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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)**

### **ADOPTION OF A NEW SET OF POLICY REGARDING DEALINGS IN METAL FUTURES CONTRACTS**

On 26 March 2015, the Board resolved to adopt a new set of policy regarding dealings in metal futures contracts in order to better reflect and restate the Group's current business requirements with regard to dealings in metal futures contracts.

The board of directors (the “**Board**”) of Chiho-Tiande Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that on 26 March 2015, the Board resolved to adopt a new set of policy regarding dealings in metal futures contracts in order to better reflect and restate the Group's current business requirements with regard to dealings in metal futures contracts.

The Group generates revenue predominantly from the sale of recycled metal products which the Group processed from mixed metal scraps. Accordingly, the Group's profit comprises the margin between the selling price of recycled metal products and the cost of the mixed metal scrap that the Group imports and related recovering and processing costs. The pricing of mixed metal scrap generally follows the movement of the pricing of refined metals quoted on established exchanges. Selling prices for the Group's recycled metal products are also determined by reference to such quoted prices. Therefore, fluctuation in commodity prices is one of the principal operating risks that the Group faces for the following reasons:

- (i) Any unusual sharp movements of commodity prices during the 3 to 4 months' time-lag between the Group's purchase of mixed metal scrap and its recycled metal products being available for sale will affect the profit/loss of the Group's operations during the time-lag period; and
- (ii) any unexpected and sharp decline in global commodities prices may reduce the net realisable value of the Group's inventory below the cost it paid which may result in a write-down on the value of the Group's inventory against its profit.

As part of its treasury and risk management, the Group purchases and sells metal futures for various reasons, including (i) to counteract the volatility of recycled metal prices especially if there is a large spread between the spot physical and the futures price, (ii) to fund its operations, (iii) to maintain/increase its inventory at an appropriate cost, and (iv) to reduce its inventory at an appropriate cost.

The overriding principle in buying/selling futures is not to use such futures for speculative trading activities.

In order to ensure that the use of futures contracts is not abused, the Company has established a hedging policy (the “**Hedging Policy**”) which provides check-and-balances on the powers of the management to purchase/sell futures contracts. Save for minor amendments in January 2014, there has been no major overhaul of the Hedging Policy since the Company’s listing on the Main Board of The Stock Exchange of Hong Kong Limited in June 2010.

The Company reported in its 2013 Annual Report that during the 2013 financial year, the Board has identified certain practices which were not in full compliance with the Hedging Policy at the relevant time. These were largely caused by the existing Hedging Policy not catering to big volatilities in commodities prices like those experienced in the last two years as some shortcomings in the Group’s internal control which have now been identified.

Following a comprehensive review of our internal controls, the Hedging Policy and our policies and practices regarding dealings in metal futures contracts, the Board has now adopted a new set of policy which the Board believes better reflects the current requirements of our business. The new policy supersedes the Hedging Policy and took effect on 26 March 2015. The full policy is available from the Company’s website, [www.chiho-tiande.com](http://www.chiho-tiande.com).

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

Hong Kong, 26 March 2015

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

*Executive directors:* Fang Ankong, Gu Liyong

*Independent non-executive directors:* Loke Yu, Zhang Jingdong, Zhu Dajian