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## **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)**

## **DISCLOSEABLE TRANSACTION IN RESPECT OF THE EXECUTION OF AN INVESTMENT AGREEMENT**

### **INVESTMENT AGREEMENT**

On 11 August 2011, the Company entered into the Investment Agreement with Yantai Committee for the purpose of developing and operating an integrated processing facility for recycling, processing and sales of imported mixed metal scrap in the Development Zone in Yantai City, PRC. The Project is expected to have an annual processing capacity of 500,000 tonnes. Pursuant to the Investment Agreement, the Company will establish a wholly-owned subsidiary to acquire the Project Site and to operate the Project. Yantai Committee will assist the Company in obtaining the relevant governmental approval for the establishment of the Project Company and in acquiring the Project Site. The total investment of the Project is USD99,980,000.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios for the Company in respect of the total investment amount of the Group in the Project exceed 5% but are less than 25%, the execution of the Investment Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements as set out under the Listing Rules.

### **A. INTRODUCTION**

The Board is pleased to announce that on 11 August 2011, the Company entered into the Investment Agreement with Yantai Committee for the purpose of developing and operating an integrated processing facility for recycling, processing and sales of imported mixed metal scrap in the Development Zone in Yantai City, PRC.

## B. MAJOR TERMS OF THE INVESTMENT AGREEMENT

The principal terms of the Investment Agreement are as follows:–

**Date:** 11 August 2011

**Parties:** (i) Yantai Committee; and  
(ii) The Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Yantai Committee is independent of the Company and its connected persons.

**Establishment of the Project Company:** The Company agreed to procure its wholly-owned subsidiary to establish the Project Company in the Development Zone for the construction and operation of the Project.

**Registered capital:** The total amount of the registered capital of the Project Company will be US\$40,000,000 (equivalent to approximately HK\$312,000,000), which shall be paid in full within one year from the date of establishment of the Project Company.

**Scope of business of the Project Company:** To invest, construct and operate the Project relating to recycling, processing and sales of imported mixed metal scrap.

**Acquisition of the Project Site:** The Company agreed to procure its wholly-owned subsidiary to acquire the Project Site through auction sale by listing in the PRC. The total area of the Project Site is approximately 180,000 square meter. In addition, Yantai Committee agreed to reserve an additional piece of land site in the Development Zone with a total area of approximately 486,666.67 square meter for the Company and/or its wholly-owned subsidiary until 31 December 2013 for the future need of the Project.

**Total investment amount:** The total investment amount in the Project (including the land premium for the acquisition of the Project Site) to be contributed by the Group is US\$99,980,000 (equivalent to approximately HK\$779,844,000).

**Term of the Investment Agreement:** The Investment Agreement shall be effective upon execution by the parties and until the expiration of the Project Company, unless the Investment Agreement is terminated earlier by the parties in accordance with its terms.

**Termination:**

The Company is entitled to terminate the Investment Agreement before the expiry of its term if:

- (i) the Project Company is unable to obtain the land use rights of the Project Site for reasons unrelated to the fault of the Company, its wholly-owned subsidiary or the Project Company, and Yantai Committee fails to secure a replacement project site within the Development Zone for the Company within 30 days;
- (ii) Yantai Committee is unable to procure the Project Company to obtain the land use rights of the Project Site within 60 days of the signing of the relevant land transfer contract and the full payment of the land premium; or
- (iii) the Project Site is not ready for construction by 1 March 2012.

In addition, the Investment Agreement may be terminated by either party before the expiry of its term if:

- (i) any party commits a serious breach of the Investment Agreement and fails to remedy such breach within 30 days after having been notified of the same by the other party; or
- (ii) the Project Company commences dissolution or liquidation or ceases its operations.

**C. REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT AGREEMENT**

The Directors consider that the entering into of the Investment Agreement aligns with the Group's strategy to expand its business of mixed metal scrap recycling, reuse and processing in the PRC. It will also enable the Company to establish an integrated processing facility capable of handling various types of scrap materials and to research and explore the re-utilisation of renewable resources of the PRC which is also in line with the PRC's national policies on promoting environment protection and resources conservation. The Directors believe that the Project, upon its completion, will allow the Group to increase its mixed metal scrap processing capacity by 500,000 tonnes and benefit from such policies and will increase the Group's market shares in the metal scrap business and renewable resources within the region and it will thus generate reasonable return to the Group.

The Directors are of the view that the terms of the Investment Agreement (including the total investment amount to be made by the Company) are on normal commercial terms and are fair and reasonable and that the Investment Agreement and the transactions contemplated thereunder are in the interests of the Group and the Shareholders as a whole.

#### **D. FINANCIAL EFFECTS OF THE TRANSACTIONS CONTEMPLATED UNDER THE INVESTMENT AGREEMENT**

The total investment amount of USD99,980,000 (equivalent to approximately HK\$779,844,000) has been determined after arm's length negotiations between the Company and Yantai Committee having taken into account the location and potential value of the Project Site and the expected funding requirements for the Project.

It is currently expected that the total investment amount (including the land premium for the Project Site) will be financed by internal financial resources of the Group. The funding requirement for making the total investment amount is not expected to have any material impact on the Group.

As the Project Company will be wholly-owned by the Company, the Project Company will be a subsidiary of the Company upon its establishment and will be so treated in the consolidated financial statements of the Group.

#### **E. INFORMATION ABOUT YANTAI COMMITTEE AND THE GROUP**

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.

Yantai Committee is a governmental authority established by the government of Municipal People's Government of Shandong Province of the PRC which is responsible for managing and promoting businesses and investment activities in the Yantai Economy Technology Development Zone of the Yantai City of the Shandong Province, the PRC.

#### **F. IMPLICATIONS UNDER THE LISTING RULES**

As the applicable percentage ratios for the Company in respect of the total investment amount of the Group in the Project exceed 5% but are less than 25%, the execution of the Investment Agreement and the transactions contemplated thereunder constitute discloseable transaction for the Company under Chapter 14 of the Listing Rules and are subject to the reporting and announcement requirements as set out under the Listing Rules.

## G. DEFINITIONS

Unless the context requires otherwise, the following expressions shall have the following meanings:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 (Stock Code: 976)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Development Zone”	Yantai Resource Recycling and Processing Demonstration Zone (烟台資源再生加工示範區), which is built by Yantai Committee
“Directors”	the directors of the Company
“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
“Investment Agreement”	the investment agreement dated 11 August 2011 entered into between Yantai Committee and the Company pursuant to which both parties agreed to co-operate in the Project
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratio(s)”	has the meaning ascribed to it under Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Project”	the development and operation of an integrated processing facility for recycling, processing and sales of imported mixed metal scrap in the Development Zone, as contemplated under the Investment Agreement
“Project Company”	a wholly foreign-owned enterprise to be established and indirectly wholly-owned by the Company in the Development Zone for the purpose of developing and operating the Project

“Project Site”	a piece of site with a total area of 180,000 square meter situated at No. C-61, No. 3 Kai Feng Road, Yantai Economic and Technological Development Zone, Yantai City, the PRC (中國烟台市烟台經濟技術開發區開封路3號C-61號)
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency in the United States of America
“Yantai Committee”	Yantai Economic and Technological Development Zone Administration Committee (烟台經濟技術開發區管理委員會)
“%”	percent

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

Hong Kong, 11 August 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

*For illustration purposes, amounts denominated in USD have been converted to HK\$ at a rate of USD1 = HK\$7.8 in this announcement. No representation is made that any amount in HK\$ or US\$ would have been or can be converted at the above rates.*