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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)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

HIGHLIGHTS

- Revenue for the year ended 31 December 2014 amounted to HK$5.9 billion (2013: HK$7.2 billion), representing a decrease of 18.1% compared to that in 2013.
- The Group recorded a gross loss of HK$17.4 million for the year ended 31 December 2014, when compared to the gross loss of HK$23.8 million in 2013.
- The gross loss incurred during the year was due to the adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout the year.
- The Group recorded a loss attributable to the owners of the Company of HK$1,058.0 million when compared to the loss attributable to the owners of the Company of HK$382.9 million in 2013.
- The loss attributable to the owners of the Company is largely attributable to the loss on fair value changes of derivative financial instruments of HK$773.8 million, which the Group is required to make under the "mark-to-market" accounting principle.
- We have sold over 587,400 tonnes (2013: 697,800 tonnes) of processed mixed metal scrap during the year, a decrease of 15.8% when compared to that in 2013.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2014 (2013: Nil).

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the "Board") of Chiho-Tiande Group Limited (齊合天地集團有限公司) (the "Company"), I present the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

The Group had a disappointing result for the 2014 financial year with a loss of HK$1,058.0 million attributable to owners of the Company. During the year, the Group recorded a reduction in sales from HK$7.2 billion in 2013 to HK$5.9 billion in 2014, representing a reduction of 18.1%. The Group recorded a gross loss of HK$17.4 million during the year, which was due to the adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout the year. The prolonged volatility and the overall downward movement of commodity prices had a negative impact on the gross margin of the Group in 2014. As for the net loss, the Group recorded a loss attributable to the owners of the Company of HK$1,058.0 million, when compared to the loss attributable to the owners of the Company of HK$382.9 million recorded in 2013. Loss on fair value changes of derivative financial instruments of HK$773.8 million was recognised in 2014.

With the significant volatile world metal market and despite the reduction in worldwide supply experienced throughout the year, the Group continued to maintain and balance its procurement volume to cater for its processing needs through its well established overseas procurement network. During the year, the Group sold in aggregate over 587,400 tonnes of its processed products within its three business segments. This represented a decrease of 15.8% when compared to 697,800 tonnes in 2013.

During the year, the Group continued to follow its usual practices of consistently buying mixed metal scrap and selling its recycled products in accordance with its processing ability so as to mitigate the short-term impact of price volatility on the overall performance of the Group.

Loss per share attributable to owners of the Company amounted to HK$1.01 in 2014 (2013: Loss per share HK$0.37).

Following the establishment of our Hong Kong operations in 2012, the Group's Hong Kong operations together with the Hong Kong joint venture company have established a strong presence in Hong Kong with a rapid increase in local market share. The Group is now in a well-placed position to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong. We continued to be confident that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

With regard to the investment in establishing new processing facilities in the Development Zone in Yantai City, the People's Republic of China (the "PRC"), we have completed the first stage of the development and the new processing facilities are now progressively operational.

Further to our announcement dated 1 December 2014 in relation to the proposed acquisition of 80% equity interest in Yantai Liheng Environmental Protection Technology Co., Limited, we expect to complete our due diligence review in the next few months. The Company will keep its shareholders and the investors informed of the status of the proposed acquisition as and when appropriate.

Going forward, we remain committed to further expanding our processing capability, and at the same time improving our profitability and return on equity. Our focus will continue to cover our existing facilities including Taizhou, Ningbo and Hong Kong. We will continue to be on the lookout for any potential opportunity, especially the activities within the scrap metal resources supply chain in the PRC and other countries.

With the continued emphasis of support from the PRC Government to develop the recycling industry, we are confident that the metal recycling industry in the PRC will continue to grow and will become an important source and an integral part of the metal resources supply chain of the PRC in the future.

Given that the metal recycling industry contributes significantly to the protection of environment and to the preservation of valuable natural resources, we continue to place heavy emphasis on our procurement volume to ensure that it is in line with our processing needs and to cater for our expansion strategy for scrap materials in the PRC.

ANNUAL RESULTS

The Board presents the audited consolidated results of the Group for the year ended 31 December 2014, together with the comparative figures for 2013.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Revenue	3	**5,877,970**	7,222,003
Cost of sales	4	**(5,895,336)**	(7,245,813)
Gross loss		**(17,366)**	(23,810)
Other income		**27,977**	43,665
Other gains and losses	5	**(770,923)**	(60,558)
Distribution and selling expenses		**(23,722)**	(35,481)
Administrative expenses		**(130,534)**	(133,250)
Finance costs	6	**(153,327)**	(172,342)
Share of profit of an associate		**284**	–
Loss before tax		**(1,067,611)**	(381,776)
Income tax expense	8	**(3,629)**	(25,742)
Loss for the year	7	**(1,071,240)**	(407,518)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to presentation currency		**(9,623)**	51,050
Items that may be reclassified subsequently to profit or loss:			
Reclassification to profit or loss on disposal of available-for-sale investment		**499**	–
Fair value gain (loss) on available-for-sale investment		**918**	(1,417)
		1,417	(1,417)
Other comprehensive (expense) income for the year		**(8,206)**	49,633
Total comprehensive expense for the year		**(1,079,446)**	(357,885)
Loss for the year attributable to:			
Owners of the Company		**(1,057,980)**	(382,920)
Non-controlling interests		**(13,260)**	(24,598)
		(1,071,240)	(407,518)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(1,066,423)**	(331,677)
Non-controlling interests		**(13,023)**	(26,208)
		(1,079,446)	(357,885)
		HK$	*HK$*
Loss per share			
– basic	10	**(1.01)**	(0.37)
– diluted	10	**(1.01)**	(0.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**508,265**	331,530
Prepaid lease payments		**421,461**	433,069
Investment properties		**22,351**	28,942
Interest in an associate		**2,609**	–
Available-for-sale investment		**–**	14,053
Deposits paid for acquisition of property, plant and equipment		**19,033**	40,332
Deferred tax assets		**8,189**	5,997
		981,908	853,923
CURRENT ASSETS			
Inventories		**1,107,789**	2,570,273
Trade and other receivables	*11*	**431,316**	744,477
Bills receivables	*12*	**127**	6,614
Prepaid lease payments		**10,620**	10,642
Derivative financial instruments		**391,476**	132,688
Tax recoverable		**10,382**	10,334
Pledged bank deposits		**182,559**	141,841
Margin deposits		**253,292**	175,405
Bank balances and cash		**271,556**	271,095
		2,659,117	4,063,369
CURRENT LIABILITIES			
Trade and other payables	*13*	**412,209**	407,005
Derivative financial instruments		**402,932**	33,303
Tax payable		**3,771**	2,268
Bank borrowings and overdrafts		**1,324,831**	1,958,680
Convertible bonds		**816,421**	–
		2,960,164	2,401,256
NET CURRENT (LIABILITIES) ASSETS		**(301,047)**	1,662,113
TOTAL ASSETS LESS CURRENT LIABILITIES		**680,861**	2,516,036

	2014	2013
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**10,494**	10,446
Share premium and reserves	**713,556**	1,763,914
Equity attributable to owners of the Company	**724,050**	1,774,360
Non-controlling interests	**(80,694)**	(67,671)
TOTAL EQUITY	**643,356**	1,706,689
NON-CURRENT LIABILITIES		
Convertible bonds	–	759,406
Embedded derivative components of convertible bonds	–	13,353
Warrants	–	1,331
Deferred tax liabilities	**37,505**	35,257
	37,505	809,347
	680,861	2,516,036

NOTES:

1. GENERAL INFORMATION

The Company is incorporated and registered as an exempted company in the Cayman Islands under the Companies Law of the Cayman Islands with limited liability. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 July 2010. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands and its main place of business is located at Taizhou Industrial Zone of Metal Recycling Fengjiang, Luqiao, Taizhou, Zhejiang, the PRC.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") for the convenience of the shareholders as the Company is listed in Hong Kong.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK$1,071,240,000 for the year ended 31 December 2014 and the Group's current liabilities exceeded its current assets by HK$301,047,000 as at 31 December 2014. The directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as and when they fall due for the foreseeable future, after taking into consideration the following factors: (i) the estimated net proceeds of approximately HK$1,835,640,000 from share placing, as set out in the Company's announcement dated 27 March 2015; (ii) the convertible bonds holders agreeing to extend of the convertible bonds, together with the undertakings from the Company, as set out in the Company's announcements dated 5 March 2015, 10 March 2015 and 18 March 2015; (iii) the unutilised borrowing facilities of approximately HK$975,158,000 as at 31 December 2014; (iv) the estimated future cash flows of the Group; and (v) assets available to pledge for obtaining further banking facilities. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amounts received or receivable for the sales of metal scrap, net of sales related taxes, during the year.

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The executive directors of the Company are identified as the CODM and they regularly review the internal report on gross profit derived (or gross loss incurred) from different business activities and different products to assess performance and allocate resources of the Group.

The Group is mainly engaged in the principal business of metal recycling, involving the recycling of mixed metal scrap into copper scrap, steel scrap, aluminium scrap, iron scrap and other metal scrap. The Group is also engaged in the foundry business which involves the production and sale of aluminium-alloy ingots and copper rod and wire, and wholesales business which involves trading of other metal scrap without processing and copper cathode. The operating and reportable segments are identified based on major products under three categories of business activities:

(i) metal recycling business (including sales of copper scrap, steel scrap, aluminium scrap, iron scrap and other metal scrap);

(ii) foundry business (including sales of aluminium-alloy ingots and copper rod and wire); and

(iii) wholesales business (including sales of other metal scrap without processing and copper cathode).

Segment revenues and segment results

An analysis of Group's segment revenues and segment results by operating and reportable segment is as below.

For the year ended 31 December 2014

	Metal recycling business					Foundry business		Wholesales business			
	Copper Scrap *HK$'000*	Steel scrap *HK$'000*	Aluminium scrap *HK$'000*	Iron scrap *HK$'000*	Other metal scrap *HK$'000*	Aluminium-alloy ingots *HK$'000*	Copper rod and wire *HK$'000*	Other metal scrap without processing *HK$'000*	Copper cathode *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE											
External sales	3,661,650	719,266	138,339	154,192	49,259	304,115	33,052	507,055	311,042	–	5,877,970
Inter-segment sales	101,887	30,667	201,513	–	2,571	–	–	1,991,776	–	(2,328,414)	–
Total segment revenue	3,763,537	749,933	339,852	154,192	51,830	304,115	33,052	2,498,831	311,042	(2,328,414)	5,877,970
Segment (loss) profit	(54,323)	1,686	(2,138)	(2,120)	(6,390)	15,754	(5,725)	68,920	(16,266)	(16,764)	(17,366)
Other income											27,977
Other gains and losses											(770,923)
Distribution and selling expenses											(23,722)
Administrative expenses											(130,534)
Finance costs											(153,327)
Share of profit of an associate											284
Loss before tax											(1,067,611)
Income tax expense											(3,629)
Loss for the year											(1,071,240)
Reversal of allowance (allowance) for inventories included in segment (loss) profit	11,495	2,301	1,117	3	(2,025)	–	846	–	(1,831)	–	11,906

For the year ended 31 December 2013

	Metal recycling business					Foundry business		Wholesales business			
	Copper Scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap	Aluminium-alloy ingots	Copper rod and wire	Other metal scrap without processing	Copper cathode	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE											
External sales	3,854,404	961,499	238,261	201,023	59,022	366,552	24,335	1,005,234	511,673	–	7,222,003
Inter-segment sales	193,093	26,464	279,365	–	3,390	26,099	–	3,775,353	5,963	(4,309,727)	–
Total segment revenue	4,047,497	987,963	517,626	201,023	62,412	392,651	24,335	4,780,587	517,636	(4,309,727)	7,222,003
Segment (loss) profit	(71,772)	(14,878)	10,464	429	(5,868)	9,025	(8,175)	72,716	(13,674)	(2,077)	(23,810)
Other income											43,665
Other gains and losses											(60,558)
Distribution and selling expenses											(35,481)
Administrative expenses											(133,250)
Finance costs											(172,342)
Loss before tax											(381,776)
Income tax expense											(25,742)
Loss for the year											(407,518)
Reversal of allowance (allowance) for inventories included in segment (loss) profit	5,113	11,412	(819)	–	(4,875)	–	(5,063)	–	475	–	6,243

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment (loss) profit represents the gross (loss) profit resulted in each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, finance costs, share of profit of an associate and income tax expense. This is the measure reporting to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

Segment assets and segment liabilities

Information on segment assets and segment liabilities of the Group are not reviewed by the CODM for the purpose of resource allocation and performance assessment nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities is presented.

Geographical information

Approximately 92% of external revenue of the Group during the year ended 31 December 2014 (2013: 90%) are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. The remaining revenue is immaterial for separate disclosure of the Group's geographical information. Majority of the Group's non-current assets are located in the PRC.

Information about a major customer

No single customer contributed 10% or more to the Group's revenue during the year ended 31 December 2014. During the year ended 31 December 2013, included in revenue arising from metal recycling business of HK$5,314,209,000 was revenue of HK$818,333,000 which arose from sales to the Group's largest customer and no other single customer contributed 10% or more to the Group's revenue.

4. COST OF SALES

Included in cost of sales is the following reversal of allowance for inventories:

	2014	2013
	HK$'000	*HK$'000*
Allowance of inventories to net realisable value recognised	**23,887**	35,793
Reversal of prior year's inventories allowance	**(35,793)**	(42,036)
Reversal of allowance for inventories	**(11,906)**	(6,243)

Management assesses whether the carrying value of inventories exceed their net realisable value at the end of the reporting period. Management estimates the net realisable value for inventories with reference to the ask price of metal scrap in the relevant markets and the quoted prices of metal on applicable commodity exchanges at the end of the reporting period.

5. OTHER GAINS AND LOSSES

	2014	2013
	HK$'000	*HK$'000*
Gain (loss) on fair value change of:		
– derivative financial instruments *(note)*		
– realised	**(762,372)**	(315,311)
– unrealised	**(11,456)**	99,385
	(773,828)	(215,926)
– derivative components of convertible bonds	**13,353**	71,937
– warrants	**1,331**	6,715
Net foreign exchange (losses) gains	**(34,005)**	99,881
Impairment loss on trade and other receivables	**(1,807)**	(2,911)
Recovery of doubtful debts	**–**	12
Gain on fair value change of investment at FVTPL	**–**	34
Gain on disposal of an investment property	**29,216**	–
Gain (loss) on disposal of property, plant and equipment	**335**	(90)
Reclassified to profit or loss on disposal of available-for-sale ("AFS") investment	**(499)**	–
Handling charges on disposal of AFS investment	**(54)**	–
Net compensation paid	**(4,965)**	(1,224)
Others	**–**	(18,986)
	(770,923)	(60,558)

note:

The amounts arose from aluminium, copper, lead, zinc, steel rebar and nickel future contracts, provisional pricing arrangements embedded in sales contracts and foreign currency forward contracts.

6. FINANCE COSTS

	2014	2013
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**63,680**	88,847
– bank overdrafts	**–**	4
Effective interest expense on convertible bonds	**89,647**	83,491
	153,327	172,342

7. LOSS FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' emoluments	**3,913**	4,579
Other staff costs	**179,213**	209,560
Retirement benefit scheme contributions, excluding those of directors	**3,158**	3,952
Share-based payments, excluding those of directors	**3,390**	9,900
Total staff costs	**189,674**	227,991
Cost of inventories recognised as an expense	**5,895,336**	7,245,813
Depreciation of investment properties	**1,631**	1,866
Depreciation of property, plant and equipment	**36,122**	34,308
Amortisation of prepaid lease payments	**10,593**	8,829
Total depreciation and amortization	**48,346**	45,003
Auditor's remuneration	**2,430**	2,310

8. INCOME TAX EXPENSE

	2014 *HK$'000*	2013 *HK$'000*
Current tax:		
PRC Enterprises Income Tax ("EIT")	**2,435**	7,354
Hong Kong	**471**	6,697
Other jurisdictions	**138**	(24)
	3,044	14,027
Under (over) provision in prior years:		
PRC EIT	**11**	2,073
Hong Kong	**507**	(11)
	518	2,062
Deferred tax	**67**	9,653
	3,629	25,742

notes:

(i) The Group's PRC subsidiaries are subject to PRC EIT at the rate of 25%.

(ii) All Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 16.5%.

(iii) Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdiction.

(iv) As the Group operates in different tax jurisdictions, separate reconciliations using the domestic tax rate in each individual tax jurisdiction have been aggregated and presented.

9. DIVIDENDS

The Board did not recommend the payment of final dividend for the year ended 31 December 2014 (2013: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company are based on the following data:

	2014	2013
	HK$'000	*HK$'000*
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(1,057,980)**	(382,920)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,047,387,288**	1,044,166,684

In current and prior years, the potential ordinary shares attributable to the Company's outstanding convertible bonds, warrants and certain share options have anti-dilutive effect as the assumed conversion and exercise would result in a decrease in loss per share.

11. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period of 30 to 90 days. A longer credit period may be granted to trade customers with good credit quality upon the approval of management. An aged analysis of the Group's trade receivables at the end of the reporting period, net of allowance for doubtful debts, was prepared based on the invoice date which approximate to the date of revenue recognition are as follows:

	2014	2013
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**62,366**	129,659
31 – 60 days	**–**	11,486
61 – 90 days	**5,572**	24,300
91 – 180 days	**17,413**	58,580
Over 180 days	**56,546**	57,702
	141,897	281,727
Other receivables:		
Deposits and prepayments	**29,140**	37,300
Deposits paid for purchase of raw materials	**221,534**	214,734
VAT recoverable	**28,485**	206,762
Others	**10,260**	3,954
	289,419	462,750
	431,316	744,477

12. BILLS RECEIVABLES

An analysis of the Group's bills receivables by age at the end of the reporting period, based on their invoice dates which approximate to the date of revenue recognition, is as follows:

	2014	2013
	HK$'000	*HK$'000*
0 – 30 days	**127**	6,614

13. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade payables:		
Sims Metal Management Dragon Holdings Limited ("Sims")	**71,077**	78,721
Third parties	**106,924**	130,820
	178,001	209,541
Other payables:		
Other payables and accruals	**160,839**	112,068
Provision for pending legal litigation	**51,464**	51,638
Interest payable	**6,253**	5,409
Receipts in advance from customers	**15,652**	28,349
	234,208	197,464
	412,209	407,005

An analysis of trade payables by age at the end of the reporting period, presented based on the invoice date, is as follows:

	2014	2013
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**113,241**	177,776
31 – 60 days	**56,525**	26,376
61 – 90 days	**253**	–
91 – 180 days	**92**	4,391
Over 180 days	**7,890**	998
	178,001	209,541

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

With the significant volatility in the global metal market and the reduction in worldwide supply seen in 2014, the management continued to face exceptional challenges resulting in a net loss for the whole year in 2014. Despite current weakness and volatility in primary metals prices, which has a knock-on effect on the global metals recycling industry, the Directors believe that the longer prospect of the metals recycling industry in the PRC remains very robust.

The PRC is the world's leading consumer of many basic metals including copper and aluminium. The demand for these basic metals is not likely to reduce drastically in the short term. Given the PRC's increasing concern with environmental pollution, the Directors believe that demand for recycled metals will continue to rise and it is only a matter of whether or not Chinese recyclers can produce recycled metals at economically viable costs. Thus, the management continues to be cautiously optimistic about the Group's performance in the coming year.

In 2014, the Group continued to face difficult business environment including the highly volatile global metal market and the expected slowing economic growth in the PRC. During the year, the Group's revenue decreased from HK$7.2 billion in 2013 to HK$5.9 billion, representing a decrease of 18.1%. The gross loss of HK$17.4 million recorded during the year was due to the adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout the year. The prolonged volatility and the overall downward movement of commodity prices had a negative impact on gross margin of the Group in 2014. As for the net loss, the Group recorded a loss attributable to the owners of the Company of HK$1,058.0 million while comparing to the loss attributable to the owners of the Company of HK$382.9 million recorded in 2013. Loss on fair value changes of derivative financial instruments of HK$773.8 million was recognised in 2014.

With a number of unforeseeable circumstances impacting the global supply of scrap materials, the Group experienced a reduction of scrap materials purchased. During the year, the reduction in mixed metal scrap supply was in the region of 20 – 25% when compared with last year. During the year, the Group sold in aggregate over 587,400 tonnes of processed products within its three business segments. This represented a decrease of 15.8% when compared to 697,800 tonnes in 2013.

During the year, the Group continued to follow its usual practices of consistently buying mixed metal scrap and selling its recycled products in accordance with its processing ability so as to mitigate the short-term impact of price volatility on the overall performance of the Group.

With regard to the legal proceedings in the PRC involving Shanghai Chiho-Tiande Resource Recycling Co., Limited (the "Shanghai JV"), the Baoshan People's Court has delivered the judgment (the "Judgment") in relation to the claim brought by Shanghai Science and Technology Co., Ltd. (the "lessor") against the Shanghai JV and the counterclaim by the Shanghai JV against the lessor on 12 January 2015. The Shanghai JV has applied to the Second Intermediate People's Court of Shanghai for an appeal against the Judgment on 27 January 2015.

The Board takes the view that the legal proceedings will not have any material adverse effect on the business, operations or financial results of the Group. The Company will keep its shareholders and the investors informed of the development of the legal proceedings as and when appropriate.

Loss per share attributable to owners of the Company amounted to HK$1.01 in 2014 (2013: Loss per share HK$0.37).

Our Procurement Network

The Group is the largest importer of mixed metal scrap used for recycling, reuse and processing in terms of the total import volume as approved by the Ministry of Environmental Protection in the PRC. The Group imports nearly all of our mixed metal scrap and has, over the years, developed a strong international procurement network which covers Europe, North America, Oceania and Asia. Our network of suppliers was mostly established and developed by the Group leveraging on its experience in the industry. With our good business practices, we have enjoyed good business relationship with the suppliers over the years.

Corporate and Business Development

Following the establishment of our Hong Kong operations in 2012, the Group's Hong Kong operations together with the Hong Kong joint venture company continued to gain strong presence in Hong Kong. The Group is now in a well-placed position to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong. We continued to be confident that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

With regard to the investment in establishing new processing facilities in the Development Zone in Yantai City, PRC, we have completed the first stage of the development and the new processing facilities are now progressively operational.

Further to our announcement dated 1 December 2014 in relation to the proposed acquisition of 80% equity interest in Yantai Liheng Environmental Protection Technology Co., Limited, we expect to complete our due diligence review in the next few months. The Company will keep its shareholders and the investors informed of the status of the proposed acquisition as and when appropriate.

As part of the Group's future developments, on 21 and 27 March 2015, the Company entered into the following agreements in relation to the placing of new shares:

(a) a subscription agreement (the "First Subscription Agreement") with USUM Investment Group Hong Kong Limited (the "Subscriber"), pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 203.9 million new shares at the subscription price of HK$9.01 per share. The net proceeds of such subscription are estimated to be approximately HK$1,835.64 million. The new shares will be issued and allotted under the general mandate granted to the directors of the Company at the annual general meeting of the Company held on 14 May 2014.

(b) a subscription agreement (as amended and restated by a supplemental agreement dated 27 March 2015, the "Second Subscription Agreement") with the Subscriber, pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for additional 253 million shares in the aggregate amount of HK$2,279.53 million at the initial subscription price of HK$9.01 per share (subject to adjustments). The net proceeds of such subscription are estimated to be approximately HK$2,278.03 million. The new shares will be issued and allotted under a specific mandate to be sought from the independent shareholders at an extraordinary general meeting to be convened by the Company.

Details of the above transactions are set out in the announcement of the Company dated 27 March 2015.

Going forward, we remain committed to further expanding our processing capability, and at the same time improving our profitability and return on equity. Our focus will continue to cover our existing facilities including Taizhou, Ningbo and Hong Kong. We will continue to be on the lookout for any potential opportunity, especially the activities within the scrap metal resources supply chain in the PRC and other countries.

Social Responsibilities

On the environmental protection front, we continued to place great emphasis on ensuring that all of our processing facilities are in line with local and national environmental protection standards.

With the changes in the evaluation process by the Environmental Protection Department of ZhejiangProvince (浙江省環境保護廳) in 2013, our Taizhou facilities have once again passed the evaluation process as designated processing units for imported metal scraps recycling and utilization in Zhejiang Province. Our production processes do not consume large volumes of electricity and water and therefore produce very small volumes of waste materials. We consider that we have adopted sufficient environmental protection measures and controls against air, water, solids and noise pollutions produced during the course of our production process.

Prospects

With the continued strong support from the PRC Government to develop the recycling industry, we remain confident that the metal recycling industry in the PRC will continue to grow and will become an important source and an integral part of the metal resource supply chain of the PRC in the future.

On the basis that metal recycling industry contributes significantly to the protection of environment and to the preservation of valuable natural resources, we continue to place heavy emphasis on our procurement volume to ensure that it is in line with our processing needs and to cater for our expansion strategy for scrap materials in the PRC. With this in mind and in accordance with our expansion strategy, the Group is aiming to procure 40,000 to 60,000 tonnes of mixed metal scrap materials per month to cater for its processing needs. This purchase volume is expected to increase as the Group continues to expand. The management will continue making efforts to capitalise on such direction in achieving satisfactory returns to the Shareholders.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$1.3 billion, or 18.1%, from HK$7.2 billion in 2013 to HK$5.9 billion in the year. The decrease was mainly contributed by a decrease in sales volume as well as average selling prices for our recycled metal products and foundry products.

Cost of sales

Cost of sales decreased by approximately HK$1.3 billion, or 18.1%, from HK$7.2 billion in 2013 to HK$5.9 billion in the year. The decrease is in line with the decrease in revenue and primarily due to a decrease in sales volume and reduction in the average purchase prices of raw materials.

Gross loss and gross loss margin

Gross loss of approximately HK$17.4 million was recorded when compared to gross loss of HK$23.8 million in 2013. The decrease in gross loss is mainly due to slight improvement on gross margin contributed by some of our products, including copper scrap, steel scrap, aluminium alloy ingots and other metal scrap without processing.

Distribution and selling expenses

Distribution and selling expenses decreased by approximately HK$11.8 million, or 33.2%, from HK$35.5 million in 2013 to HK$23.7 million in the year. This was mainly due to decrease in selling activities in Hong Kong during the year.

Administrative expenses

Administrative expenses decreased by approximately HK$2.8 million, or 2.1%, from HK$133.3 million in 2013 to HK$130.5 million in the year. This was mainly due to the decrease in share-option expenses during the year.

Other income

Other income decreased by approximately HK$15.7 million, or 35.9%, from HK$43.7 million in 2013 to HK$28.0 million in the year. This was mainly due to the decrease in government grants received during the year.

Other gains and losses

Other losses increased by approximately HK$710.3 million from HK$60.6 million in 2013 to HK$770.9 million in the year. This was mainly due to loss on fair value changes of derivative financial instruments of approximately HK$773.8 million during the year.

Finance costs

Finance costs decreased by approximately HK$19.0 million, or 11.0%, from HK$172.3 million in 2013 to HK$153.3 million in the year. This was mainly due to decrease in bank borrowings during the year.

Loss for the year

As a result of the factors mentioned above, the Company incurred a loss attributable to the owners of the Company for the year of approximately HK$1,058.0 million, when compared to a loss attributable to the owners of the Company of HK$382.9 million in 2013. The losses increase was mainly due to an adverse impact of the prolonged volatility and the overall downward movement of the global metal prices throughout the year and the loss on fair value changes of derivatives financial instruments when the Group is required to make under the "mark-to-market" accounting principle.

Key Financial Ratios

The following table sets forth certain of our financial ratios as of the date for the periods indicated:

	At 31 December 2014	At 31 December 2013
Liquidity Ratios		
Current ratio	**0.90**	1.69
Quick ratio	**0.52**	0.62
Gearing ratio (%)	**58.8**	55.3
	Year ended 31 December	
	2014	2013
Inventory turnover days	**114**	140
Debtor's turnover days	**13**	12
Creditor's turnover days	**12**	9

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits totaling HK$707.4 million (2013: HK$588.3 million). Total borrowings were HK$1.3 billion (2013: HK$2.0 billion), and these were mainly used to finance the purchases of mixed metal scrap from overseas. Such borrowings are mainly denominated in United States dollars and Renminbi.

The gearing ratio of the Group as at 31 December 2014 was 58.8% (2013: 55.3%).

Debtor's turnover days increased from 12 days for the year ended 31 December 2013 to 13 days for the year ended 31 December 2014 and the creditor's turnover days increased from 9 days for the year ended 31 December 2013 to 12 days for the year ended 31 December 2014.

Inventory turnover days decreased from 140 days for the year ended 31 December 2013 to 114 days for the year ended 31 December 2014.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2014, we had pledged certain property, plant and equipment, prepaid lease payments, investment properties and bank deposits with an aggregate carrying value of approximately HK$577.9 million (2013: approximately HK$447.6 million) to secure bank borrowings.

As at 31 December 2014, we had capital commitments in respect of acquisition of property, plant and equipment, and prepaid lease payments contracted but not provided for in the consolidated financial statements amounted to HK$257.2 million (2013: HK$82.2 million) and capital commitments in respect of acquisition of a subsidiary authorised but not contracted for amounted to HK$81.1 million (2013: Nil).

As at the date of this announcement, the Board is not aware of any material contingent liabilities.

RISK MANAGEMENT

Our Group in its ordinary course of business is exposed to market risk such as commodities price risk, foreign currencies risk, interest rate risk, credit risk and liquidity risk. Our risk management strategy aims to minimize the adverse effects of these risks on its financial performance.

The Company has established a Pricing Committee and adopted a hedging policy (the "Hedging Policy") which aimed to enhance the Group's risk management of commodity price fluctuations. The Hedging Policy sets out, among other things, the target inventory turnover days that the Group aims to achieve under normal circumstances and market conditions, and provides that the Board must approve any change to the inventory turnover day criteria. The Hedging Policy also requires the Board to obtain professional advice on the current and future market outlook of the commodities market if the target inventory turnover days could not be met.

Following the review of the historical inventory turnover days of the Group in 2013, the Board noted that the historical inventory turnover days were, in practice, longer than the then target inventory turnover days of 90 days because of various practical reasons, including seasonal factors and prevailing market conditions. The Board considered it is unrealistic to maintain the target inventory turnover days of 90 days, and that the Board should be given discretion to determine whether it is necessary for the Board to engage and seek relevant professional advice. The Board has therefore resolved to amend the Hedging Policy in January 2014 such that:

(a) the target inventory turnover days is now changed from 90 days to 160 days;

(b) any change to the inventory turnover day criteria (i.e. if the inventory turnover days are more than 160 days) will require approval by the Board in accordance with the terms of the Hedging Policy, save that no such approval is required if the target inventory turnover days are not achieved in January and February owing to the intervening Chinese New Year holiday; and

(c) in the event that the commodity market experiences a sustained and sharp decline in prices that are likely to cause a lengthening in the inventory turnover days, the Board may consider engaging and seeking relevant professional firms to advise it on the current and future market outlook of the commodities market.

With regard to foreign currency risk management, we continued borrowing in United States dollars by securing Renminbi deposits in order to manage the foreign currency risk exposure. We will continue using this hedging strategy so long as the exchange rate justifies it.

With the current interest rates staying at relatively low levels, we have not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. However, we continue to monitor its related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

As for credit risk, we continue to follow the trade practices of cash on collection from sales of all of its metal recycling products in order to minimize the carrying amounts of the financial assets in our Group's financial statements. In addition, we will continue to monitor closely the trade debtors for the Foundry business to minimize potential impairment losses.

With the liquidity risk, we will continue maintaining a balance between continuity of funding and the flexibility through the use of bank borrowings.

EMPLOYEES

As at 31 December 2014, we had a workforce of 521 employees. In addition, we engaged approximately 2,486 separation and selection workers through local recognized contractors. We have not experienced any strikes, work stoppages or significant labor disputes which have affected its operations in the past. We have not experienced any significant difficulties in recruiting and retaining qualified staff. We continue to maintain good relationships with our employees.

THE REMUNERATION POLICY

We remunerate employees based on their performance, experience and prevailing industry practices so as to retain competent employees. In addition to benefits normally provided in line with industry practices, the Company also has a share option scheme in place for the purpose of providing incentives and rewards to eligible persons including employees of Group companies for their contributions to the long term success of our Group.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The management of the Company believes that effective and proper investor relations play a vital role in creating shareholders' value, enhancing the corporate transparency as well as establishing market confidence. As such, the Company has adopted a stringent internal control system to ensure true, accurate, complete and timely disclosure of relevant information pursuant to requirements of relevant laws and regulations in order to ensure all shareholders have timely and equal access to information. To strive for effective communication and transparency of the Company, the personnel in charge have frequent contacts with the shareholders and investors through various channels such as interview, presentation, internet, telephone and email.

In addition, we have during the year organized numerous site visits to our facilities with several fund managers and equity market analysts. Through the site visits, the visitors managed to have a better understanding of the Group's operations and were given the opportunity to know more about the Group's development strategy.

We will continue to establish communication opportunities in order to enhance investors' understanding of and confidence in the company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the financial year ended 31 December 2014. Accordingly, no closure of Register of Members for determining the entitlement to receive final dividends of the Company is proposed.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") is to be held on Thursday, 21 May 2015 and the notice of AGM will be published and despatched to the shareholders of the Company within the prescribed time and in such manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

CLOSURE OF REGISTER OF MEMBERS FOR DETERMINING THE ENTITLEMENT TO ATTEND AND VOTE AT THE AGM

The Register of Members of the Company will be closed from Tuesday, 19 May 2015 to Thursday, 21 May 2015, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 18 May 2015.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control system and financial reporting matters including the review of the Group's audited consolidated results for the year ended 31 December 2014.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of corporate transparency and accountability and is committed to achieving a high standard of corporate governance. Throughout the year ended 31 December 2014, the Company has complied with all the applicable code provisions of the Corporate Governance Code and Corporate Governance Report, contained in Appendix 14 to the Listing Rules with exceptions as explained below:

The roles of the chairman and chief executive officer of the Company have not been segregated as required by the provision A.2.1 of the Corporate Governance Code.

Mr. Fang Ankong ("Mr. Fang") is the Chairman and Chief Executive Officer of the Company. With extensive experience in the mixed metal scrap recycling business, Mr. Fang is responsible for our Group's overall strategic planning and the management of our business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises two executive Directors (including Mr. Fang) and three independent non-executive Directors, therefore it has a fairly strong independence element in its composition.

During the year ended 31 December 2013, the Company identified certain practices which were not in full compliance with the Hedging Policy of the Group. In view of this, the Board has taken remedial actions and commissioned an independent professional to review the internal control system and corporate governance of the Group and a report with recommendations was submitted to the Board in March 2014.

The Group has reinforced its internal control mechanism based on the recommendations provided by the independent professional, such reinforcements included enhancing the monitoring mechanism and conducting more detailed analysis in order to improve the risk management system of the Group.

Most of the recommended reinforcements were implemented during the first half of 2014, and for the remaining recommendations, which mainly cover the Hedging Limits stated in the Hedging Policy, the Group managed to decrease, in the second half of 2014, its exposure in the futures market with the view of complying with the policy. By March 2015, the Group had decreased its positions in all future contracts to comply with the Hedging Limits stated in the Hedging Policy.

On 26 March 2015, taking into account the movement in the world commodity market, the Group adopted a new set of policy regarding dealings in metal futures contracts that better reflects the current requirements of our business.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made to all Directors, who have confirmed that, during the financial year ended 31 December 2014, they were in compliance with provisions of the Model Code.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the financial year ended 31 December 2014, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chiho-tiande.com). The annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and posted on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of our Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, bankers, lawyers and auditors for their support throughout the year.

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

Hong Kong, 30 March 2015

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

Executive directors:	Fang Ankong, Gu Liyong
Independent non-executive directors:	Loke Yu, Zhang Jingdong, Zhu Dajian