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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)**

**(1) MAJOR TRANSACTION:  
OFFER FOR THE ACQUISITION OF RIGHTS AND  
OBLIGATIONS UNDER CERTAIN LOAN AGREEMENTS AND  
PROMISSORY NOTES OF, AND  
PROVISION OF BRIDGING FACILITY TO,  
SCHOLZ HOLDING GMBH  
AND  
(2) CHANGE IN USE OF PROCEEDS  
FROM THE SUBSCRIPTION**

### **THE DEBT ACQUISITION**

On 29 April 2016 (after trading hours), the Company (as potential purchaser) submitted a Binding Offer to the Sellers (as potential sellers) to acquire, under a Debt Purchase Agreement, the Debt. The nominal amount of the Debt to be acquired amounts to EUR 524 million (equivalent to approximately HK\$4.66 billion). The purchase price offered by the Company for the Debt Acquisition is based on a substantial discount to the nominal amount of the Debt. The Debt Purchase Agreement will only become effective when the Sellers accept the Binding Offer and closing will be subject to the satisfaction and/or waiver of certain conditions precedent and certain closing conditions.

The Debt Acquisition is part of a series of steps taken by the Company to prepare for the potential acquisition of the Target (through a separate transaction) in the near future. The Debt Acquisition is dedicated to allow the Company to restructure the financial situation and balance sheet of the Target in order to revitalize the sustainable going concern of the Target's business and, thereby, gain access to upstream material supplies from the European markets, and to one of the best End-of-Life Vehicle dismantling and processing technology globally. As a result of the Debt Acquisition, the Company will become the largest debtholder of the Target.

## **PROVISION OF BRIDGING LOAN TO THE TARGET**

Under the terms of the Debt Purchase Agreement, the Company has undertaken to the Sellers that it will, upon request of the Target, provide the Bridging Loan to the Target which may be utilized for the financing of immediate liquidity requirements immediately after the Debt Purchase Agreement has become effective.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) exceed 25% but are less than 100%, the Transaction constitutes a major transaction of the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, no Shareholder is required to abstain from voting at a general meeting of the Company to be convened for approving the Transaction. Accordingly, the Company has obtained a written shareholder's approval from its controlling shareholder, USUM Investment Group Hong Kong Limited, which directly holds 1,008,885,181 Shares as at the date of this announcement (representing approximately 62.29% of the voting rights of the Company), to approve the Transaction. Pursuant to Rule 14.44 of the Listing Rules, such written shareholder's approval can be accepted in lieu of a general meeting for the approval of the Transaction.

A circular of the Company containing, among other things, further information in relation to the Transaction will be despatched to the Shareholders on or around 23 May 2016.

## **CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION**

As at the date of this announcement, in view of the lack of suitable investment opportunities in the financial industry and the viability of the Transaction, taking into account the potential acquisition of the Target in the future, the Board has resolved to re-allocate part of the Proceeds to be used to finance the Transaction and to explore future investment opportunities in the metals recycling industry. Such change in the use of Proceeds is subject to closing of the Debt Purchase Agreement.

**As the Transaction is subject to final agreement and satisfaction of certain conditions under the Debt Purchase Agreement, the Transaction may or may not proceed. Accordingly, Shareholders and potential investors should exercise caution when dealing in the Shares of the Company.**

## **(1) THE DEBT ACQUISITION**

### **INTRODUCTION**

On 29 April 2016 (after trading hours), the Company (as potential purchaser) made a Binding Offer to the Sellers (as potential sellers) to acquire, under a Debt Purchase Agreement, the Debt. The nominal amount of the Debt to be acquired amounts to EUR 524 million (equivalent to approximately HK\$4.66 billion). The purchase price offered by the Company for the Debt Acquisition is based on a substantial discount to the nominal amount of the Debt. The Debt Purchase Agreement will only become effective when the Sellers accept the Binding Offer and closing will be subject to the satisfaction and/or waiver of certain conditions precedent and certain closing conditions.

### **PRINCIPAL TERMS UNDER THE DEBT PURCHASE AGREEMENT**

#### **Date**

The Binding Offer was submitted by the Company to the Sellers on 29 April 2016. It is expected that the Sellers will make a decision to accept or reject the Binding Offer in or around mid-May 2016.

#### **Parties**

- (1) the Company (as potential purchaser)
- (2) the Sellers (as potential sellers)

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the Sellers and its respective ultimate beneficial owner(s) are independent of the Company and its connected persons.

#### **Rights and obligations to be acquired**

Under the Debt Purchase Agreement, the Company will acquire the rights and obligations to the Debt.

#### **Consideration**

The nominal amount of the Debt to be potentially acquired amounts to EUR 524 million (equivalent to approximately HK\$4.66 billion). The purchase price offered by the Company under the Debt Acquisition is based on a substantial discount to the nominal amount of the Debt and will not exceed EUR 524 million (equivalent to approximately HK\$4.66 billion).

As at the date of this announcement, the Debt Purchase Agreement is not valid until the Binding Offer is accepted by the Sellers. In order to safeguard its commercial interests and to reduce the risk of other potential bidders submitting more favourable bids to the Sellers after becoming aware of the purchase price, only the maximum purchase price is disclosed in this announcement. The exact amount of the purchase price and details of any deferred payment arrangements will be disclosed by the Company when the Debt Purchase Agreement becomes unconditional, which is expected to be sometime between mid-to-end June 2016.

### **Conditions precedent**

The Debt Purchase Agreement will only become effective when the Sellers accept the Binding Offer.

Closing of the Debt Purchase Agreement is conditional upon the satisfaction and/or waiver of certain conditions precedent and closing conditions. These conditions, among other things, include the deposit of the intended consideration in an escrow account and the reorganization of further debt existing at the Target.

### **INFORMATION ABOUT THE DEBT**

The nominal amount of the Debt to be potentially acquired amounts to EUR 524 million (equivalent to approximately HK\$4.66 billion). The Debt arises (i) under a senior facilities agreement initially dated 24 September 2012, as last amended and restated on 4 December 2015, between, among others, Scholz Holding GmbH as original borrower and certain financial institutions named therein as lenders, (ii) under certain promissory notes each dated 24 June 2014, between, among others, Scholz Holding GmbH as noteholder and certain institutions named as lenders and (iii) a bilateral loan agreement initially dated 21 September 2012, as last amended in June 2014, between Scholz Holding GmbH and the lender named therein.

### **INFORMATION ABOUT THE PARTIES**

#### **The Company**

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.

#### **The Sellers**

The Sellers comprise certain German financial institutions, international debt providers and funds.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Sellers and its ultimate beneficial owner(s) are independent of the Company and its connected persons.

## **Target**

The Target is the holding company of the Scholz Group, one of the largest European-based global network of companies and affiliates active in the field of treating and processing scrap metal. Founded in 1872, the Scholz Group provides all steps in recycling metal and scrap metal and is a one-stop shop, from collecting, gathering, sorting, and processing the material to its sale, utilization, and recirculation. In 2014, Scholz Group treated and processed approximately 9.8 million tons of metal and scrap metal through its business activities in Europe, North- and Central-America, and Asia. In its financial year ended 31 December 2014, the Scholz Group employed approximately 5,000 employees and had revenues of approximately EUR 3.1 billion (equivalent to approximately HK\$27.59 billion).

## **REASONS AND BENEFITS OF THE TRANSACTION**

The Target has been in financial distress for a significant period of time. The Transaction is part of a series of steps taken by the Company to prepare for the potential acquisition of the Target (through a separate transaction) in the near future. It also allows the Company to restructure the financial situation and balance sheet of the Target in order to revitalize the sustainable going concern of the Target's business and, thereby, gaining access to upstream material supplies from the European markets, and to one of the best End-of-Life Vehicle dismantling and processing technology globally. As a result of the Debt Acquisition, the Company will become the largest debtholder of the Target.

The Directors consider the terms of the Debt Purchase Agreement are fair and reasonable and that the entry into the Debt Purchase Agreement is in the interests of the Company and Shareholders as a whole.

## **PROVISION OF BRIDGING LOAN TO THE TARGET**

Under the terms of the Debt Purchase Agreement, the Company has undertaken to the Sellers that it will, upon request of the Target, provide the Bridging Loan to the Target which may be utilized for the financing of immediate liquidity requirements immediately after the Debt Purchase Agreement has become effective.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined under Chapter 14 of the Listing Rules) exceed 25% but are less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, no Shareholder is required to abstain from voting at a general meeting of the Company to be convened for approving the Transaction. Accordingly, the Company has obtained a written shareholder's approval from its controlling shareholder, USUM Investment Group Hong Kong Limited, which directly holds 1,008,885,181 Shares as at the date of this announcement (representing approximately 62.29% of the voting rights of the Company), to approve the Transaction. Pursuant to Rule 14.44 of the Listing Rules, such written shareholder's approval can be accepted in lieu of a general meeting for the approval of the Transaction.

A circular of the Company containing, among other things, further information in relation to the Transaction will be despatched to the Shareholders on or around 23 May 2016.

## **(2) CHANGE IN USE OF PROCEEDS FROM THE SUBSCRIPTION**

As disclosed in the Company's annual report dated 27 April 2016 (the "**2015 Annual Report**") and with further reference to the Company's announcement dated 11 March 2016, the total balance of unutilized proceeds received from the Subscription is approximately HK\$3,053.7 million (the "**Proceeds**") which were allocated in the following manner:

- (a) Approximately RMB1,350 million (approximately HK\$1,614.7 million) out of the Proceeds was allocated for investment in the financial industry, as well as for working capital and funding for other general corporate purposes, out of which approximately HK\$1,589.2 million had been used for investment in listed securities and wealth management products (the "**Tranche A Proceeds**"); and
- (b) Approximately HK\$1,439.0 million was to be used as originally intended after proceeds from the Subscription have been received to finance acquisitions of businesses or assets in order to further strengthen its principal business in metal recycling which is environmental friendly and is a sector encouraged by the central government of the PRC (the "**Tranche B Proceeds**").

As at the date of this announcement, approximately HK\$34.0 million of the Tranche B Proceeds have been used.

In preparation for the Transaction and in anticipation of the potential acquisition of the Target in the future, the Board has resolved to liquidate up to approximately HK\$1,314.7 million out of the Tranche A Proceeds (the "**Divestment Proceeds**") used for investment in listed securities and wealth management products, which are products with short-term liquidity. The Tranche B Proceeds, together with part of the Divestment Proceeds and other internal resources of the Company will be used to finance the Transaction and to explore future investment opportunities in the metals recycling industry. The Company will also consider seeking external funding to finance the Transaction and potential acquisition of the Target in the future when necessary. Such change in the use of Proceeds is subject to closing of the Debt Purchase Agreement.

The Board has considered the impact of the proposed change in the use of Proceeds on the Group's business. The Board believes that such change will not adversely affect the existing operation and business of the Group and is in the interests of the Company and its Shareholders as a whole. Such change in use of proceeds is subject to the closing of the Debt Purchase Agreement.

## **GENERAL**

**As the Debt Acquisition is subject to final agreement and satisfaction of certain conditions under the Debt Purchase Agreement, the Debt Acquisition may or may not proceed. Accordingly, Shareholders and potential investors should exercise caution when dealing in the Shares.**

## **DEFINITIONS**

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

“2015 Annual Report”	has the meaning given to it in the section headed “(2) Change in Use of Proceeds from the Subscription”
“Binding Offer”	the binding offer submitted by the Company to the Sellers in relation to the Debt Acquisition
“Board”	the board of directors of the Company
“Bridging Loan”	the bridging loan to be provided by the Company, upon request by the Target, in the amount of EUR50 million under the terms of the Debt Purchase Agreement
“Company”	Chiho-Tiande Group Limited (齊合天地集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which 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
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Debt”	the debt owing by the Target to the Sellers under certain loan agreements and promissory notes
“Debt Acquisition”	the proposed acquisition of the Debt under the terms and conditions of the Debt Purchase Agreement

“Debt Purchase Agreement”	the debt purchase agreement entered into on 29 April 2016 by the Company, which would be executed by the Sellers upon acceptance of the Binding Offer
“Directors”	the directors of the Company
“Divestment Proceeds”	has the meaning given to it in the section headed “(2) Change in Use of Proceeds from the Subscription”
“EUR”	Euro, the lawful currency of the European Union
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Proceeds”	has the meaning given to it in the section headed “(2) Change in Use of Proceeds from the Subscription”
“Scholz Group”	the Target and its subsidiaries
“Sellers”	certain lenders comprising German financial institutions, international debt providers and funds, which have granted certain loans and promissory notes to the Target
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by USUM Investment Group Hong Kong Limited, a company incorporated in Hong Kong with limited liability, of 456,900,000 new Shares under the terms of two subscription agreements, details of which are set out in the circular of the Company dated 28 April 2015 and available at <a href="http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN201504271196.pdf">http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0427/LTN201504271196.pdf</a>
“Target”	Scholz Holding GmbH, a limited liability company (Gesellschaft mit beschränkter Haftung) organized under the laws of the Federal Republic of Germany, which is registered at the Commercial Register (Handelsregister) of the Local Court (Amtsgericht) of Ulm, under registration number HRB 730756, and its direct and indirect subsidiaries



“Tranche A Proceeds”	has the meaning given to it in the section headed “(2) Change in Use of Proceeds from the Subscription”
“Tranche B Proceeds”	has the meaning given to it in the section headed “(2) Change in Use of Proceeds from the Subscription”
“Transaction”	the Debt Acquisition and provision of the Bridging Loan

By Order of the Board  
**Chiho-Tiande Group Limited**  
**Tu Jianhua**  
*Chairman*

Hong Kong, 2 May 2016

In this announcement and for illustration purposes only, amounts denominated in:

- (a) EUR has been converted into HK\$ at the rate of EUR1=HK\$8.9; and
- (b) RMB has been converted into HK\$ at the rate of RMB1 = HK\$1.196.

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

*Executive Directors:* Tu Jianhua, Zhang Mingjie, Zhang Jun

*Independent Non-executive Directors:* Loke Yu, Zhang Jingdong, Zhu Dajian