

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHIHO-TIANDE GROUP LIMITED

齊合天地集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

CONNECTED TRANSACTION RELATING TO THE REORGANISATION OF CHIHO-TIANDE (HK) METALS RECYCLING CO. LIMITED

THE REORGANISATION

As disclosed in the Announcement, the Company established the Hong Kong JV as a joint venture between the Group and ISA for the development of metal recycling and related business. The Hong Kong JV was then owned by the Company through Chiho-Tiande Investments as to 55% and ISA as to 45%.

On 21 December 2011, ISA entered into the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement with Chiho-Tiande Investments and Capitol Ocean, respectively, pursuant to which ISA agreed to dispose of 15% equity interests and 30% equity interests in the Hong Kong JV to Chiho-Tiande Investments and Capitol Ocean, respectively. After completion of the Reorganisation, the Hong Kong JV will continue to be an indirect non wholly-owned subsidiary of the Company owned as to 70% by the Company through Chiho-Tiande Investments, and as to 30% by Capitol Ocean.

IMPLICATIONS UNDER THE LISTING RULES

ISA is a substantial shareholder of the Hong Kong JV and hence a connected person of the Company at the level of its subsidiaries. The Acquisition by Chiho-Tiande Investments of 15% equity interests in the Hong Kong JV from ISA constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In addition, pursuant to the terms of the JV Agreement, Chiho-Tiande Investments and ISA have granted to each other rights of first refusal in respect of any transfer of equity interests in the Hong Kong JV. The Rights of First Refusal granted by ISA to Chiho-Tiande Investments in respect of the disposal of 30% equity interests in the Hong Kong JV by it to Capitol Ocean will be treated as an option under Rule 14.72 of the Listing Rules and exercisable at the discretion of Company through Chiho-Tiande Investments. Pursuant to Rule 14A.70(3) of the Listing Rules, the non-exercise of the Rights of First Refusal will be treated as if the Rights of First Refusal were exercised. Therefore, the non-exercise of the Rights of First Refusal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of non-exercise of the Rights of First Refusal exceed 0.1% but are less than 5%, the non-exercise of the Rights of First Refusal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Reorganisation will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

A. INTRODUCTION

As disclosed in the Announcement, the Company established the Hong Kong JV as a joint venture between the Group and ISA for the development of metal recycling and related business. The Hong Kong JV was then owned by the Company through Chiho-Tiande Investments as to 55% and ISA as to 45%.

On 21 December 2011, ISA entered into the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement with Chiho-Tiande Investments and Capitol Ocean, respectively, pursuant to which ISA agreed to dispose of 15% equity interests and 30% equity interests in the Hong Kong JV to Chiho-Tiande Investments and Capitol Ocean, respectively. After completion of the Reorganisation, the Hong Kong JV will continue to be an indirect non wholly-owned subsidiary of the Company owned as to 70% by the Company through Chiho-Tiande Investments, and as to 30% by Capitol Ocean.

B. MAJOR TERMS OF THE FIRST SALE AND PURCHASE AGREEMENT AND THE SECOND SALE AND PURCHASE AGREEMENT

The principal terms of the First Sale and Purchase Agreement are as follows:–

Date: 21 December 2011

Parties: (i) ISA Co., Limited as vendor; and
(ii) Chiho-Tiande Investments Limited as purchaser.

Asset to be acquired: 15% equity interests in the Hong Kong JV

Consideration: The consideration for the Acquisition is HK\$4,779,009, which shall be paid by Chiho-Tiande Investments in cash by way of a cashier order drawn in favour of ISA or such other person as ISA may direct, or telegraphic transfer to the bank account designated by ISA, of the amount of the consideration at Completion.

Conditions: Completion of the First Sale and Purchase Agreement is conditional upon the satisfaction of the following conditions:

- (i) Chiho-Tiande Investments having obtained all necessary regulatory and/or shareholders' approvals required by it in order for it to undertake Completion;
- (ii) the warranties set out in the First Sale and Purchase Agreement being true and correct and not misleading in any respect on and as at the date of the First Sale and Purchase Agreement and as at Completion; and
- (iii) completion of the Second Sale and Purchase Agreement taking place simultaneously with the First Sale and Purchase Agreement.

If any of the above conditions shall not have been fulfilled on or before the Long Stop Date, the First Sale and Purchase Agreement shall lapse and no parties thereto shall have any claim against the other party except in respect of any antecedent breach.

Waiver of the Rights of First Refusal: Chiho-Tiande Investments agreed to waive the Rights of First Refusal, and Chiho-Tiande Investments and ISA agreed to waive all applicable requirements under the relevant provisions of the Joint Venture Agreement with respect to the transfer of 30% equity interests in the Hong Kong JV by ISA to Capitol Ocean under the Second Sale and Purchase Agreement.

The principal terms of the Second Sale and Purchase Agreement are as follows:–

Date: 21 December 2011

Parties: (i) ISA Co., Limited as vendor; and
(ii) Capitol Ocean Limited as purchaser. Capitol Ocean is beneficially owned by the Relevant ISA Shareholders as to 50% each.

Asset to be acquired: 30% equity interests in the Hong Kong JV

Consideration : The consideration for the acquisition of 30% equity interests in the Hong Kong JV by Capitol Ocean from ISA is HK\$9,558,018, which shall be paid by Capitol Ocean in cash by way of a cashier order drawn in favour of ISA or such other person as ISA may direct, or telegraphic transfer to the bank account designated by ISA, of the amount of the consideration at Completion.

Conditions: Completion of the Second Sale and Purchase Agreement is conditional upon the satisfaction of the following conditions:

- (i) ISA having obtained all necessary approvals (corporate or otherwise) required by it in order for it to undertake Completion, including but not limited to the waiver of the Rights of First Refusal by Chiho-Tiande Investments;
- (ii) Capitol Ocean having obtained all necessary approvals (corporate or otherwise) required by it in order for it to undertake Completion;
- (iii) the warranties set out in the Second Sale and Purchase Agreement being true and correct and not misleading in any respect on and as at the date of the Second Sale and Purchase Agreement and as at Completion; and
- (iv) completion of the First Sale and Purchase Agreement taking place simultaneously with the Second Sale and Purchase Agreement.

If any of the above conditions shall not have been fulfilled on or before the Long Stop Date, the Second Sale and Purchase Agreement shall lapse and no parties thereto shall have any claim against the other party except in respect of any antecedent breach.

C. INFORMATION ABOUT THE HONG KONG JV

The Hong Kong JV was established by the Group and ISA in September 2010 and is engaged in sourcing of scrap materials from Hong Kong and overseas, as well as in sales to customers in Hong Kong, Mainland China and other parts of the world. Immediately before the signing of the Sale and Purchase Agreements, the Hong Kong JV was owned as to 55% by the Company through Chiho-Tiande Investments, an indirect wholly-owned subsidiary of the Company, and as to 45% by ISA.

Based on the (i) audited financial statements of the Hong Kong JV for the period from 20 September 2010, being the date of incorporation of the Hong Kong JV, to 31 December 2010; and (ii) unaudited consolidated financial statements of the Hong Kong JV for the period from 1 January 2011 to 31 October 2011 prepared in accordance with the Hong Kong Financial Reporting Standards and its interpretations:

- (i) the net profits of the Hong Kong JV before and after taxation and extraordinary items for the period from 20 September 2010 to 31 December 2010 are HK\$252,081 and HK\$252,081, respectively;
- (ii) the net consolidated losses of the Hong Kong JV before and after taxation and extraordinary items for the period from 1 January 2011 to 31 October 2011 are HK\$3,204,971 and HK\$3,259,519, respectively; and
- (iii) the net consolidated assets of the Hong Kong JV as at 31 October 2011 were HK\$31,997,362.

Upon completion of the Reorganisation, the Hong Kong JV will continue to be an indirect non wholly-owned subsidiary of the Company owned as to 70% by the Company through Chiho-Tiande Investments, and as to 30% by Capitol Ocean.

D. REASONS FOR, AND BENEFITS OF, THE REORGANISATION

The 45% equity interests in the Hong Kong JV are owned by ISA, which in turn is owned by four individuals who are Independent Third Parties. Recently, the Outgoing ISA Shareholders (who together hold approximately 52.87% equity interests in ISA) have expressed their intention to pursue their own business opportunities and dispose of their indirect interests in the Hong Kong JV. The Relevant ISA Shareholders (who together hold approximately 47.13% equity interests in ISA) and the Company are optimistic about the future development of the Hong Kong JV and intend to continue their joint venture in the Hong Kong JV. In the meantime, the Company and the Relevant ISA Shareholders do not wish to introduce third party investors in the Hong Kong JV for the time being. The Reorganisation therefore represents an ample opportunity for the Company and the Relevant ISA Shareholders to continue and further increase their investments in the Hong Kong JV. Upon completion of the Reorganisation, the percentage equity interests of the Company in the Hong Kong JV will be increased by 15%, from 55% to 70%, while the Relevant ISA Shareholders will together hold an indirect 30% equity interest in the Hong Kong JV through Capitol Ocean.

The consideration for the Acquisition has been arrived at after an arm's length negotiation between Chiho-Tiande Investments and the ISA Shareholders, taking into account the net assets value of the Hong Kong JV.

For the reasons set out above, the Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreements are on normal commercial terms, the terms of which are fair and reasonable and that the Acquisition and the non-exercise of the Rights of First Refusal are in the interests of the Company and the Shareholders as a whole. As none of the Directors have a material interest in the Reorganisation, none of them was required to abstain from voting in favour of the resolutions of the Board to approve the Acquisition and the non-exercise of the Rights of First Refusal.

E. INFORMATION ABOUT THE GROUP, ISA AND CAPITOL OCEAN

Chiho-Tiande Investments is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. The Group is principally engaged in the business of mixed metal scrap recycling, reuse and processing which involves the breaking down, demolition and separation of mixed metal scrap.

ISA is an investment holding company incorporated in Hong Kong with limited liability. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, ISA and its ultimate beneficial owners are Independent Third Parties.

Capitol Ocean is an investment holding company incorporated in Hong Kong with limited liability and is owned by the Relevant ISA Shareholders as to 50% each.

F. IMPLICATIONS UNDER THE LISTING RULES

ISA is a substantial shareholder of the Hong Kong JV and hence a connected person of the Company at the level of its subsidiaries. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of the Acquisition exceed 0.1% but are less than 5%, the Acquisition is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In addition, pursuant to the terms of the JV Agreement, Chiho-Tiande Investments and ISA have granted to each other rights of first refusal in respect of any transfer of equity interests in the Hong Kong JV. The Rights of First Refusal granted by ISA to Chiho-Tiande Investments in respect of the disposal of 30% equity interests in the Hong Kong JV by it to Capitol Ocean will be treated as an option under Rule 14.72 of the Listing Rules and exercisable at the discretion of Company through Chiho-Tiande Investments. Pursuant to Rule 14A.70(3) of the Listing Rules, the non-exercise of the Rights of First Refusal will be treated as if the Rights of First Refusal were exercised. Therefore, the non-exercise of the Rights of First Refusal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios in respect of non-exercise of the Rights of First Refusal exceed 0.1% but are less than 5%, the non-exercise of the Rights of First Refusal is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the Reorganisation will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

G. DEFINITIONS

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

“Acquisition”	the acquisition by Chiho-Tiande Investments of 15% equity interests in the Hong Kong JV from ISA on the terms of the First Sale and Purchase Agreement;
“Board”	the board of Directors;
“Capitol Ocean”	Capitol Ocean Limited, a company incorporated in the Hong Kong with limited liability and owned by the Relevant ISA Shareholders as to 50% each;
“Chiho-Tiande Investments”	Chiho-Tiande Investments Limited, a company incorporated in the Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Company”	Chiho-Tiande Group Limited, a company incorporated in the Cayman Islands and whose Shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock Code: 976);
“Completion”	completion of the Sale and Purchase Agreements;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Directors”	the directors of the Company;
“First Announcement”	the announcement of the Company dated 11 September 2010 in relation to the establishment of the Hong Kong JV;
“First Sale and Purchase Agreement”	the sale and purchase agreement dated 21 December 2011 and entered into between ISA as vendor and Chiho-Tiande Investments as purchaser in respect of the Acquisition;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong JV”	Chiho-Tiande (HK) Metals Recycling Co. Limited (齊合天地(香港)再生金屬有限公司), a company incorporated in Hong Kong with limited liability;

“Independent Third Parties”	persons (in case of a corporation, including its ultimate beneficial owners) who, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, are independent of the Company and its connected persons;
“ISA”	ISA Co., Limited, a company incorporated in the Hong Kong with limited liability and owned by Independent Third Parties;
“ISA Shareholders”	collectively, the Outgoing ISA Shareholders and the Relevant ISA Shareholders;
“JV Agreement”	the joint venture agreement dated 11 September 2010 and entered into between ISA and Chiho-Tiande Investments in respect of the ownership and management of the Hong Kong JV;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Long Stop Date”	31 January 2012 or such other date as the parties to the First Sale and Purchase Agreement or the Second Sale and Purchase Agreement (as the case may be) agree;
“Outgoing ISA Shareholders”	two individuals who are Independent Third Parties and together hold approximately 52.87% interests in ISA;
“percentage ratio(s)”	has the meaning ascribed to it under Chapter 14 of the Listing Rules;
“Relevant ISA Shareholders”	two individuals who are Independent Third Parties and together hold approximately 47.13% interests in ISA;
“Reorganisation”	the Acquisition and the disposal by ISA of 30% equity interests in the Hong Kong JV to Capitol Ocean on the terms of the Second Sale and Purchase Agreement;
“Rights of First Refusal”	the rights of first refusal granted by ISA to Chiho-Tiande Investments under the JV Agreement in respect of the disposal by ISA of 30% equity interests in the Hong Kong JV to Capitol Ocean on the terms of the Second Sale and Purchase Agreement;
“Sale and Purchase Agreements”	collectively, the First Sale and Purchase Agreement and the Second Sale and Purchase Agreement;
“Second Sale and Purchase Agreement”	the sale and purchase agreement dated 21 December 2011 and entered into between ISA as vendor and Capitol Ocean as purchaser in respect of the disposal by ISA of 30% equity interests in the Hong Kong JV to Capitol Ocean on the terms thereof;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;

“Shareholder(s)” registered holder(s) of the Shares;
“substantial shareholder” has the meaning ascribed to it under the Listing Rules; and
“%” per cent.

By Order of the Board
CHIHO-TIANDE GROUP LIMITED
Fang Ankong
Chairman

Hong Kong, 21 December 2011

As at the date of this announcement, the Board comprises:

Executive Directors: Fang Ankong, Stephanus Maria van Ooijen, Gu Liyong

Non-executive Director: Ralph Sytze Ybema

Independent non-executive Directors: Loke Yu, Li Xikui, Zhang Jingdong