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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)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2008**

**RESULTS**

The board of directors (the “Directors”) of EPI (Holdings) Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2008 with comparative figures for the year ended 31 December 2007.

**CONSOLIDATED INCOME STATEMENT**

		<b>Year ended 31 December</b>	
	<i>Note</i>	<b>2008</b>	<b>2007</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	3	<b>2,546,532</b>	2,053,000
Cost of sales		<b>(2,458,477)</b>	(1,927,189)
Gross profit		<b>88,055</b>	125,811
Other income	4	<b>62,785</b>	65,126
Distribution and selling expenses		<b>(37,097)</b>	(35,071)
Administrative expenses		<b>(84,399)</b>	(63,183)
Other expenses	5	<b>(20,475)</b>	(11,079)
Finance costs	6	<b>(7,988)</b>	(3,537)
Profit before taxation		<b>881</b>	78,067
Taxation	7	<b>(8,714)</b>	(14,556)
(Loss) profit for the year	8	<b>(7,833)</b>	63,511
Attributable to:			
Equity holders of the Company		<b>(3,993)</b>	63,511
Minority interests		<b>(3,840)</b>	–
		<b>(7,833)</b>	63,511
(Loss) earnings per share			
– basic	10	<b>(0.10) HK cent</b>	1.64 HK cents
– diluted	10	<b>N/A</b>	1.59 HK cents

\* For identification purpose only

## CONSOLIDATED BALANCE SHEET

		Year ended 31 December	
	Note	2008	2007
		HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		43,334	30,541
Goodwill		14,996	—
Deposit for acquisition of property, plant and equipment		—	815
Prepaid lease payments		22,729	18,674
Loan receivables		—	24,933
Financial assets at fair value through profit or loss		2,684	2,340
		<u>83,743</u>	<u>77,303</u>
Current assets			
Inventories		47,785	146,064
Loan receivables		30,000	24,000
Trade and other receivables	11	930,253	671,102
Trade receivable from a joint venture partner		1,024	17,057
Held-for-trading investments		24,836	9,673
Derivative financial instruments		25,205	1,999
Prepaid lease payments		538	424
Pledged bank deposits		43,711	26,918
Bank balances and cash		99,388	145,047
		<u>1,202,740</u>	<u>1,042,284</u>
Current liabilities			
Trade and other payables	12	140,940	106,420
Derivative financial instruments		22	1,126
Bank borrowings		307,338	214,291
Taxation payable		23,816	15,898
		<u>472,116</u>	<u>337,735</u>
Net current assets		<u>730,624</u>	<u>704,549</u>
Total assets less current liabilities		<u><u>814,367</u></u>	<u><u>781,852</u></u>
Capital and reserves			
Share capital		41,313	41,350
Reserves		731,062	740,502
Equity attributable to equity holders of the Company		<u>772,375</u>	<u>781,852</u>
Share options reserve of a subsidiary		2,238	—
Minority interests		39,754	—
Total equity		<u><u>814,367</u></u>	<u><u>781,852</u></u>

## 1. BASIS OF PREPARATION

The consolidated balance sheet as at 31 December 2008, and the consolidated income statement for the year then ended and the related notes 1 to 12 are extracted from the Group's consolidated financial statements for the year ended 31 December 2008. The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. These policies have been consistently applied to the two years presented, unless otherwise stated. The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)-Int 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC)-Int 12	Service concession arrangements
HK(IFRIC)-Int 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of financial statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving disclosures about financial instruments <sup>2</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC)-INT 9 & HKAS 39 (Amendments)	Embedded derivatives <sup>4</sup>
HK(IFRIC)-INT 13	Customer loyalty programmes <sup>5</sup>
HK(IFRIC)-INT 15	Agreements for the construction of real estate <sup>2</sup>
HK(IFRIC)-INT 16	Hedges of a net investment in a foreign operation <sup>6</sup>
HK(IFRIC)-INT 17	Distribution of non-cash assets to owners <sup>3</sup>
HK(IFRIC)-INT 18	Transfers of assets from customers <sup>7</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2009.
- <sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.
- <sup>4</sup> Effective for annual periods ending on or after 30 June 2009.
- <sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.
- <sup>6</sup> Effective for annual periods beginning on or after 1 October 2008.
- <sup>7</sup> Effective for transfers on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after the beginning of the annual reporting period beginning on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

### 3. REVENUE AND SEGMENTS INFORMATION

Revenue represents the amounts received and receivable for goods sold by the Group to customers, less return, discounts and sales related taxes. An analysis of the Group's revenue, by business segments, is as follows:

#### (a) Business segments

For management purposes, the Group is currently organised into three operating divisions namely metals sourcing and trading, production of copper anode and consumer electronics. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Metals sourcing and trading	–	sourcing and trading of non-ferrous metals
Production of copper anode	–	manufacturing of copper anode
Consumer electronics	–	sourcing and trading of consumer electronics business

Segment information about these businesses is presented below.

**Year ended 31 December 2008**

*Consolidated income statement*

	<b>Metals sourcing and trading</b> <i>HK\$'000</i>	<b>Production of copper anode</b> <i>HK\$'000</i>	<b>Consumer electronics</b> <i>HK\$'000</i>	<b>Elimination</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Revenue					
External sales	1,285,960	881,514	379,058	–	2,546,532
Inter-segment sales	30,436	–	–	(30,436)	–
	<u>1,316,396</u>	<u>881,514</u>	<u>379,058</u>	<u>(30,436)</u>	<u>2,546,532</u>
Total	<u>1,316,396</u>	<u>881,514</u>	<u>379,058</u>	<u>(30,436)</u>	<u>2,546,532</u>
Inter-segment sales are charged at prevailing market price.					
Result					
Segment results	<u>96,972</u>	<u>(37,686)</u>	<u>5,220</u>	<u>–</u>	64,506
Unallocated income					11,646
Unallocated corporate expenses					<u>(75,271)</u>
Profit before taxation					881
Taxation					<u>(8,714)</u>
Loss for the year					<u>(7,833)</u>
Consolidated balance sheet					
<b>ASSETS</b>					
Segment assets	792,189	218,169	30,743		1,041,101
Unallocated corporate assets					<u>245,382</u>
Consolidated total assets					<u>1,286,483</u>
<b>LIABILITIES</b>					
Segment liabilities	140,780	67,893	9,091		217,764
Unallocated corporate liabilities					<u>254,352</u>
Consolidated total liabilities					<u>472,116</u>

Other information

	<b>Metals sourcing and trading</b>	<b>Production of copper anode</b>	<b>Consumer electronics</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Write-down of inventories	–	3,116	–	–	3,116
Amortisation of prepaid lease payments	–	570	–	–	570
Capital additions	55	2,093	22	7,753	9,923
Depreciation	96	1,783	183	1,685	3,747
Impairment loss recognised in respect of goodwill	–	14,251	–	–	14,251
Impairment loss recognised in respect of property, plant and equipment	–	–	–	715	715
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**Year ended 31 December 2007**

Consolidated income statement

	<b>Metals sourcing and trading</b>	<b>Production of copper anode</b>	<b>Consumer electronics</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
External sales	1,188,933	749,133	114,934	–	2,053,000
Inter-segment sales	79,583	–	–	(79,583)	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total	1,268,516	749,133	114,934	(79,583)	2,053,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Inter-segment sales are charged at prevailing market price.

Result					
Segment results	104,098	17,899	424	–	122,421
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Unallocated income					11,780
Unallocated corporate expenses					(56,134)
					<u>          </u>
Profit before taxation					78,067
Taxation					(14,556)
					<u>          </u>
Profit for the year					63,511
					<u>          </u>

Consolidated balance sheet

	<b>Metals sourcing and trading</b>	<b>Production of copper anode</b>	<b>Consumer electronics</b>	<b>Elimination</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	630,594	238,286	26,227		895,107
Unallocated corporate assets					224,480
					<hr/>
Consolidated total assets					1,119,587
					<hr/> <hr/>
<b>LIABILITIES</b>					
Segment liabilities	94,168	90,166	6,492		190,826
Unallocated corporate liabilities					146,909
					<hr/>
Consolidated total liabilities					337,735
					<hr/> <hr/>

Other information

	<b>Metals sourcing and trading</b>	<b>Production of copper anode</b>	<b>Consumer electronics</b>	<b>Unallocated</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Additions of prepaid lease payments	–	19,310	–	–	19,310
Write-down of inventories	–	1,479	–	–	1,479
Amortisation of prepaid lease payments	–	212	–	–	212
Capital additions	347	25,102	37	5,480	30,966
Depreciation	40	441	196	527	1,204
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**(b) Geographical segments**

All the Group's segment assets and capital expenditure incurred during the year are located in the People's Republic of China (the "PRC") (including Hong Kong), which is considered as one geographical location in an economic environment with similar risks and returns. In addition, over 90% of the Group's revenue by geographical market based on location of customers are also located in the PRC. Accordingly, no geographical segment analysis is presented.

#### 4. OTHER INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Bank interest income	1,398	4,613
Interest income from loan receivables	2,848	2,478
	<hr/>	<hr/>
Total interest income	4,246	7,091
	<hr/>	<hr/>
Change in fair value of financial assets classified as		
– held-for-trading	4,355	825
– derivative financial instruments	49,601	53,346
– designated as at FVTPL	344	–
	<hr/>	<hr/>
	54,300	54,171
	<hr/>	<hr/>
Others	4,239	3,864
	<hr/>	<hr/>
	62,785	65,126
	<hr/> <hr/>	<hr/> <hr/>

#### 5. OTHER EXPENSES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Impairment loss recognised in respect of goodwill	14,251	–
Impairment loss recognised in respect of property, plant and equipment	715	–
Loss on disposal of property, plant and equipment	85	–
Loss on disposal of a subsidiary	289	–
Expenses incurred in exploring potential investment opportunities	5,135	11,079
	<hr/>	<hr/>
	20,475	11,079
	<hr/> <hr/>	<hr/> <hr/>

#### 6. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	7,988	3,537
	<hr/> <hr/>	<hr/> <hr/>

## 7. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax		
– Current year	10,301	14,556
– Overprovision in prior years	(1,587)	–
	<u>8,714</u>	<u>14,556</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

The Group's jointly controlled entity is subject to taxation arising in other jurisdictions which is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate of the Group's jointly controlled entity to 25% from 1 January 2008 onwards.

The Group's jointly controlled entity is exempted from PRC Enterprise Income Tax for the first two profitable years starting from the year ended 31 December 2007 and a 50% reduction for the following three years. Under the New Law, the jointly controlled entity continues to enjoy such treatment until the fixed term expires, but not beyond 2012.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation	<u>881</u>	<u>78,067</u>
Tax at the applicable rates of 16.5% (2007: 17.5%)	145	13,662
Tax effect of income not taxable for tax purpose	(1,817)	(766)
Tax effect of expenses not deductible for tax purpose	3,863	3,983
Tax effect of tax losses not recognised as deferred tax asset	8,525	–
Tax effect of utilisation of tax losses previously not recognised as deferred tax asset	–	(122)
Effect of tax exemption granted to a PRC jointly controlled entity	–	(2,151)
Overprovision in prior years	(1,587)	–
Others	(415)	(50)
Tax charge for the year	<u>8,714</u>	<u>14,556</u>

At 31 December 2008, the Group had unused tax losses of HK\$44,499,000 (2007: nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit. Included in the unrecognised tax losses are losses of HK\$37,348,000 (2007: nil) that will expire in 2013. Other losses may be carried forward indefinitely.

## 8. (LOSS) PROFIT FOR THE YEAR

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit for the year has been arrived at after charging:		
Directors' remuneration	8,215	9,494
Other staff's retirement benefits costs	565	552
Other staff share-based payment expense	4,254	8,702
Other staff costs	22,857	17,486
	<hr/>	<hr/>
Total staff costs	35,891	36,234
	<hr/>	<hr/>
Amortisation of prepaid lease payments	570	212
Auditor's remuneration	2,050	1,600
Depreciation of property, plant and equipment	3,747	1,204
Exchange loss, net	1,008	1,959
Minimum lease payments under operating leases in respect of		
– office properties and buildings	7,186	3,307
– machinery	560	-
Write-down of inventories	3,116	1,479
	<hr/> <hr/>	<hr/> <hr/>

## 9. DIVIDENDS

Dividend recognised as distribution during the year:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
2007 final dividend-HK0.25 cents per share (2007: 2007 interim dividend-HK0.25 cents per share)	10,328	10,338
	<hr/> <hr/>	<hr/> <hr/>

No dividend was proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: final dividend for 2007 of HK0.25 cents).

## 10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<u>(Loss) earnings</u>		
(Loss) earnings for the purposes of basic (loss) earnings per share	<u><u>(3,993)</u></u>	<u><u>63,511</u></u>
	2008 <i>'000</i>	2007 <i>'000</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	<u><u>4,130,188</u></u>	3,872,418
Effect of dilutive potential ordinary shares:		
Options		<u>133,630</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share		<u><u>4,006,048</u></u>

The diluted loss per share for the year ended 31 December 2008 was not presented as the exercise of the share options would result in a decrease in loss per share.

The computation of diluted earnings per share for the year ended 31 December 2007 did not assume the exercise of the Company's outstanding warrants and certain of the Company's share options as the exercise price of those warrants/options is higher than the average market price for shares for the period in which the warrants/options were outstanding.

## 11. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	738,299	502,304
Bills receivables	30,912	28,756
	<u>769,211</u>	<u>531,060</u>
Other tax recoverable	9,185	–
Prepayments to an associated company of a joint venture partner ( <i>note a</i> )	67,129	–
Prepayments to other suppliers	35,140	72,755
Margin deposits to financial institutions	34,468	20,353
Other receivables and deposits ( <i>note b</i> )	15,120	46,934
	<u>930,253</u>	<u>671,102</u>

*Notes:* (a) As at 31 December 2008, prepayment to an associated company of a joint venture partner represents the prepayment for purchase of scrap copper.

(b) As at 31 December 2007, other receivables included balances of HK\$14,890,000 receivable from independent third parties. The amounts were unsecured and interest free and were fully repaid during the year ended 31 December 2008. In addition, as at 31 December 2007, a balance of HK\$23,173,000 was receivable from a bank in respect of commodity forward trading settlement balance. This amount was settled in full during the year ended 31 December 2008.

The Group allows on average credit period of 90 days to its trade customers. At the discretion of the directors, several major customers are allowed to settle their balances beyond the normal credit terms up to 180 days. The following is an aged analysis of trade and bills receivables at the reporting date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0-30 days	204,854	321,239
31-60 days	105,298	106,572
61-90 days	165,497	103,249
91-120 days	293,562	–
	<u>769,211</u>	<u>531,060</u>

## 12. TRADE AND OTHER PAYABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade payables	41,972	79,390
Bills payables	44,916	12,005
	<hr/>	<hr/>
	86,888	91,395
Deposits received from a jointly controlled entity ( <i>note</i> )	40,561	–
Other payables and accruals	13,491	15,025
	<hr/>	<hr/>
	<b>140,940</b>	<b>106,420</b>
	<hr/> <hr/>	<hr/> <hr/>

*Note:* As at 31 December 2008, deposits received from a jointly controlled entity represents the deposits for sales of scrap copper.

The following is an aged analysis of trade and bills payables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0-30 days	35,280	89,601
31-60 days	–	1,794
61-90 days	4,439	–
91-180 days	44,916	–
Over 180 days	2,253	–
	<hr/>	<hr/>
	<b>86,888</b>	<b>91,395</b>
	<hr/> <hr/>	<hr/> <hr/>

The average credit period on purchases of goods is 30 days.

Included in bills payables at 31 December 2008 is an amount of HK\$17,100,000 (2007: nil) which is for settlement of a trade payable due to an associated company of a joint venture partner.

All of the other payables are unsecured, interest free and expected to be settled within one year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Copper Market in 2008

At the beginning of the year, China's copper industry was impacted by snow storms and heavy rainfall yet demand from the electric power sector for refined copper was increasingly strong. 3-month copper prices quoted on the London Metal Exchange ("LME") and Shanghai Futures Exchange ("SHFE") were range-round at high levels from the beginning of the year to early July. During this period, LME copper futures reached a historical high of US\$8,940 per tonne.

The LME and SHFE markets diverged during March and July. 3-month LME copper fluctuated at high levels and hit new highs, while copper prices did not advance accordingly in the China market due to increasing output and weakening demand. SHFE copper futures set a high record of RMB70,550 per tonne and then moved down ahead of the LME price.

By the end of September, the US subprime mortgage crisis further deteriorated leading to a global economic downturn, which brought on a slump in both the capital markets and commodity markets. Copper consumption immediately contracted, leading to continuous price falls, with prices falling sharply in less than three months. Panic selling of copper futures on LME sent the price down by 40% in October, while copper futures on SHFE tumbled by their daily limits continuously. In the following two months, both markets maintained their weak trend, and prices fluctuated at low levels. By the end of the year, the closing price of copper futures on LME declined to US\$2,996.10 per tonne and SHFE copper futures fell to RMB24,000 per tonne.

Many overseas scrap yard owners had been severely hit by the sudden collapse of copper price during the financial meltdown because the buyers failed to take delivery of orders whilst at the same time, banks withdrew credit. They accordingly had to liquidate the inventories on hand to meet their financing needs. The forced sales drove prices down further and towards the end of the year the prices of copper cathodes were at levels below the cost of production. The surviving scrap yard owners were reluctant to offer product at these levels.

## **Financial Review**

The turnover for the year ended 31 December 2008 was HK\$2.547 billion, an increase of 24% from HK\$2.053 billion for the year ended 31 December 2007. The increase of the turnover was mainly attributable to the first three quarters of 2008. The business activities of the Group were forced to slow down in the last quarter of 2008 when the copper prices were at low levels. During the time the supply chain for scrap copper broke down because the operation costs at each stage of supply were higher than the selling prices and the vendors were reluctant to give offers.

Despite the difficult business environment, the Group managed to achieve a profit before taxation of HK\$881,000. After providing HK\$8.7 million profit tax, the Group recorded a loss for the year of HK\$7.8 million, comparable to a profit after taxation of HK\$63.5 million for the previous year.

The main reasons for the drop in profit were:

1. The margin of the scrap copper trading business shrank during the year due to difficult business environment in 2008.
2. Copper anode production recorded a loss in the last quarter of 2008 as the extreme market volatility and the shortage in materials supply resulted in inefficient operations.

3. An increase in the share of administrative expenses after the acquisition of Vision Tech International Holdings Limited (HKSE Stock no. 0922) and a further acquisition of 9% equity interest in Qingyuan JCCL EPI Copper Limited, a joint venture company with Jiangxi Copper Limited.
4. An adjustment of HK\$14.25 million impairment loss recognised in respect of goodwill.

## Operations Review

During the period under review, the Group's operations comprised the sourcing and trading of non-ferrous metals, production of copper anode and consumer electronics business.

### Non-ferrous metals sourcing and trading

	<b>2008</b>	<b>2007</b>	<b>%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>change</b>
Turnover	<b>1,285,960</b>	1,188,933	+8.16%
Segment Profit	<b>96,972</b>	104,098	-6.85%

During 2008, the Group's trading business in Hong Kong sourced 23,474 tonnes of copper cathodes and scrap copper including No. 1 Copper (Copper Content minimum 97%), No. 2 Copper (Copper Content 94%-96%) and Light Copper (Copper Content 88%-92%), 18,398 tonnes of low copper content copper reclaims and 8,386 tonnes other non-ferrous metals including aluminum ingot and scrap aluminum. The sourcing took place in China and in overseas markets including the United States, Europe and Asia.

The trading activities slowed down in the last quarter of 2008, when vendors were reluctant to offer the scrap copper at below cost following sudden collapse of copper prices in October.

### Copper anode production

	<b>2008</b>	<b>2007</b>	<b>%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>change</b>
Turnover	<b>881,514</b>	749,133	+17.67%
Segment Profit/(Loss)	<b>(37,686)</b>	17,899	N/A

Our joint venture smelting plant in Qingyuan commenced full operations in June 2007 and the turnover for the same period last year was not on a comparable basis to the period under review. For the year ended 31 December 2007, the smelting plant produced 24,457 tonnes of copper anode.

The smelting plant produced and sold 17,242 tonnes of copper anode to Jiangxi Copper in the first half of 2008. The smelting plant did not run at full operating capacity during the period. Heavy snows in the northern part of China during the Lunar New Year affected the transportation of products. Flooding in

Guangdong Province at the end of May 2008 affected the local supply of raw materials for production. Both incidents affected the smelting plant, causing it to slow production and during June 2008, the smelting plant scheduled an early shut down for maintenance over three weeks, coinciding with the time when the supply of local raw materials was tight.

The smelting plant gradually increased its production capacity following the maintenance shut down and by the end of third quarter was running at full production capacity, reaching approximately 5,000 tonnes a month.

The Group treated the smelting plant as an important platform of the partnership with Jiangxi Copper from which other cooperative ventures may develop in the future. To enhance the relationship with Jiangxi Copper, the Group acquired an additional 9% equity interest in the smelting plant. Following the completion of the transaction on 17 September 2008, the Group owned a 60% equity interest in the smelting plant.

The loss on copper anode production was mainly attributable to the fourth quarter for 2008. The plant had been forced to slow production due to the shortage of materials. The inefficient use of production capacity led to high product fault rate and the plant could not be run at a breakeven level.

For the year ended 31 December 2008, the smelting plant produced and sold 30,375 tonnes of copper anodes and 1,827 tonnes scrap copper to Jiangxi Copper.

#### Consumer electronics business

	<b>2008</b>	<b>2007</b>	<b>%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<b>change</b>
Turnover	<b>379,058</b>	114,934	+229.80%
Segment Profit	<b>5,220</b>	424	+1,131.13%

The Group sells DVD combo, home theatres, colour TVs and MP4 players to the United States, Latin America and European markets and outsources the production on an OEM and ODM basis to Chinese manufacturers.

The substantial growth in sales and segment profit was mainly attributable to the acquisition of Vision Tech International Holdings Limited (HKSE Stock no. 0922, "Vision Tech"), an electronics export trading company, during the year.

#### **Major Investments in 2008**

On 18 May 2007, the Group entered into a Subscription Agreement conditionally agreeing to subscribe for 750,000,000 new shares at a price of HK\$0.1 per new share in Vision Tech at a total consideration of HK\$75 million. Upon completion on 3 March 2008, EPI held 57.92% of the enlarged issued share capital

of the Vision Tech, which resumed trading on the Stock Exchange of Hong Kong Limited on 7 March 2008. Besides its core business, Vision Tech has been actively looking for opportunities to diversify her business since the resumption of trading.

During the year, the Group increased its equity interest in the smelting business joint venture with Jiangxi Copper from 51% to 60% at a consideration of HK\$25 million. The transaction was completed on 17 September 2008. Despite the plant having made an operating loss in last quarter of 2008, management is confident that the increase in shareholding is in line with the Group's medium to long term strategy in partnership with Jiangxi Copper and will yield a positive contribution to the Group in the long run.

### **Financial Position**

As at 31 December 2008, the total assets and liabilities of the Group had increased to HK\$1,286 million and HK\$472 million respectively from HK\$1,120 million and HK\$338 million as a result of expansion via the acquisition of Vision Tech and the acquisition of a further 9% equity interest in Qingyuan JCCL EPI Copper Limited, a joint venture company with Jiangxi Copper Limited.

### **Liquidity and Financial Resources**

As at 31 December 2008, the Group recorded net current assets of HK\$730.6 million, in which HK\$99.3 million represented by cash on hand, a reduction of 31.5% from HK\$145 million as at 31 December 2007.

During the year, the Company had applied HK\$75,000,000 for the subscription of shares in Vision Tech and HK\$25,000,000 for the Qingyuan JCCL EPI Copper Limited 9% equity interest acquisition.

Short-term bank borrowings of HK\$307 million, out of which HK\$186 million was attributable to the Qingyuan joint venture company, represented 65% of the total current liabilities. The Group did not have any long-term debts.

### **Charge on Assets**

As at 31 December 2008, the Group had pledged assets with an aggregate carrying value of HK\$46.4 million (2007: HK\$57.1 million) to secure bank loan facilities extended to the Group.

### **Capital Commitments**

As at 31 December 2008, the future capital expenditure for which the Group had contracted but not provided for amounted to HK\$0.6 million (2007: HK\$13.5 million).

### **Hedging against Commodities Price Fluctuations**

The year of 2008 demonstrated how volatile commodity prices can be over short periods of time. During the year, copper experienced both a bull and bear market. In view of this market risk, the

Group continued to take a prudent approach to hedging its inventory position through appropriate copper forward contracts. Strict internal policies and procedures are in place to ensure the position is regularly reviewed and monitored to ensure that the Group is not exposed to any financial derivatives, undue market risk and the Group did not enter into any commodities futures contracts or any financial derivatives for speculation purposes.

The Group uses its future contracts traded on the LME and SHFE solely to hedge against fluctuations in copper price. For the year ended 31 December 2008, the Group recorded a gain on futures contracts of HK\$49.6 million (2007: HK\$53.3 million). The Group did not enter into any commodities futures contracts or any financial derivatives unrelated to business operations during the year.

## EMPLOYEES

As at 31 December 2008, the Group had a total of about 40 employees in Hong Kong and 150 in PRC. Employee's cost (excluding directors' emoluments) amounted to approximately HK\$27.7 million (2007: HK\$26.7 million). The Group ensures that the pay levels of its employees are competitive according to market trend and its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system.

## PURCHASE, SALES AND REDEMPTION OF SHARES

During the year, the Company repurchased and redeemed the shares as follows:

Date	Number of Shares repurchased	Method of Shares repurchase	Prices per Share	
			Highest HK\$	Lowest HK\$
17 January 2008	4,980,000	On the Exchange	0.315	0.290
18 January 2008	2,700,000	On the Exchange	0.375	0.305
	7,680,000			

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board recognizes the importance of incorporating elements of good corporate governance into the management structure and the internal control procedures of the Group so as to ensure that all business activities of the Group and the decision making process are properly regulated.

During the year under review, the Company has applied the principles and has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") with deviations from the code provision A.2.1 and A.4.1 of the CG Code as summarized below.

The code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wong Chi Wing Joseph is the Chairman and Chief Executive Officer of the company. The Company recognizes the importance of segregating the duties of the Chairman the Chief Executive Officer and had tried the best in the past year to identify a high caliber executive to take up either one of these roles. Suitable candidate has not yet been identified but the Company would continue to look for the right person for the posts.

The code provision A.4.1 of the CG Code stipulates that Non-executive Directors should be appointed for a specific term, subject to re-election. Currently the Non-executive Directors are not appointed for a specific term. However, all Non-executive Directors are subject to retirement and can offer themselves for re-election in accordance with the Company's Bye-laws.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct rules (the "Model Code") regarding securities transactions by Directors on terms no less exactly than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules, and that having made specific enquiry of all Directors, the Company confirms that all the Directors have complied with the Model Code throughout the year.

## **REVIEW OF FINANCIAL STATEMENTS**

The audit committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2008.

## **PUBLICATION OF ANNUAL REPORT**

The 2008 annual report of the Group will be dispatched to shareholders of the Company and published on the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.epiholdings.com](http://www.epiholdings.com)) respectively in due course.

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

Hong Kong, 23 April 2009

*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.*