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(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PURCHASE OF COPPER MATERIALS AND USE OF LOGISTICS SERVICES

Financial adviser to EPI (Holdings) Limited



**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

ALTUS CAPITAL LIMITED

A letter of opinion from the Independent Board Committee to the Independent Shareholders and a letter of opinion from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the terms of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps are set out respectively on pages 11 to 12 and pages 13 to 20 of this circular.

** For identification purpose only*

12 June 2007

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Supply Framework Agreement and/or the Logistics Services Agreement
“Copper Materials”	collectively, copper blister, copper anode, scrap copper and copper concentrate (including any gold and silver impurities contained therein) to be sold by JCCL EPI to Jiangxi Copper pursuant to the Supply Framework Agreement
“Copper Materials Annual Caps”	the maximum annual consideration to be paid by JCCL EPI to Jiangxi Copper under the Supply Framework Agreement for each of the three years ending 31 December 2009
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Independent Board Committee”	the independent board committee of the Company, comprising of all the independent non-executive Directors, namely Mr. Xu Mingshe, Mr. Wu Xiaoke and Mr. Poon Kwok Shin, Edmond, established to provide their opinion to the Independent Shareholders regarding the terms of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps

DEFINITIONS

“Independent Financial Adviser” or “Altus Capital”	Altus Capital Limited, a licensed corporation under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to provide their opinion to the Independent Board Committee and the Independent Shareholders regarding the terms of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps
“Independent Shareholders”	Shareholders other than Jiangxi Copper, JCC Logistics and their respective associates
“JCC Logistics”	江西銅業集團（貴溪）物流有限公司（JCC (Guixi) Logistics Company Limited), a 64% owned indirect subsidiary of Jiangxi Copper
“JCCL EPI”	清遠江銅長盈銅業有限公司（Qingyuan JCCL EPI Copper Limited), an equity joint venture company established in the PRC with limited liability and a 51% owned indirect subsidiary of the Company
“Jiangxi Copper”	Jiangxi Copper Company Limited, a sino-foreign joint venture joint stock limited company incorporated in the PRC, the H shares of which are listed on the Main Board of the Stock Exchange
“Latest Practicable Date”	8 June 2007, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistics Services”	the logistics services to be provided by JCC Logistics to JCCL EPI pursuant to the Logistics Services Agreement
“Logistics Services Agreement”	the framework agreement entered into between JCCL EPI and JCC Logistics on 17 May 2007 in relation to the provision of Logistics Services by JCC Logistics to JCCL EPI
“Logistics Services Annual Caps”	the maximum annual consideration to be paid by JCCL EPI to JCC Logistics under the Logistics Services Agreement for each of the three years ending 31 December 2009

DEFINITIONS

“PRC”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Shares”	the shares of HK\$0.01 each in the share capital of the Company
“Shareholders”	the holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supply Framework Agreement”	the framework agreement entered into between JCCL EPI and Jiangxi Copper on 17 May 2007 in relation to the sales and purchase of Copper Materials

For illustration purposes, an exchange rate of HK\$1.00 to RMB0.98 has been adopted in this circular.

LETTER FROM THE BOARD



(Incorporated in Bermuda with limited liability)
(Stock Code: 689)

Executive Directors:

Mr. Wong Chi Wing, Joseph
Mr. Cheng Hairong
Mr. Chu Kwok Chi, Robert

Registered office:

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2 Church Street
Hamilton HM 11
Bermuda

Non-executive Director:

Mr. Leung Hon Chuen

*Head office and principal place
of business in Hong Kong:*

Room 6303, 63/F
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Independent non-executive Directors:

Mr. Xu Mingshe
Mr. Wu Xiaoke
Mr. Poon Kwok Shin, Edmond

12 June 2007

To the Shareholders

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO PURCHASE OF COPPER MATERIALS
AND
USE OF LOGISTICS SERVICES**

INTRODUCTION

On 22 May 2007, the Directors announced that on 17 May 2007, JCCL EPI entered into (i) the Supply Framework Agreement with Jiangxi Copper, pursuant to which JCCL EPI conditionally agreed to sell and Jiangxi Copper conditionally agreed to purchase all the Copper Materials produced/processed by JCCL EPI during the three years ending 31 December 2009; and (ii) the Logistics Services Agreement, pursuant to which JCCL EPI has the right, but not the obligation to use the Logistics Services to be provided by JCC Logistics for the three years ending 31 December 2009.

By virtue of Jiangxi Copper's interest in 40% of JCCL EPI's registered capital, Jiangxi Copper and JCC Logistics (being 64% owned indirect subsidiary of Jiangxi Copper) are connected persons of the Group and the transactions contemplated under the Supply Framework Agreement and Logistics Services Agreement therefore constitute continuing connected transactions for the Group under Chapter 14A of the Listing Rules.

* For identification purpose only

LETTER FROM THE BOARD

Approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps has been obtained by way of written approval in lieu of holding a general meeting pursuant to Rule 14A.43 of the Listing Rules.

This circular provides you, with among other things, (i) information of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps; (ii) the opinion from the Independent Board Committee; (iii) the letter of opinion from the Independent Financial Adviser; and (iv) other information required by the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

Supply Framework Agreement

Date:	17 May 2007
Parties:	JCCL EPI, a 51% indirectly owned subsidiary of the Company as supplier and Jiangxi Copper as purchaser.
Subject:	JCCL EPI has agreed to sell and Jiangxi Copper has agreed to purchase all the Copper Materials produced / processed by JCCL EPI during the three years ending 31 December 2009, subject to the Copper Materials Annual Caps. JCCL EPI intended to supply and Jiangxi Copper intended to purchase, based on the production capacity of JCCL EPI, a minimum of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes of Copper Materials for each of the three years ending 31 December 2007, 2008 and 2009 respectively.
Selling prices:	The selling prices shall be agreed between the parties after arm's length negotiation from time to time and at the average closing price of copper as quoted on the Shanghai Futures Exchange (for copper) and the average closing price of gold as quoted on the Shanghai Metal Exchange (for gold impurities), respectively for the 5 trading days immediately after the receipt of the Copper Materials by Jiangxi Copper and the prevailing market prices (for silver impurities), wherever appropriate and adjust for any processing charges according to the industry practice.
Condition precedent:	The Supply Framework Agreement is conditional upon all relevant rules of the stock exchanges and/or all necessary approvals by respective shareholders of the Company and/or Jiangxi Copper for the Supply Framework Agreement has been obtained and complied with by the Company and/or Jiangxi Copper.

LETTER FROM THE BOARD

None of the party to the agreement has the right to waive the above condition. As at the Latest Practicable Date, the above condition has not been fulfilled. In the event that the above condition has not been fulfilled within 3 months from the date of the Supply Framework Agreement (or such later date as is otherwise agreed by the parties to the agreement), each of the parties to the agreement is entitled to terminate the Supply Framework Agreement.

Logistics Services Agreement

Date:	17 May 2007
Parties:	JCCL EPI, a 51% indirectly owned subsidiary of the Company as customer and JCC Logistics as service provider.
Subject:	JCC Logistics has agreed to provide Logistics Services to JCCL EPI. JCCL EPI has the right, but not the obligation to use the Logistic Services to be provided by JCC Logistics for the three years ending 31 December 2009. The Logistics Services involve the delivery of Copper Materials or other products from the factory of JCCL EPI in Qingyuan, Guangdong province, the PRC to 貴冶雜銅堆放場 (Guiye Copper Park), Guixi, Guizhou province, the PRC.
Service charges:	Service charges shall be determined according to the then prevailing market prices of similar services to be provided by independent third parties.
Condition precedent:	The Logistics Services Agreement is conditional upon all relevant rules of the stock exchanges and/or all necessary approvals by respective shareholders of the Company and/or Jiangxi Copper for the Logistics Services Agreement has been obtained and complied with by the Company and/or Jiangxi Copper.

None of the party to the agreement has the right to waive the above condition. As at the Latest Practicable Date, the above condition has not been fulfilled. In the event that if the above condition has not been fulfilled within 3 months from the date of the Logistics Services Agreement (or such later date as is otherwise agreed by the parties to the agreement), each of the parties to the agreement is entitled to terminate the Logistics Services Agreement.

LETTER FROM THE BOARD

Annual Caps

Set out below are the Copper Materials Annual Caps and the Logistics Services Annual Caps for each of the three years ending 31 December 2009, respectively.

	For the year ending 31 December		
	2007	2008	2009
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	<i>(HK\$' million</i>	<i>(HK\$' million</i>	<i>(HK\$' million</i>
	<i>equivalent)</i>	<i>equivalent)</i>	<i>equivalent)</i>
Copper Materials Annual Caps	3,150.0 (3,214.3)	6,300.0 (6,428.6)	7,560.0 (7,714.3)
Logistics Services Annual Caps	11.5 (11.7)	23.0 (23.5)	27.6 (28.2)

The Copper Materials Annual Caps are determined by reference to:

- (i) the intended minimum amount of Copper Materials to be sold by JCCL EPI to Jiangxi Copper of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes for each of the three years ending 31 December 2007, 2008 and 2009 respectively; and
- (ii) the historical trends of copper prices during the 12 months preceding the date of the Supply Framework Agreement.

As disclosed in the Company's 2006 annual report, the Group has been gradually diversifying its business to non-ferrous metals business after the completion of restructuring proposal (the "Restructuring Proposal") in 2006. Before the completion of the Restructuring Proposal, the Group focused on the sale and marketing of consumer electronic products. After the completion of the Restructuring Proposal, the Group commenced its business initiatives, which extends its business to non-ferrous metals. As the nature of the transactions contemplated under the Supply Framework Agreement is significantly different from the sale and marketing of consumer electronic products, the Directors are of the view that the Copper Materials Annual Caps are fair and reasonable even though the Copper Materials Annual Caps are significantly higher than the revenue of the Group for the year ended 31 December 2006 of approximately HK\$265 million.

The Logistics Services Annual Caps are determined by reference to:

- (i) the intended minimum amount of Copper Materials to be sold by JCCL EPI to Jiangxi Copper of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes for each of the three years ending 31 December 2007, 2008 and 2009, respectively; and
- (ii) the prevailing market prices of similar services to be provided by independent third parties.

LETTER FROM THE BOARD

INFORMATION ON JIANGXI COPPER

Based on the annual report of Jiangxi Copper for the year ended 31 December 2006, Jiangxi Copper is an integrated producer of copper in the PRC. Its operations consist of copper mining, milling, smelting and refining to produce copper cathode and other related products, including pyrite concentrates, sulphuric acid and electrolytic gold and silver. It also provides smelting and refining services pursuant to tolling arrangements for customers.

INFORMATION ON JCC LOGISTICS

JCC Logistics is a 64% owned indirect subsidiary of Jiangxi Copper and is principally engaged in the provision of logistics services.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in (i) non-ferrous metals business; and (ii) the sale and marketing of consumer electronic products. The business scope of JCCL EPI is the production and sales of copper anodes.

Although JCCL EPI cannot sell the Copper Materials to other parties, the Directors are of the view that it is beneficial for the Group to anchor a sizeable customer and ensure a stable income flow from selling an assured quantity of Copper Materials at the prevailing market prices by entering into of the Supply Framework Agreement. In addition, by selling its Copper Materials directly to customer without involving any middlemen or agents, the Group can reduce its expenses on commissions and related administrative expenses.

To facilitate the delivery of the Copper Materials to Jiangxi Copper, JCCL EPI also entered into the Logistics Services Agreement with JCC Logistics. The Directors consider that the entering into of the Logistics Services Agreement provides an additional means for the Group for delivery of its Copper Materials to Jiangxi Copper.

The Directors consider that the terms of the Supply Framework Agreement and the Logistics Services Agreement are on normal commercial terms and the terms of which and the Copper Materials Annual Caps and the Logistics Services Annual Caps are fair and reasonable and the entering into of the Supply Framework Agreement and the Logistics Services Agreement are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Jiangxi Copper is interested in 40% of JCCL EPI's registered capital and is a substantial shareholder of the JCCL EPI under the Listing Rules. Accordingly, Jiangxi Copper and JCC Logistics (a 64% owned indirect subsidiary of Jiangxi Copper) are connected persons of the Group and the transactions contemplated under the Supply Framework Agreement and the Logistics Services Agreement constitute continuing connected transactions for the Group under the Chapter 14A of the Listing Rules. As at the Latest Practicable Date, none of Jiangxi Copper, JCC Logistics and their respective associates held any Shares.

LETTER FROM THE BOARD

Given that each of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules in respect of the Copper Materials Annual Caps and Logistics Services Annual Caps exceeds 2.5% on an annual basis and each of the Copper Material Annual Caps and the Logistics Services Annual Caps are higher than HK\$10,000,000, the Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirement under Rule 14A.35 of the Listing Rules. Accordingly, Independent Shareholders' approval on the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps for the three years ending 31 December 2009 has been sought.

Pursuant to Rule 14A.43 of the Listing Rules, in the event that (i) a written Shareholders' approval has been obtained from a Shareholder who holds more than 50% in the issued share capital of the Company; and (ii) no Shareholder is required to abstain from voting at the general meeting of the Company to approve the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps, the written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company for Shareholders to approve the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps. On the basis that (i) no Shareholder would be required to abstain from voting in respect of any resolution that would be proposed to approve the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps; and (ii) Climax Associates Limited, who held 1,901,810,000 Shares, representing approximately 53.05% of the issued share capital of the Company as at the Latest Practicable Date provided a written approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps to the Company, an application has been made to the Stock Exchange for a waiver to obtain the approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps by way of holding a general meeting. Such waiver has been granted by the Stock Exchange and accordingly, the approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps has been obtained by way of written approval in lieu of by way of holding a general meeting.

OPINION

The Independent Board Committee comprising all three independent non-executive Directors have been established to provide their opinion to the Independent Shareholders on the terms of the Continuing Connected Transactions, the Copper Material Annual Caps and the Logistics Services Annual Caps. None of the members of the Independent Board Committee has any interest in the Continuing Connected Transactions. Your attention is drawn to their letter of opinion set out on pages 11 to 12 of this circular.

Altus Capital has been appointed as the independent financial adviser to provide their opinion to the Independent Board Committee and the Independent Shareholders in the same regard. Your attention is drawn to their letter of opinion set out on pages 13 to 20 of this circular.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors would recommend the Independent Shareholders to vote in favour of the resolution to approve the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps if a general meeting of the Company is to be held for such purpose. As disclosed above, Climax Associates Limited has provided to the Company a written approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Service Annual Caps and accordingly, no general meeting will be convened for such purpose.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of the letter of opinion from the Independent Board Committee which has been prepared for the purpose of inclusion in this circular:



(Incorporated in Bermuda with limited liability)

(Stock Code: 689)

12 June 2007

To the Independent Shareholders

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO PURCHASE OF COPPER MATERIALS AND USE OF LOGISTICS SERVICES

We refer to the circular of the Company dated 12 June 2007 (the “Circular”), of which this letter forms part. Unless specified otherwise, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed by the Board to advise you on the terms of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps. Altus Capital has been appointed as the independent financial adviser to provide you and us their opinion in this regard. Details of their opinion, together with the principal factors and reasons they have taken into consideration in giving such opinion, are set out on pages 13 to 20 of the Circular. Your attention is also drawn to the letter from the Board in the Circular and the additional information set out in the appendix thereto.

Having considered the terms of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps and taking into account of the independent advice of the Independent Financial Adviser, in particular the principal factors, reasons and opinion as set out in its letter on pages 13 to 20 of the Circular, we consider that the terms of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps are fair and reasonable as far as the Independent Shareholders are concerned and the entering into of the Supply Framework Agreement and the Logistics Services Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

* For identification purpose only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore would recommend the Independent Shareholders to vote in favour of the resolution to approve the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps if a general meeting of the Company is to be held for such purpose. As disclosed in the letter from the Board, Climax Associates Limited has provided to the Company a written approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Service Annual Caps and accordingly, no general meeting will be convened for such purpose.

Yours faithfully

Independent Board Committee

Mr. Xu Mingshe Mr. Wu Xiaoke Mr. Poon Kwok Shin, Edmond

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of the letter of opinion from the Independent Financial Adviser which has been prepared for the purpose of inclusion into this circular:

ALTUS CAPITAL LIMITED

8/F Hong Kong Diamond Exchange Building
8 Duddell Street, Central
Hong Kong

12 June 2007

The Independent Board Committee and the Independent Shareholders

EPI (Holdings) Limited

Suite 6303
63rd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as independent financial adviser to the Independent Board Committee and Independent Shareholders in respect of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps. Details of the Continuing Connected Transactions, including the terms and conditions of the Supply Framework Agreement and the Logistics Services Agreement, the Copper Materials Annual Caps and the Logistics Services Annual Caps are set out in the Letter from the Board ("**Letter**") contained in the circular of the Company dated 12 June 2007 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter have the same meanings ascribed to them in the Circular, unless the context otherwise requires.

The Supply Framework Agreement involves the sale of Copper Materials by JCCL EPI, a 51%-owned indirect subsidiary of the Company, to Jiangxi Copper. The Logistics Services Agreement involves JCCI EPI using Logistics Services provided by JCC Logistics, which is a 64%-owned indirect subsidiary of Jiangxi Copper.

Jiangxi Copper has 40% shareholding interest in JCCL EPI, and hence, Jiangxi Copper and JCC Logistics are connected persons of the Company. The transactions contemplated under the Supply Framework Agreement and the Logistics Services Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

The Independent Board Committee, which comprises the independent non-executive Directors namely Messrs. Xu Mingshe, Wu Xiaoke and Poon Kwok Shin, Edmond, has been established to give advice and recommendation to the Independent Shareholders in relation

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps. We have been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned, and to give our opinion to the Independent Board Committee for their consideration in making a recommendation to the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion and recommendation with regard to the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps, we have relied to a considerable extent on the information, statements, opinions and representations supplied to us by the Company and the Directors and we have assumed that all such information, statements, opinions and representations contained or referred to in the Circular were true, accurate and complete at the time they were made and continue to be true, accurate and complete at the date of the Circular. We have assumed that all statements of belief, opinion and intention of the Directors as set out in the Letter were reasonably made after due and careful inquiry. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information provided and referred to in the Circular. We have relied on certain publicly available information and we have assumed such information to be accurate and reliable, and we have not carried out any independent verification on the accuracy of such information.

The Directors confirmed that they have provided us with all currently available information and documents which are available under present circumstances to enable us to reach an informed view and we have relied on the accuracy such information and the information contained in the Circular to provide a reasonable basis for our opinions. We have no reason to suspect that any material facts or information (which is known to the Company, its representatives and the Directors) have been omitted or withheld from the information supplied or opinions expressed in the Circular nor to doubt the truth and accuracy of the information, facts, and representation provided, or the reasonableness of the opinions expressed by the Company, its representatives and the Directors. We consider that we have reviewed sufficient information which enables us to form a reasonable basis for our opinion. We also consider that we have performed all reasonable steps as required under Rule 13.80 of the Listing Rules to ascertain the reliability of the information provided to us and to form our opinion. We have not, however, carried out any independent verification on the information provided to us by the Company, its representatives and the Directors, nor have we conducted an independent in-depth investigation into the business affairs, assets and liabilities, and the prospects of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation with regard to the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps, we have considered the following principal factors and reasons:

1. Background and reasons for the Continuing Connected Transactions

The Group is principally engaged in (i) non-ferrous metals business; (ii) the sale and marketing of consumer electronic products. The Group conducted a capital reorganisation and financial restructuring exercise in 2006. Upon completion of such exercise, it has diversified into the non-ferrous metals business.

Supply Framework Agreement

As stated in the Letter, Jiangxi Copper is an integrated producer of copper in the PRC. Its operations consist of copper mining, milling, smelting and refining to produce copper cathode and other related products, including pyrites concentrates, sulphuric acid and electrolytic gold and silver. It also provides smelting and refining services pursuant to tolling arrangements for customers.

In November 2006, the Company through its wholly-owned subsidiary entered into a joint-venture agreement with Jiangxi Copper and Qingyuan Tongde Electric Industrial Co. Ltd. to form JCCL EPI, with shareholding in the proportion of 51%, 40% and 9%. JCCL EPI is engaged in the production and sales of copper anodes and is intended to serve as a platform of the Group to diversify into and capture the opportunities in the non-ferrous metal business sector. It was stated in the circular of the Company dated 24 January 2007 that it is intended that JCCL EPI will sell all of its products to Jiangxi Copper. Under the Supply Framework Agreement, JCCL EPI will sell to Jiangxi Copper all the Copper Materials produced / processed by JCCL EPI during the period up to 31 December 2009. As stated in the Supply Framework Agreement, JCCL EPI intends to supply, based on its production capacity, a minimum of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes of Copper Materials during each of the year ending 31 December 2007, 2008 and 2009 respectively.

JCCL EPI has only recently commenced business. The Supply Framework Agreement ensures that JCCL EPI will have a sizeable customer with large scale orders. In addition, there will be savings in middleman or agent expenses as JCCL EPI will be selling directly to its customer. The Supply Framework Agreement is conducted in the Group's ordinary course of business and is on normal commercial terms negotiated on an arm's length basis with reference to prevailing market prices.

It is stated in the aforesaid joint venture agreement that Jiangxi Copper shall purchase all the Copper Materials produced / processed by JCCL EPI. Such arrangement ensures that JCCL EPI will have a guaranteed demand for its products during the period up to 31 December 2009 and is beneficial to the Company. This

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

is especially so during JCCL EPI's initial startup stage as it is still in the process of developing its business. For these reasons, we believe that it is reasonable and in the interests of the Group and the Shareholders to enter into the Supply Framework Agreement.

Logistics Services Agreement

As stated in the Letter, JCC Logistics is a 64%-owned indirect subsidiary of Jiangxi Copper and is principally engaged in the provision of logistics services.

Under the Logistics Services Agreement, JCCI EPI may procure the services of JCC Logistics for the Logistics Services which involve the delivery of Copper Materials or other products from the factory of JCCL EPI in Qingyuan, Guangdong Province, the PRC to Guiye Copper Park, Guixi, Guizhou Province, the PRC.

According to the management, based on the other quotations which it obtained from independent third party logistics companies, the terms of JCC Logistics are competitive if not, more favourable. In any event, under the Logistics Services Agreement, JCCI EPI is not obligated to engage the services of JCC Logistics and may engage other service providers if the terms of JCC Logistics are not competitive. We are of the view that such arrangement provides flexibility to the Group as it provides an additional logistic services provider. The Logistics Services Agreement is conducted in the Group's ordinary course of business and will be on normal commercial terms negotiated on an arm's length basis with reference to prevailing market prices.

2. Principal terms and proposed annual caps

1. Principal terms

Supply Framework Agreement

Under the Supply Framework Agreement, JCCL EPI will sell to Jiangxi Copper all the Copper Materials produced / processed by JCCL EPI during the 3-year period between 1 January 2007 and up to 31 December 2009, subject to the Copper Materials Annual Caps. JCCL EPI intends to supply, based on its production capacity, a minimum of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes of Copper Materials during these periods.

The selling prices shall be agreed between the parties after arm's length negotiation from time to time, wherever appropriate and adjusting for any processing charges according to industry practice, with reference to the following:

- (a) for copper, at the average closing price of copper as quoted on the Shanghai Futures Exchange for the five trading days immediately after the receipt of the Copper Materials by Jiangxi Copper;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) for gold impurities, at the average closing price of gold as quoted on the Shanghai Metal Exchange for the five trading days immediately after the receipt of the Copper Materials by Jiangxi Copper; and
- (c) for silver impurities, at the prevailing market price.

We are of the view that the above references for determining the selling prices are fair and reasonable.

Logistics Services Agreement

Under the Logistics Services Agreement, JCCI EPI may procure the services of JCC Logistics for the Logistics Services which involve the delivery of Copper Materials or other products from the factory of JCCL EPI in Qingyuan, Guangdong province, the PRC to Guiye Copper Park, Guixi, Guizhou province, the PRC, where the factory/warehouse of Jiangxi Copper is located.

The service charges for the Logistics Services shall be determined according to the then prevailing market prices of similar services to be provided by independent third parties. The management from JCCL EPI will obtain third party quotations from time to time and will ensure that for services procured by JCCL EPI from JCC Logistics, the pricing and terms shall be no less favourable to JCCL EPI than terms available from independent third parties.

2. *Proposed annual caps*

Copper Materials Annual Caps

The following sets out the Copper Materials Annual Caps for each of the three years ending 31 December 2009:

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	<i>(HK\$' million</i>	<i>(HK\$' million</i>	<i>(HK\$' million</i>
	<i>equivalent)</i>	<i>equivalent)</i>	<i>equivalent)</i>
Copper Materials	3,150.0	6,300.0	7,560.0
Annual Caps	(3,214.3)	(6,428.6)	(7,714.3)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Copper Materials Annual Caps are determined by reference to (i) the intended minimum amount of Copper Materials to be sold by JCCL EPI to Jiangxi Copper of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes during the corresponding period; and (ii) the historical trends of copper prices during the 12 months preceding the Supply Framework Agreement, upon which a price of RMB63,000 per tonne is assumed.

To assess the fairness and reasonableness, we have considered that the production capacity of JCCL EPI in the next few years. According to the management, two production lines which are capable of producing up 2,100 tonnes and up 6,000 tonnes of Copper Materials per month respectively have commenced operations in April and May 2007. JCCL EPI also expects to expand its production line in the second half of 2008. Based on its production capacities and taking into account the fact that all Copper Materials produced / processed by JCCL EPI will be sold to Jiangxi Copper as stipulated in the joint venture agreement of JCCL EPI, we are of the view that the assumption of the sale amount under the Copper Materials Annual Caps is fair and reasonable.

In terms of the assumed price, according to the management, based on information published by the Shanghai Futures Exchange, the average of the monthly weighted-average spot price of copper per tonne is approximately RMB65,000 per tonne. In the past 12 months, the monthly weighted-average price of copper has fluctuated between a high of RMB70,890 per tonne in June 2006 and a low of RMB54,012 per tonne in February 2007. The latest available monthly weighted-average price is RMB63,829 per tonne in April 2007. Based on the above, we are of the view that the assumed price of copper of RMB63,000 used in determining the Copper Materials Annual Caps is fair and reasonable as it reflects the expected future market prices taking into account historical trends.

We noted that the Copper Materials Annual Caps are substantially higher than the revenue of the Group for the year ended 31 December 2006 of approximately HK\$265 million. As previous discussed, the Group has undergone a capital reorganisation and financial restructuring exercise in 2006, and subsequent to that it has diversified into the non-ferrous metals business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Logistics Services Annual Caps

The following sets out the Logistics Services Annual Caps for each of the three years ending 31 December 2009:

	For the year ended 31 December		
	2007	2008	2009
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
	<i>(HK\$' million</i>	<i>(HK\$' million</i>	<i>(HK\$' million</i>
	<i>equivalent)</i>	<i>equivalent)</i>	<i>equivalent)</i>
Logistics Services	11.5	23.0	27.6
Annual Caps	(11.7)	(23.5)	(28.2)

The above is arrived at based on JCC Logistics quotation for Logistics Services of RMB230 per tonne and the amount to be transported of 50,000 tonnes, 100,000 tonnes and 120,000 tonnes per annum, as estimated based on the amount of Copper Materials to be sold by JCCL EPI to Jiangxi Copper during the corresponding period under the Supply Framework Agreement. We have reviewed quotations obtained by JCCL EPI from independent third party transportation companies for the aforesaid Logistics Services and found that the quotation of JCC Logistics is comparable, if not more favourable than the independent third party companies.

Based on the above, we are of the view that the terms and conditions of the Supply Framework Agreement and Logistics Services Agreement, as well as the Copper Materials Annual Caps and the Logistics Services Annual Caps, are fair and reasonable.

CONCLUSION AND RECOMMENDATION

As stated in the Letter, Climax Associates Limited, which holds approximately 53.05% of the issued share capital of the Company as at the Latest Practicable Date, has provided the Company its written approval of the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps. On this basis, an application has been made by the Company to the Stock Exchange for a waiver from holding a general meeting such waiver has been granted by the Stock Exchange and no general meeting will be convened.

Having considered the above principal factors, we are of the view that the Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms. We are also of the view that the terms and conditions, and the relevant proposed annual caps under the Supply Framework Agreement and the Logistics Services Agreement are fair and reasonable. On this basis, we believe the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated above, the Company has obtained a Shareholder's written approval in lieu of holding a general meeting and no general meeting will be convened. Nevertheless, should a general meeting is to be held, we would recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Continuing Connected Transactions, the Copper Materials Annual Caps and the Logistics Services Annual Caps.

Yours faithfully,
For and on behalf of
Altus Capital Limited
Arnold Ip Sean Pey, Chang
Executive Director Executive Director

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this circular misleading.

DISCLOSURE OF INTERESTS

Interests of Directors

- (i) As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company or any of their respective associates in any shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) contained in the Listing Rules were as follows:

Long positions in Shares and underlying Shares

Director	Number of Shares				Approximate percentage of the issued share capital of the Company
	Beneficial owner	Controlled corporation (note 1)	Equity derivatives (note 2)	Total interests	
Wong Chi Wing, Joseph	4,000,000	1,901,810,000	24,380,000	1,930,190,000	53.85%
Cheng Hairong	–	–	24,380,000	24,380,000	0.68%
Chu Kwok Chi, Robert	–	–	4,000,000	4,000,000	0.11%
Leung Hon Chuen	–	–	3,580,000	3,580,000	0.10%
Xu Mingshe	–	–	2,000,000	2,000,000	0.06%
Poon Kwok Shin, Edmond	–	–	3,580,000	3,580,000	0.10%

Notes:

1. *These Shares are held by Climax Associates Limited which is 51% owned by Rich Concept Worldwide Limited, a company wholly owned by Mr. Wong Chi Wing, Joseph, 29% owned by Mr. Cheng Hairong, a Director and 20% by Mr. Chu Kwok Chi, Robert, a Director.*
2. *These represent the interests in share options granted to the Directors as beneficial owner under a share option scheme of the Company adopted on 6 November 2006.*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV and the SFO (including interests or short positions which he is taken or deemed to have under such provisions of the SFO); (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code.

- (ii) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which were, since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.
- (iii) None of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (iv) As at the Latest Practicable Date, other than Mr. Wong Chi Wing, Joseph being a Director, a director of Climax Associates Limited which is interested in 1,901,810,000 Shares and a director of Rich Concept Worldwide Limited, which is interested in 51% of the issued share capital of Climax Associates Limited and Mr. Cheng Hairong being a Director and a director of Climax Associates Limited, none of the Directors and the chief executive of the Company was a director or employee of a company which has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of substantial Shareholders

As at the Latest Practicable Date, according to the register of interests maintained by the Company pursuant to section 336 of the SFO and so far as is known to the Directors and the chief executive of the Company, the persons, other than the Directors and the chief executive of the Company, who had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all

circumstances at general meetings of any other member of the Group and the amount of each of such persons' interest in such securities, together with any options in respect of such capital, were as follows:

The Company

Name of Shareholders	Position	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company
Climax Associates Limited (<i>Note 1</i>)	Long	Beneficial owner	1,901,810,000	53.05%
Rich Concept Worldwide Limited (<i>Note 2</i>)	Long	Interest of a controlled corporation	1,901,810,000	53.05%

Notes:

1. *Climax Associates Limited is 51% owned by Rich Concept Worldwide Limited.*
2. *Rich Concept Worldwide Limited is wholly owned by Mr. Wong Chi Wing, Joseph, a Director and Chairman of the Company.*

Save as disclosed above, as at the Latest Practicable Date, the Directors or the chief executive of the Company were not aware of any other persons or corporations (other than a Director or the chief executive of the Company and the respective companies controlled by them whose interests have been disclosed above) who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or in any options in respect of such capital.

COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any direct or indirect interest in a business which competed or was likely to compete with the business of the Group.

LITIGATION

As at the Latest Practicable Date, neither the Company nor any other members of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group which does not expire or is not determinable by the relevant member of the Group within one year without payment of compensation, other than statutory compensation.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest published audited consolidated financial statements of the Group were made up.

EXPERT AND CONSENT

The following is the expert, and its qualifications, who has given advice or opinion contained in this circular:

Name	Qualification
Altus Capital	a licensed corporation under the SFO to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report as set out in this circular and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Altus Capital was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, nor did it have any direct or indirect interest in any assets which were, since 31 December 2006 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the office of the Company at Room 6303, 63/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong, during normal business hours on any weekdays other than public holidays up to and including 26 June 2007:

- (i) the Supply Framework Agreement;
- (ii) the Logistics Services Agreement;
- (iii) the letter of opinion from the Independent Board Committee, the text of which is set out on pages 11 to 12 of this circular;
- (iv) the letter of opinion from the Independent Financial Adviser, the text of which is set out on pages 13 to 20 of this circular; and
- (v) the written consent of Altus Capital as referred to in the paragraph headed “Expert and consent” in this appendix.

GENERAL

- (i) The branch share registrar and transfer office of the Company in Hong Kong is Tengis Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong.
- (ii) The secretary and qualified accountant of the Company is Mr. Hong Kin Choy, Bryan, a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (iii) The English text of this circular shall prevail over the Chinese text thereof.
- (iv) If there is any inconsistency between the Chinese names of PRC entities mentioned in this circular and their English translations, the Chinese version shall prevail.