is an associate of Jiangxi Copper Company Limited which has 40% interest in JCCL EPI and is the substantial shareholder of JCCL EPI. JCCL EPI is a 60% owned subsidiary of the Company. Accordingly, SZ Jiangtong Southern is a connected person of the Company and the joint arrangement contemplated under the

Cooperation Agreement constitutes a connected transaction of the Company. The Cooperation Agreement and the transactions contemplated thereunder will be subject to the approval of the Independent Shareholders at the SGM.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Cooperation Agreement. As none of the independent non-executive Directors has material interest in the Cooperation Agreement, all of them are eligible for acting as members of the Independent Board Committee. Guangdong Securities Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As confirmed by SZ Jiangtong Southern, neither itself nor its associates are interested in any Shares. Accordingly, none of the Shareholders has an interest in the Cooperation Agreement which is different from other Shareholders and thus none of the Shareholders is required to abstain from voting at the SGM.

A circular containing (i) further information relating to the Cooperation Agreement, (ii) a letter from the Independent Board Committee to the Independent Shareholders, (iii) a letter of advice from Guangdong Securities Limited to the Independent Board Committee and the Independent Shareholders, (iv) accountants' report on SE Metals, (v) unaudited proforma statement of assets and liabilities of the Group, and (vi) a notice to convene the SGM will be despatched to the Shareholders in accordance with the Listing Rules.

## **DEFINITION**

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

|                         |   |
|-------------------------|---|
| “associate”             | has the meaning ascribed to it under the Listing Rules  |
| “Board”                 | board of directors of SE Metals   |
| “Company”               | EPI (Holdings) Limited, a company incorporated in Bermuda with limited liabilities, the shares of which are listed on the Stock Exchange  |
| “connected persons”     | has the meaning ascribed to it under the Listing Rules  |
| “Cooperation Agreement” | the agreement dated 11 December 2008 entered into between Southstart, SE Metals, the Company, Jiangtong Southern HK and SZ Jiangtong Southern in relation to, among others, the management of the SE Metals Group and the grant of the Option |
| “Directors”             | directors of the Company  |

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|-------------------------------|--|
| “Group”                       | the Company and its subsidiaries   |
| “Hong Kong”                   | the Hong Kong Special Administrative Region of the PRC   |
| “HK\$”                        | Hong Kong dollars, the lawful currency of Hong Kong  |
| “Independent Board Committee” | the independent board committee of the Company formed by all independent non-executive Directors to advise the Independent Shareholders on the terms of the Cooperation Agreement                              |
| “Independent Shareholders”    | Shareholders who are not required to abstain from voting at the SGM  |
| “JCCL EPI”                    | 清遠江銅長盈銅業有限公司 (Qingyuan JCCL EPI Copper Limited*), an equity joint venture company incorporated in the PRC with limited liability and is owned as to 60% by the Group and 40% by Jiangxi Copper Company Limited |
| “Jiangtong Southern HK”       | Jiangtong Southern (Hongkong) Limited (江銅南方(香港)有限公司), a company incorporated in Hong Kong with limited liability and is wholly owned by SZ Jiangtong Southern  |
| “Jiangtong Southern HK Group” | Jiangtong Southern HK and its subsidiaries   |
| “Listing Rules”               | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Management Committee”        | has the meaning ascribed to this term in paragraph headed “Management of SE Metals” under the section of “Principal Terms of the Cooperation Agreement” in this announcement                                   |
| “Option”                      | the option Southstart granted to Jiangtong Southern HK to acquire 50% equity interest in SE Metals at the nominal price of HK\$1.0.  |
| “PRC”                         | the People’s Republic of China and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan  |
| “SE Metals”                   | SE Metals Limited, a wholly owned subsidiary of the Company as at the date of this announcement  |
| “SE Metals Group”             | SE Metals and its subsidiaries (if any). As at the date of this announcement, SE Metals has no subsidiary  |

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|-------------------------|--|
| “SGM”                   | the special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Cooperation Agreement and the transactions contemplated therein |
| “Shareholders”          | holders of the Shares  |
| “Shares”                | the shares of HK\$0.01 each in the share capital of the Company  |
| “Stock Exchange”        | The Stock Exchange of Hong Kong Limited  |
| “subsidiary”            | has the meaning ascribed to it under the Listing Rules   |
| “Southstart”            | Southstart Limited (南興有限公司*), a company incorporated in the British Virgin Island with limited liability and is indirectly wholly owned by the Company   |
| “Southstart Group”      | Southstart and its subsidiaries  |
| “SZ Jiangtong Southern” | 深圳江銅南方總公司 (Shenzhen Jiangtong Southern Company Limited*), a company established in the PRC and is wholly owned by Jiangxi Copper Corporation   |
| “Term”                  | term of the Cooperation Agreement of 5 years from the date of Cooperation Agreement, unless the parties otherwise agree in writing   |

For and on behalf of  
**EPI (Holdings) Limited**  
**Wong Chi Wing, Joseph**  
*Chairman*

Hong Kong, 11 December 2008

*As at the date of this announcement, the board of directors of the Company comprises of three executive Directors, namely, Mr. Wong Chi Wing, Joseph, Mr. Cheng Hairong and Mr. Chu Kwok Chi, Robert, one non-executive Director, namely Mr. Leung Hon Chuen and three independent non-executive Directors, namely Mr. Qian Zhi Hui, Mr. Xu Mingshe and Mr. Poon Kwok Shin, Edmond.*

\* For identification purpose only