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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 NEW MASTER SUPPLY AGREEMENT FOR THE PURCHASE OF SCRAP METAL FROM SIMS METAL MANAGEMENT ASIA LIMITED**

Reference is made to the announcement of the Company on 17 January 2012 in relation to, among other things, the 2012 Master Supply Agreement. Pursuant to the 2012 Master Supply Agreement, the relevant member(s) of the Sims Asia Group may supply to the relevant member(s) of the Group the Products which include scrap metal at prevailing market prices during the term between 16 January 2012 and 31 December 2012.

In order to renew the existing arrangements under the 2012 Master Supply Agreement, on 15 November 2012, the Company entered into the New Master Supply Agreement with Sims Asia pursuant to which the relevant member(s) of the Group may purchase from the relevant member(s) of the Sims Asia Group the Products at prevailing market prices for the Term of three years from 1 January 2013 to 31 December 2015.

The Products shall be supplied by the relevant member(s) of the Sims Asia Group 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 values of which shall not exceed the Annual Caps in the relevant periods during the Term.

Sims Asia is the intermediate holding company of Sims which holds approximately 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 New Master Supply Agreement 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 Sims Asia Group under the New Master Supply Agreement in the relevant periods during the Term are capped at the Annual Caps. The Annual Caps were arrived at after taking into account (a) the historical volume and average market price of the Products that the Group purchased from the Sims Asia Group under the 2012 Master Supply Agreement; (b) the projected increase in the volume and market prices of the Products to be purchased from the Sims Asia Group during the Term; and (c) the estimated increase in the price volatility of the Products over the Term.

As the applicable Percentage Ratios in respect of the Annual Caps are more than 5%, the transactions contemplated under the New Master Supply Agreement constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules. The New Master Supply Agreement is therefore subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the New 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, and in the subsequent published annual reports and accounts of the Company for the financial years during the Term in accordance with Rule 14A.46 of the Listing Rules.

## **EGM**

The Company will convene an EGM, at which resolutions will be proposed for the approval of the New Master Supply Agreement and the Annual Caps.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the New Master Supply Agreement and the Annual Caps, and to advise the Independent Shareholders as to how they should vote in respect of the transactions contemplated under the New Master Supply Agreement at the EGM. The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the New Master Supply Agreement is on normal commercial terms, the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, and to advise the Independent Shareholders as to how they should vote in respect of the transactions contemplated under the New Master Supply Agreement at the EGM, after taking into account of the recommendations of the independent financial adviser to be appointed by the Company.

The Company will send a circular to the Shareholders on or before 6 December 2012 setting out (i) further information in relation to the New Master Supply Agreement as required under the Listing Rules; (ii) the letter of advice from the independent financial adviser to the Board and the Independent Shareholders regarding the New Master Supply Agreement; and (iii) the notice convening the EGM.

## THE NEW MASTER SUPPLY AGREEMENT

Reference is made to the announcement of the Company on 17 January 2012 in relation to, among other things, the 2012 Master Supply Agreement. Pursuant to the 2012 Master Supply Agreement, the relevant member(s) of the Sims Asia Group may supply to the relevant member(s) of the Group the Products which include scrap metal at prevailing market prices during the term between 16 January 2012 and 31 December 2012.

In order to renew the existing arrangements under the 2012 Master Supply Agreement, on 15 November 2012, the Company entered into the New Master Supply Agreement with Sims Asia, pursuant to which the relevant member(s) of the Group may purchase from the relevant member(s) of the Sims Asia Group the Products at prevailing market prices for the Term of three years from 1 January 2013 to 31 December 2015.

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

**Date:** 15 November 2012

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

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

**Basis for the supply of Products:** All of the Products shall be supplied by the relevant member(s) of the Sims Asia Group 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 to be supplied by the Sims Asia Group to the Group under the New Master Supply Agreement during the Term shall not exceed the Annual Caps as set out in the section headed “Implications of the New Master Supply Agreement under the Listing Rules” of this announcement.

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

**Conditions:**

The New Master Supply Agreement is conditional upon:

- (a) the Company having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the New Master Supply Agreement and the transactions contemplated thereunder, including but not limited to the passing of the resolution(s) to approve the continuing connected transactions aspect of the New Master Supply Agreement and the transactions contemplated thereunder (insofar as such transactions are required by the Listing Rules to be approved by the Independent Shareholders) by the Independent Shareholders; and
- (b) Sims Asia having obtained all necessary approvals, whether corporate or regulatory or otherwise, required for the New Master Supply Agreement and the transactions contemplated thereunder.

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

**Term of the New Master Supply Agreement:**

The New Master Supply Agreement will take effect from 1 January 2013 and shall continue until 31 December 2015 unless terminated earlier in accordance with the terms thereof.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MASTER SUPPLY AGREEMENT**

Sims Asia is an existing business partner of the Group as the Group has been purchasing certain scrap metal products from the Sims Asia Group for a considerable period of time. It is expected that the demand for a constant supply of the Products by the Sims Asia Group will last over the next few years. The New 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 the Products from the Sims Asia Group on an uninterrupted basis during the Term.

## **IMPLICATIONS OF THE NEW MASTER SUPPLY AGREEMENT UNDER THE LISTING RULES**

Sims Asia is the intermediate holding company of Sims which holds approximately 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 New 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 Sims Asia Group under the New Master Supply Agreement in the relevant periods during the Term are capped at the following Annual Caps:–

<b>Relevant periods during the Term</b>	<b>Annual Caps</b>
1 January 2013 – 31 December 2013	US\$200 million (approximately HK\$1,560 million)
1 January 2014 – 31 December 2014	US\$350 million (approximately HK\$2,730 million)
1 January 2015 – 31 December 2015	US\$500 million (approximately HK\$3,900 million)

The Annual Caps were arrived at after taking into account:

- (a) the historical volume and average market price of the Products that the Group purchased from the Sims Asia Group under the 2012 Master Supply Agreement. The aggregate value of the Products supplied by the Sims Asia Group to the Group during the period from 16 January 2012 to 31 October 2012 is approximately US\$93 million (approximately HK\$725.4 million);
- (b) the projected increase in the volume and market prices of the Products to be purchased from the Sims Asia Group during the Term. Apart from the traditional mixed scrap metals, the Group plans to purchase E-scrap and ferrous scrap metals from the Sims Asia Group in the next three years; and
- (c) the estimated increase in the price volatility of the Products over the Term.

As the applicable Percentage Ratios in respect of the Annual Caps are more than 5%, the transactions contemplated under the New Master Supply Agreement constitute non-exempt continuing connected transactions for the Company under Rule 14A.35 of the Listing Rules. The New Master Supply Agreement is therefore subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of the New 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, and in the subsequent published annual reports and accounts of the Company for the financial years during the Term in accordance with Rule 14A.46 of the Listing Rules.

## **THE DIRECTORS' VIEW**

The New Master Supply Agreement was entered into by the Company in the ordinary and usual course of business of the Group. The terms of the New Master Supply Agreement (including the Annual Caps) have been arrived at after arm's length negotiation between the Company and Sims Asia. The Directors (excluding the independent non-executive Directors and Mr. Lion, the non-executive Director, who is considered having a material interest in the transactions contemplated under the New Master Supply Agreement and was hence required to abstain from voting at the relevant meeting of the Board to approve the transactions contemplated under the New Master Supply Agreement) consider that the terms of the New 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 the Shareholders as a whole to enter into the New Master Supply Agreement as it will allow the Group to continue purchasing scrap metal from the Sims Asia Group on an uninterrupted basis.

The independent non-executive Directors would only be able to form their opinion on the New Master Supply Agreement and the Annual Caps after having reviewed the advice of the independent financial adviser to be appointed by the Company.

## **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, aluminium 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 approximately 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.

## **EGM**

The Company will convene an EGM, at which resolutions will be proposed for the approval of the New Master Supply Agreement and the Annual Caps. Pursuant to the requirements under the Listing Rules, Sims and its associates (who together hold 166,696,754 Shares, representing approximately 16% of the issued share capital of the Company as at the date of this announcement) are required to abstain from voting for the relevant resolution(s) to approve the New Master Supply Agreement and the Annual Caps.

The Company will appoint an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to the fairness and reasonableness of the New Master Supply Agreement and the Annual Caps, and to advise the Independent Shareholders as to how they should vote in respect of the transactions contemplated under the New Master Supply Agreement at the EGM.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders as to whether the New Master Supply Agreement is on normal commercial terms, the terms of which are fair and reasonable insofar as the Independent Shareholders are concerned, and to advise the Independent Shareholders as to how they should vote in respect of the transactions contemplated under the New Master Supply Agreement at the EGM, after taking into account of the recommendations of the independent financial adviser to be appointed by the Company.

The Company will send a circular to the Shareholders on or before 6 December 2012 setting out (i) further information in relation to the New Master Supply Agreement as required under the Listing Rules; (ii) the letter of advice from the independent financial adviser to the Board and the Independent Shareholders regarding the New Master Supply Agreement; and (iii) the notice convening the EGM.

## **DEFINITIONS**

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

<b>“2012 Master Supply Agreement”</b>	the master supply agreement entered into on 16 January 2012 between the Company and Sims Asia in respect of the supply of the Products by the relevant member(s) of the Sims Asia Group to the relevant member(s) of the Group during the term between 16 January 2012 and 31 December 2012
<b>“Annual Caps”</b>	the expected maximum aggregate annual values of the Products to be supplied by the Sims Asia Group to the Group under the New Master Supply Agreement in the relevant periods during the Term
<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 shareholders”</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>“EGM”</b>	the extraordinary general meeting of the Company to be convened to approve the New Master Supply Agreement and the transactions contemplated thereunder
<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 People’s Republic of China
<b>“Independent Board Committee”</b>	a board committee comprising all independent non-executive Directors established by the Board to advise the Independent Shareholders on the New Master Supply Agreement
<b>“Independent Shareholders”</b>	Shareholders other than Sims and its associates
<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 2013 or such later date as the Parties shall agree in writing
<b>“Mr. Lion”</b>	Mr. Michael Charles Lion, a non-executive Director
<b>“New Master Supply Agreement”</b>	the master supply agreement entered into on 15 November 2012 between the Company and Sims Asia in respect of the supply of the Products by the relevant member(s) of the Sims Asia Group to 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 supplied by the relevant member(s) of the Sims Asia Group to the relevant member(s) of the Group which include scrap metal under the New Master Supply Agreement
<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 Sims Asia Group to the relevant member(s) of the Group



“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sims”	Sims Metal Management Dragon Holdings Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of SMM
“Sims Asia”	Sims Metal Management Asia Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of SMM
“Sims Asia Group”	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 New Master Supply Agreement, being the period between 1 January 2013 and 31 December 2015 unless terminated earlier in accordance with the terms of the New Master Supply Agreement
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board  
**Chiho-Tiande Group Limited**  
**Fang Ankong**  
*Chairman*

Hong Kong, 15 November 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