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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 SUPPLY AGREEMENT FOR THE PURCHASE OF SCRAP METALS FROM DE LEEUW METALEN B.V.**

#### **MASTER SUPPLY AGREEMENT**

On 21 March 2012, the Company entered into the Master Supply Agreement with the Supplier pursuant to which the relevant member(s) of the Group may purchase from the Supplier the Products which comprise, among others, scrap metals at prevailing market prices during the Term between 1 January 2012 and 31 December 2014.

The Products shall be supplied by the Supplier to 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); (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; and (c) the aggregate value of which shall not exceed the Annual Caps in the relevant financial years during the Term.

The Supplier is majority-owned by one of the sons of Mr. de Leeuw, a controlling shareholder of the Company. Therefore, the Supplier is an associate of a controlling shareholder of the Company under Rule 14A.11(4)(b)(ii) of the Listing Rules and hence a connected person of the Company. The transactions contemplated under the Master Supply Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The aggregate values of the transactions between the Group and the Supplier under the Master Supply Agreement in the relevant financial years of the Company during the Term are capped at the Annual Caps. The Annual Caps were arrived at after taking into account (a) the historical volume of the Products purchased by the Group from the Supplier during the financial year of the Company ended 31 December 2011; (b) the prevailing market prices of the Products; (c) the Company's expected average market price of the Products over the Term; and (d) the estimated volume of the Products that the Group may order from the Supplier during the Term.

As the applicable Percentage Ratios in respect of the Annual Caps are more than 0.1% but less than 5%, the Master Supply Agreement is subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Master Supply 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 SUPPLY AGREEMENT

On 21 March 2012, the Company entered into the Master Supply Agreement with the Supplier pursuant to which the relevant member(s) of the Group may purchase from the Supplier the Products which comprise, among others, scrap metals at prevailing market prices during the Term between 1 January 2012 and 31 December 2014.

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

**Date:** 21 March 2012

**Parties:** (a) the Company; and  
(b) De Leeuw Metalen B.V.

**Supply of Products:** The Company agrees to procure the relevant member(s) of the Group to issue Purchase Orders to the Supplier 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 Supplier to the relevant member(s) of the Group. The terms of each Purchase Order must comply with the terms of the Master Supply Agreement and in particular, any Products to be supplied under any Purchase Order must comply with the basis set out in the Master Supply Agreement.

**Basis for the supply of Products:** All of the Products shall be supplied by the Supplier to 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 Group from the Supplier under the Master Supply Agreement in the relevant financial years of the Company during the Term shall not exceed the Annual Caps (see below).

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

**Conditions:**

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

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

**Term of the Master Supply Agreement:**

The Master Supply Agreement is deemed to have taken effect from 1 January 2012 and shall continue until 31 December 2014 unless terminated earlier in accordance with the terms thereof.

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

The Supplier is an existing business partner of the Group as the Group has been purchasing scrap metals from the Supplier since 2011. The Master Supply 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 purchasing scrap metals from the Supplier on an uninterrupted basis during the Term.

**3. IMPLICATIONS OF THE MASTER SUPPLY AGREEMENT UNDER THE LISTING RULES**

The Supplier is majority-owned by one of the sons of Mr. de Leeuw, a controlling shareholder of the Company. Therefore, the Supplier is an associate of a controlling shareholder of the Company under Rule 14A.11(4)(b)(ii) of the Listing Rules and hence a connected person of the Company. The transactions contemplated under the Master Supply Agreement therefore constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

#### 4. THE ANNUAL CAPS

The aggregate values of the transactions between the Group and the Supplier under the Master Supply Agreement in the relevant financial years of the Company during the Term are capped at the following Annual Caps:

<b>Relevant financial years of the Company during the Term</b>	<b>Annual Caps</b>
1 January 2012 – 31 December 2012	US\$2 million (approximately HK\$15.6 million)
1 January 2013 – 31 December 2013	US\$3 million (approximately HK\$23.4 million)
1 January 2014 – 31 December 2014	US\$3 million (approximately HK\$23.4 million)

The Annual Caps were arrived at after taking into account (a) the historical volume of the Products purchased by the Group from the Supplier during the financial year of the Company ended 31 December 2011; (b) the prevailing market prices of the Products; (c) the Company's expected average market price of the Products over the Term; and (d) the estimated volume of the Products that the Group may order from the Supplier during the Term.

As the applicable Percentage Ratios in respect of the Annual Caps are more than 0.1% but less than 5%, the Master Supply Agreement is subject to the reporting, annual review and announcement requirements but is exempt from the independent shareholders' approval requirement under the Listing Rules. Details of the Master Supply 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.

#### 5. PRIOR TRANSACTIONS

The total amount of scrap metals purchased by the Group from the Supplier during the financial year of the Company ended 31 December 2011 (the "**2011 Transactions**") was approximately EUR1.3 million (approximately HK\$13.3 million). As the applicable Percentage Ratios in respect of each of the 2011 Transactions did not exceed 0.1% at the relevant time when the 2011 Transactions were entered into, each of the 2011 Transactions was exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

However, the applicable Percentage Ratios in respect of the 2011 Transactions would, on an aggregate basis, exceed 0.1% but were less than 5%. In accordance with the requirements under Rule 14A.47(1) and (2) of the Listing Rules, the Company should have notified the Stock Exchange of, and published an announcement on, the 2011 Transactions when the applicable Percentage Ratios first exceeded 0.1% in February 2011. Owing to administrative oversight, the Company has not duly complied with these requirements at the time.

The Company has notified the Stock Exchange of the non-compliance with the notification and announcement requirements under Chapter 14A of the Listing Rules, and will include the details of the 2011 Transactions in the next published annual reports and accounts of the Company in accordance with the reporting requirement under Rule 14A.45 of the Listing Rules.

## 6. THE DIRECTORS' VIEWS

The Master Supply Agreement was entered into by the Company in the ordinary and usual course of business of the Group. The terms of the Master Supply Agreement (including the Annual Caps) have been arrived at after arm's length negotiation between the Company and the Supplier. The Directors (including all independent non-executive Directors) consider that the terms of the Master Supply Agreement (including the Annual Caps) are on normal commercial terms and are fair and reasonable, and that it would be in the interest of the Company and its shareholders as a whole to enter into the Master Supply Agreement as it will allow the Group to continue purchasing scrap metals from the Supplier on an uninterrupted basis. As none of the Directors has a material interest in the transactions contemplated under the Master Supply Agreement, no Director was required to abstain from voting at the relevant meeting of the Board to approve the transactions contemplated under the Master Supply Agreement.

## 7. INFORMATION ON THE GROUP AND THE SUPPLIER

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.

The Supplier is a company incorporated in the Netherlands and majority-owned by one of the sons of Mr. de Leeuw, a controlling shareholder of the Company. The Supplier is principally engaged in the business of trading of scrap metals.

## 8. DEFINITIONS

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

<b>“Annual Caps”</b>	the maximum aggregate values of the transactions between the Group and the Supplier under the Master Supply Agreement in the relevant financial years of the Company during the Term, as more particularly set out in the section headed “Annual Caps” of this announcement
<b>“associates”</b>	has the meaning ascribed to it in the Listing Rules
<b>“Board”</b>	the board of Directors
<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 given to it in the Listing Rules

<b>“continuing connected transaction”</b>	has the meaning given to it in the Listing Rules
<b>“controlling shareholder”</b>	has the meaning given 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>“EUR”</b>	Euro dollars, the lawful currency of European Union
<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>	31 March 2012 or such later date as the Parties shall agree in writing
<b>“Master Supply Agreement”</b>	the master supply agreement entered into on 21 March 2012 between the Company and the Supplier in respect of the supply of the Products by the Supplier to the relevant member(s) of the Group during the Term
<b>“Mr. de Leeuw”</b>	Mr. Herman Maurits de Leeuw, a controlling shareholder of the Company
<b>“Parties”</b>	collectively, the Company and the Supplier, and a <b>“Party”</b> shall mean any of them
<b>“Percentage Ratios”</b>	the percentage ratios under Rule 14.07 of the Listing Rules
<b>“Products”</b>	the products which may from time to time be purchased by the relevant member(s) of the Group from the Supplier which include scrap metals
<b>“Purchase Order(s)”</b>	the purchase order(s) setting out the particulars and the detailed terms and conditions for the purchase of the Products by the relevant member(s) of the Group from the Supplier
<b>“Share(s)”</b>	ordinary share(s) of HK\$0.01 each in the share capital of the Company
<b>“Stock Exchange”</b>	The Stock Exchange of Hong Kong Limited

“Supplier”	De Leeuw Metalen B.V., a company incorporated in the Netherlands and majority-owned by one of the sons of Mr. de Leeuw
“Term”	the term of the Master Supply Agreement, being the period between 1 January 2012 and 31 December 2014 unless terminated earlier in accordance with the terms of the Master Supply Agreement
“US\$”	US dollars, the lawful currency in the United States of America
“%”	per cent

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

Hong Kong, 21 March 2012

*In this announcement, amounts denominated in EUR and US\$ have been converted into HK\$ at the rates of EUR1 = HK\$10.232 and US\$1 = HK\$7.8, respectively, 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