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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)**

### **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE MASTER PURCHASE AGREEMENT FOR THE SUPPLY OF COPPER SCRAP TO SIMS METAL MANAGEMENT ASIA LIMITED**

#### **MASTER PURCHASE AGREEMENT**

On 16 February 2012, the Company entered into the Master Purchase Agreement with Sims Asia pursuant to which the relevant member(s) of the Sims Asia Group may purchase from the relevant member(s) of the Group the Products which comprise, among others, copper scrap at prevailing market prices during the Term between 1 February 2012 and 31 May 2012.

The Products shall be purchased by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group (a) on normal commercial terms (or on terms no less favourable to the Group than terms made available from independent third parties); and (b) at pricing determined on arm's length negotiation by reference to the prevailing market prices and having regard to the estimated costs for the supply of the Products. The aggregate value of the Products purchased shall not exceed the Cap of US\$28 million (approximately HK\$218.4 million) during the Term.

Sims Asia is the intermediate holding company of Sims which holds 16% of the issued share capital of the Company. Therefore, Sims Asia is a substantial shareholder and hence a connected person of the Company. The transactions contemplated under the Master Purchase Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate value of the transactions between the Group and the Sims Asia Group under the Master Purchase Agreement during the Term is capped at US\$28 million (approximately HK\$218.4 million). The Cap was arrived at after taking into account (a) the prevailing market prices of the Products; (b) the Company's expected average market price of the Products over the Term; and (c) the estimated volume of the Products that the Sims Asia Group may order from the Group during the Term.

As the applicable Percentage Ratios in respect of the Cap are more than 0.1% but less than 5%, the Master Purchase Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Master Purchase Agreement will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

## 1. MASTER PURCHASE AGREEMENT

On 16 February 2012, the Company entered into the Master Purchase Agreement with Sims Asia pursuant to which the relevant member(s) of the Sims Asia Group may purchase from the relevant member(s) of the Group the Products which comprise, among others, copper scrap at prevailing market prices during the Term between 1 February 2012 and 31 May 2012.

The principal terms of the Master Purchase Agreement are as follows:

**Date:** 16 February 2012

**Parties:** (a) The Company; and  
(b) Sims Asia

**Purchase of Products:** Sims Asia agrees to procure the relevant member(s) of the Sims Asia Group to issue Purchase Orders to the relevant member(s) of the Group for the purchase of the Products from time to time. Each Purchase Order shall set out the particulars and the terms and conditions upon which any particular Products shall be supplied by the relevant member(s) of the Group to the relevant member(s) of the Sims Asia Group. The terms of each Purchase Order must comply with the terms of the Master Purchase Agreement and in particular, any Products to be supplied under any Purchase Order must comply with the basis set out in the Master Purchase Agreement.

**Basis for the purchase of Products:** All of the Products shall be purchased by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group on the following basis:

- (a) on normal commercial terms (or on terms no less favourable to the Group than terms made available from independent third parties);
- (b) pricing determined on an arm's length negotiation by reference to the prevailing market prices and having regard to the estimated costs for the supply of the Products; and
- (c) the aggregate value of the Products purchased and to be purchased by the Sims Asia Group from the Group under the Master Purchase Agreement during the Term shall not exceed US\$28 million (approximately HK\$218.4 million).

The charges for Products rendered under the Purchase Order(s) shall be settled by way of cash.

**Conditions:**

The Master Purchase Agreement is conditional upon the Company and Sims Asia each having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the Master Purchase Agreement and the transactions contemplated thereunder.

If the above condition is not fulfilled on or before the Long Stop Date, the Master Purchase Agreement shall automatically terminate and neither Party shall have any rights to claim against the other Party under the Master Purchase Agreement.

**Term of the Master  
Purchase Agreement:**

The Master Purchase Agreement is deemed to have taken effect from 1 February 2012 and shall continue until 31 May 2012 unless terminated earlier in accordance with the terms thereof.

**2. REASONS FOR AND BENEFITS OF THE MASTER PURCHASE AGREEMENT**

Sims Asia is an existing business partner of the Group as the Group has been purchasing certain mixed metal scrap products from the Sims Asia Group for a considerable period of time. Recently, a new opportunity for the supply of metal by the Group emerged as the Sims Asia Group needs a constant supply of copper scrap over the next few months. The Master Purchase Agreement will enable the Group to comply with the applicable requirements under the Listing Rules in respect of continuing connected transactions and allow the Group to continue selling and supplying copper scrap to the Sims Asia Group on an uninterrupted basis during the Term.

### **3. IMPLICATIONS OF THE MASTER PURCHASE AGREEMENT UNDER THE LISTING RULES**

Sims Asia is the intermediate holding company of Sims which holds 16% of the issued share capital of the Company. Therefore, Sims Asia is a substantial shareholder and hence a connected person of the Company. The transactions contemplated under the Master Purchase Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate value of the transactions between the Group and the Sims Asia Group under the Master Purchase Agreement during the Term is capped at US\$28 million (approximately HK\$218.4 million). The Cap was arrived at after taking into account (a) the prevailing market prices of the Products; (b) the Company's expected average market price of the Products over the Term; and (c) the estimated volume of the Products that the Sims Asia Group may order from the Group during the Term.

As the applicable Percentage Ratios in respect of the Cap are more than 0.1% but less than 5%, the Master Purchase Agreement is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Master Purchase Agreement will be included in the next published annual report and accounts of the Company in accordance with Rule 14A.45 of the Listing Rules.

### **4. THE DIRECTORS' VIEWS**

The Master Purchase Agreement was entered into by the Company in the ordinary and usual course of business of the Group. The terms of the Master Purchase Agreement (including the Cap) have been arrived at after arm's length negotiation between the Company and Sims Asia. The Directors (including the independent non-executive Directors but excluding Mr. Michael Charles Lion, the non-executive Director, who is considered (by reason of his being a director of Sims Asia) to have a material interest in the transactions contemplated under the Master Purchase Agreement and was hence required to abstain from voting at the relevant meeting of the Board to approve the transactions contemplated under the Master Purchase Agreement) consider that the terms of the Master Purchase Agreement (including the Cap) are on normal commercial terms and are fair and reasonable, and that it would be in the interests of the Company and its shareholders as a whole to enter into the Master Purchase Agreement as it will allow the Group to continue selling and supplying copper scrap to the Sims Asia Group on an uninterrupted basis.

## 5. INFORMATION ON THE GROUP AND SIMS ASIA

The Group principally engages in mixed metal scrap recycling, reuse and processing which involve breaking-down, demolition and separation of mixed metal scrap such as motor scrap and electric wire and cable scrap into their respective metal constituents, comprising mainly copper scrap, steel scrap, aluminum scrap and iron scrap as well as a growing business in scrap metal collection.

Sims Asia is the intermediate holding company of Sims which holds 16% of the issued share capital of the Company. Sims in turn is an indirect wholly-owned subsidiary of SMM, the world's largest listed metal recycler with ordinary shares listed on the Australian Securities Exchange (ASX: SGM) and American Depositary Receipts listed on the New York Stock Exchange (NYSE: SMS). The principal business of SMM and its subsidiaries and its associates is metals and electronics recycling.

## 6. DEFINITIONS

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

<b>“associates”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Board”</b>	the board of Directors
<b>“Cap”</b>	the maximum aggregate value of the transactions between the Group and the Sims Asia Group under the Master Purchase Agreement during the Term, being US\$28 million (approximately HK\$218.4 million)
<b>“Company”</b>	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)
<b>“connected person(s)”</b>	has the meaning ascribed to it in the Listing Rules
<b>“continuing connected transaction”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Directors”</b>	the directors of the Company, and a <b>“Director”</b> means any one of them
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“HK\$”</b>	Hong Kong dollars, the lawful currency of Hong Kong

<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Listing Rules”</b>	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
<b>“Long Stop Date”</b>	29 February 2012 or such later date as the Parties shall agree in writing
<b>“Master Purchase Agreement”</b>	the master purchase agreement entered into on 16 February 2012 between the Company and Sims Asia in respect of the purchase of the Products by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group during the Term
<b>“Parties”</b>	collectively, the Company and Sims Asia, and a <b>“Party”</b> shall mean any of them
<b>“Percentage Ratios”</b>	the percentage ratios under Rule 14.07 of the HK Listing Rules
<b>“Products”</b>	the products which may from time to time be purchased by the relevant member(s) of the Sims Asia Group from the relevant member(s) of the Group which include copper scrap
<b>“Purchase Order(s)”</b>	the purchase order(s) setting out the particulars and the detailed terms and conditions for the supply of the Products by the relevant member(s) of the Group to the relevant member(s) of the Sims Asia Group
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Sims”</b>	Sims Metal Management Dragon Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SMM
<b>“Sims Asia”</b>	Sims Metal Management Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SMM
<b>“Sims Asia Group”</b>	Sims Asia and its subsidiaries and associates

“SMM”	Sims Metal Management Limited, a company incorporated in Australia and the holding company of Sims and Sims Asia
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Term”	the term of the Master Purchase Agreement, being the period between 1 February 2012 and 31 May 2012 unless terminated earlier in accordance with the terms of the Master Purchase Agreement
“US\$”	US dollars, the lawful currency in the United States of America
“%”	per cent

By Order of the Board  
**CHIHOTIANDE GROUP LIMITED**  
**Fang Ankong**  
*Chairman*

Hong Kong, 16 February 2012

*In this announcement, amounts denominated in US\$ have been converted into HK\$ at the rate of US\$1 = HK\$7.8 for illustration purposes only.*

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

<i>Executive Directors:</i>	Fang Ankong, Stephanus Maria van Ooijen, Gu Liyong
<i>Non-executive Director:</i>	Michael Charles Lion
<i>Independent non-executive Directors:</i>	Loke Yu, Li Xikui, Zhang Jingdong