

## EPI Announces 2008 Annual Results

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### **Remains Focused on Scrap Metals and Mining Investment Businesses Cautiously Optimistic 2009 Outlook Despite Tough Market Environment**

(Hong Kong, 24 April 2009) – **EPI (Holdings) Limited** (“EPI” or the “Group”, SEHK: 689) announced its annual results for the year ended 31 December 2008.

During the year under review, the Group’s turnover increased by 24% from HK\$2,053 million to HK\$2,547 million. The Group performed satisfactory in the first three quarters, but was forced to slow down business activities in the last quarter of 2008 with the price of scrap copper plunging and the entire supply chain affected because of the spread of the financial crisis. Despite the difficult market conditions, the Group managed to achieve a profit before taxation of HK\$881,000 for the year. After paying HK\$8.7 million profit tax, the Group recorded a loss of HK\$7.8 million for the year (2007: a net profit of HK\$63.5 million). It was mainly attributable to an adjustment of HK\$14.25 million impairment loss recognized in respect of goodwill, a loss recorded in copper anode production in the last quarter of 2008 and the squeezed margin of scrap copper trading business. The Board of Directors does not recommend the payment of a dividend.

**Mr. Joseph Wong, Chairman and CEO of EPI**, said, “Our Group has a solid core business platform involving the sourcing, trading and smelting of scrap copper and base metals. Our business partnership with Jiangxi Copper Corporation is well anchored. Our Group is financially healthy with no medium to long-term debt or initial capital commitments. Even though the market remains full of challenges, we retain good purchasing power in both mining investments and in the scrap metal business.”

#### **Business Review**

##### ***Scrap Metals Sourcing and Trading***

The segment recorded revenue of HK\$1,286 million during 2008, accounting for 50.5% of the Group’s total turnover. The segmental profit was HK\$96.97 million. The Group sourced 23,474 tonnes of copper cathodes and scrap copper, 18,398 tonnes of low copper content copper reclaims and 8,386 tonnes of other non-ferrous metals including aluminum ingots and scrap aluminum. Heeding the difficult business environment, the Group started to diversify its product mix to purchase scrap aluminum and copper cathodes. The sourcing mainly took place in China and overseas markets including the United States, Europe and Asia.

The segment slowed down drastically in the last quarter of 2008 with the financial market meltdown leading to a sharp plunge in copper prices and in turn reluctance among scrap yard owners to offer discounts on scrap copper. This affected the margin as well as the profitability of the segment.

### ***Production of Copper Anode***

During the year under review, the segmental revenue amounted to HK\$882 million, accounting for 34.6% of the Group's total turnover. Through Qingyuan JCCL EPI Copper Limited ("Qingyuan JCCL EPI"), the Group's joint venture with Jiangxi Copper Company Limited ("Jiangxi Copper"; SEHK: 358), it produced and sold 30,375 tonnes of copper anodes and 1,827 tonnes scrap copper to Jiangxi Copper.

The smelting plant of Qingyuan JCCL EPI did not run at full capacity in the beginning of the year because of natural disasters affecting access to raw materials and transportation of products. The Group was able to gradually increase production and was running at full capacity of approximately 5,000 tonnes a month by the end of the third quarter.

However, affected by the financial crisis which hit in the fourth quarter of 2008, the smelting plant faced material shortage and had to slow production. The lower than desired utilization rate of production capacity had kept the plant from breaking even. This affected the segment which reported a loss of HK\$37.7 million for the year.

To enhance relationship and pave way for closer cooperation with Jiangxi Copper, the Group acquired an additional 9% equity interest in Qingyuan JCCL EPI. The transaction was completed on 17 September 2008 and now the Group owns 60% equity interest in the joint venture.

### ***Consumer Electronic Business***

The Group's consumer electronics business recorded sales revenue of HK\$379 million, accounting for 14.9% of the Group's turnover. The segmental profit surged 11.3 times to HK\$5.2 million. The substantial growth in sales and segmental profit was mainly attributable to the acquisition of Vision Tech International Holdings Limited (SEHK: 922), an electronics export trading company. During the year, the Group continued to sell DVD combo, home theatres, color TVs and MP4 players to the United States and markets in Latin America and Europe.

### ***Mining Investments***

The Group had not made any investment prior to the meltdown of the financial markets. Revaluation of the existing mining projects of the Group was required because of the uncertain financial market conditions and decrease in commodity prices. After a full evaluation of the terms and prospects in relation to the investment in Daye Non Ferrous Metals Company ("Daye"), the Group has begun discussion with Daye regarding the possible termination of the project unless better terms could be achieved.

## **Prospects**

### ***Scrap Metals Sourcing and Trading***

Sourcing of scrap copper remained difficult in the first quarter of 2009, but the Group has diversified its sourcing mix to cover copper cathodes and scrap aluminum that offer higher margins on EPI's cost plus approach. Instead of focusing primarily on sourcing scrap copper, the Group will continue to also allocate resources to develop sourcing and trading of other non-ferrous metals, including copper cathodes, scarp aluminum, zinc and nickels, in order to increase its overall margin. In addition, with the scrap copper market improving in the past few months promising more reasonable margins, EPI began to expand the sourcing volume of scrap copper in April 2009.

### ***Production of Copper Anode***

Qingyuan JCCL EPI has streamlined its operations and implemented stringent cost measures and cost reduction programs at all management and operational levels. The Group is also working closer with Jiangxi Copper to maximise cost efficiency of the joint venture company. Since the margin of copper anode production is expected to remain narrow in 2009, Qingyuan JCCL EPI plans to increase sales of scrap copper to Jiangxi Copper rather than processing more copper anode.

### ***Mining Investment***

The Group's investment team is actively evaluating mining projects currently on hand. The Group sees the downturn of the commodity market as an opportunity to acquire assets with potential of bringing long-term contribution to the Group at attractive valuation. EPI will also seize investment opportunities that can bring immediate revenue or profit contribution to the Group. It targets to complete one or two mining investment projects within 2009.

Mr. Wong concluded, "Our business focus is the scrap copper and mining investment industry. We believe by pursuing investment and keeping our core business in shape during this slack time of the industry will enable us to better ride the market up tide when it comes. We are building a long-term profitable business by undertaking projects of proven value and strong growth potential and at the same time keeping in mind the need to manage risks effectively. We are committed to maximising shareholder value by running a sustainable business."

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**About EPI (Holdings) Limited (Stock code: 689HK)**

EPI is a high growth company that focuses on the non-ferrous metals and resource sector, with a business scope covering mining and resource investment, scrap metals sourcing and base metal trading, copper anode production, and scrap metals financing and logistics. Through strategic mergers and acquisitions, the Group is accelerating its growth by providing Chinese state-owned enterprises with high quality services that add value to their operations and enterprise value. The Group also operates an OEM/ODM consumer electronics business supplying customers in the USA, Europe and Latin America. EPI's mission is to achieve sustainable and high returns for its shareholders and to become a major player in non-ferrous metals and resources in Asia.

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