# 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 2015

### HIGHLIGHTS

- Revenue for the year ended 31 December 2015 amounted to HK$3.1 billion (2014: HK$5.9 billion), representing a decrease of 47.5% compared to that in 2014.

- The Group recorded a gross loss of HK$45.3 million for the year ended 31 December 2015, when compared to the gross loss of HK$17.4 million in 2014. The gross loss incurred during the year was due to the continuous decrease in global commodity prices in 2015, which resulted in a significant increase in the inventory provision.

- The Group recorded a net loss attributable to the owners of the Company of HK$1,138.8 million for the year ended 31 December 2015 when compared to the net loss attributable to the owners of the Company of HK$1,058.0 million in 2014. The loss attributable to the owners of the Company is largely attributable to the losses derived from the fair value changes of the derivative financial instruments of HK$387.3 million and the embedded derivative components of the Company's convertible bonds of HK$305.5 million. The loss derived from the fair value change of the embedded derivative components of the Company's convertible bonds is a non-cash accounting treatment solely for compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and will not have an impact on the operating cash flow of the Group.

- The Group sold over 465,400 tonnes (2014: 587,400 tonnes) of mixed metal scrap during the year, representing a decrease of 20.8% when compared to that in 2014.

- The Company has successfully completed two subscriptions and issued a total of 456,900,000 new ordinary shares in 2015 and the proceeds from the subscriptions (after deduction of all relevant costs and expenses) amounted to approximately HK$4.1 billion, which has significantly improved the overall financial position of the Group when compared with 2014.

- The Board does not recommend the payment of final dividend for the year ended 31 December 2015 (2014: 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 results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015.

The Group had a disappointing result for the 2015 financial year with a net loss of HK$1,138.8 million attributable to owners of the Company. During the year, with the continuous decrease in global commodity prices for the year 2015, the Group continued to record a substantial decrease in revenue from HK$5.9 billion in 2014 to HK$3.1 billion in 2015, representing a reduction of 47.5%; and inventory provision significantly increased to HK$ 64.3 million during the year, which resulted in a gross loss of HK$45.3 million for the year ended 31 December 2015, when compared to that of HK$17.4 million in 2014.

During the year, the Group continued to record a net loss attributable to the owners of the Company of HK$1,138.8 million, as compared to that of HK$1,058.0 million recorded in 2014. Loss on fair value changes of derivative financial instruments decreased from HK$773.8 million in 2014 to HK$387.3 million in 2015, representing a reduction of 49.9%. However, an accounting loss of approximately HK$305.5 million was derived from the change in the fair value of the embedded derivative components of the convertible bonds issued by the Company, due to a non-cash accounting treatment solely for the purpose of complying with Hong Kong Financial Reporting Standards ("HKFRSs") as a result of the conversion of convertible bonds at a high share market price of the Company during the year 2015.

With the overall decreasing global metal prices throughout the year 2015, the Group faced various challenges to achieve its procurement volume to meet its processing needs even with its well established overseas procurement network. The Group sold in aggregate over 465,400 tonnes of mixed metal scrap within its three business segments throughout the year. This represents a decrease of 20.8% when compared to the 587,400 tonnes sold in 2014.

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

Basic loss per share attributable to owners of the Company amounted to HK$0.82 in 2015 (2014: Basic loss per share HK$1.01).

With a strong presence in our Hong Kong operation since 2012, the Company believes that the Group is now in a well-placed position to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong.

During the year 2015, USUM Investment Group Hong Kong Limited became the single largest shareholder of the Company. By virtue of its familiarity with the metal market, including the market of scrap and recycled metal, combined with the Group's well established procurement network, we believe that it will help further enhance the Group's future development. The Group is consolidating the existing procurement network and supply chain while broadening procurement channels to maintain its competitive advantage.

With regard to the Group's investment in establishing new processing facilities in the Development Zone in Yantai City, the People's Republic of China (the "PRC"), we have recently acquired a piece of land nearby our existing processing facilities in the Development Zone in Yantai City for the purpose of expanding our production capacity of recycled metals in the future.

Further to our announcements dated 1 December 2014, 29 May 2015 and 27 January 2016 in relation to the proposed acquisition of 60% effective equity interest in Yantai Liheng Environmental Protection Technology Co., Limited (煙台立衡環保科技有限公司), all conditions precedent of the acquisition agreements have been satisfied and the acquisition was completed on 27 January 2016. We aim to obtain the production permit to start renewable oil operations progressively in the coming year.

The Group is still 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 developed a strong international procurement network with established and developed suppliers which cover Europe, North America, Oceania and the Middle East. Looking forward, we plan to expand our procurement network in East and Southeast Asia for the purposes of expanding the purchase volume of mixed metal and developing new varieties of renewable resources recycling process. We believe this will largely reduce the transportation cost and shorten the logistics time, as well as lower the impact of the volatility of global commodity price on the Group's profitability.

Following the subscriptions of the Company's shares as described in the Company's announcement and circular dated 27 March 2015 and 28 April 2015 respectively (the "Subscriptions") and the completions of such Subscriptions on 30 April 2015 and 29 May 2015, the proceeds from the Subscriptions (after deduction of all relevant costs and expenses) (the "Proceeds") amounted to approximately HK$4.1 billion, which has significantly improved the overall financial position of the Group when compared with the year 2014. We originally intended to apply all the Proceeds to finance any potential acquisitions of businesses or assets in metal recycling as well as environmental recycling industry.

As disclosed in the Company's announcement dated 11 March 2016, the Board has resolved to allocate approximately RMB1,350 million (equivalent to approximately HK$1,614.7 million) out of the unutilised Proceeds for investment in the financial industry, as well as for working capital and funding for other general corporate purposes. The remaining unutilised Proceeds (i.e. approximately HK$1,439.0 million) is expected to be used as originally intended. Approximately HK$301 million of Proceeds was used for investment in listed securities and wealth management products as at the date of the announcement.

The Group remains committed to further expanding its processing capability in metal recycling facilities in order to further strengthen its principal business of metal recycling, which is environmental friendly and the Company believes, is a sector encouraged by the central government of the PRC. The Group will continue to focus on its existing production facilities, including those in Taizhou, Yantai and Hong Kong, while it will also continue to be on the lookout for potential opportunities. In addition to the existing business operations, the Group is also seeking for other recycling and environmental projects related to its business in the PRC.

The Group is also actively looking for suitable acquisition opportunities within the scrap metal recycling sector in mature overseas markets. Likely targets are global recyclers based overseas with the necessary technology, management techniques and know-how to help upskill the PRC recycling market and further strengthen its operations. In addition, the Group will continue to explore new business and investment opportunities in other areas and in PRC or overseas, including, without limitation, investment in financial industry.

We believe that the development of the Group in the coming year will be full of challenges, but we are hopeful about the prospects of the Group and we will proceed with our business plans cautiously.

## ANNUAL RESULTS

The Board presents the audited consolidated financial performance of the Group for the year ended 31 December 2015, together with the comparative figures for 2014.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2015*

| | NOTES | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| Revenue | 3 | **3,136,633** | 5,877,970 |
| Cost of sales | 4 | **(3,181,909)** | (5,895,336) |
| Gross loss | | **(45,276)** | (17,366) |
| Other income | | **22,587** | 27,977 |
| Other gains and losses | 5 | **(850,678)** | (770,923) |
| Distribution and selling expenses | | **(9,785)** | (23,722) |
| Administrative expenses | | **(142,604)** | (130,534) |
| Finance costs | 6 | **(117,383)** | (153,327) |
| Share of (loss) profit of an associate | | **(545)** | 284 |
| Loss before tax | | **(1,143,684)** | (1,067,611) |
| Income tax expense | 7 | **(337)** | (3,629) |
| Loss for the year | 8 | **(1,144,021)** | (1,071,240) |
| **Other comprehensive (expense) income** | | | |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation to presentation currency | | **(38,466)** | (9,623) |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Reclassification to profit or loss on disposal of available-for-sale investment | | **(4,606)** | 499 |
| Fair value gain on available-for-sale investment | | **4,606** | 918 |
| Total comprehensive expense for the year | | **(1,182,487)** | (1,079,446) |

| | NOTES | 2015<br>HK$'000 | 2014<br>HK$'000 |
|---|---|---|---|
| **Loss for the year attributable to:** | | | |
| Owners of the Company | | **(1,138,804)** | (1,057,980) |
| Non-controlling interests | | **(5,217)** | (13,260) |
| | | **(1,144,021)** | (1,071,240) |
| **Total comprehensive expense for the year attributable to:** | | | |
| Owners of the Company | | **(1,181,800)** | (1,066,423) |
| Non-controlling interests | | **(687)** | (13,023) |
| | | **(1,182,487)** | (1,079,446) |
| | | *HK$* | HK$ |
| Loss per share | | | |
| – basic | *10* | **(0.82)** | (1.01) |
| – diluted | *10* | **(0.82)** | (1.01) |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2015*

| | NOTES | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **548,129** | 508,265 |
| Prepaid lease payments | | **507,853** | 421,461 |
| Investment properties | | **20,954** | 22,351 |
| Investment in an associate | | **2,064** | 2,609 |
| Deposits paid for acquisition of property, plant and equipment | | **25,546** | 19,033 |
| Deferred tax assets | | **486** | 8,189 |
| | | **1,105,032** | 981,908 |
| **CURRENT ASSETS** | | | |
| Inventories | | **975,784** | 1,107,789 |
| Trade, bills and other receivables | *11* | **215,230** | 431,443 |
| Prepaid lease payments | | **12,603** | 10,620 |
| Derivative financial instruments | | **73** | 391,476 |
| Tax recoverable | | **11,460** | 10,382 |
| Pledged bank deposits | | **132,022** | 182,559 |
| Margin deposits | | **–** | 253,292 |
| Bank balances and cash | | **3,585,720** | 271,556 |
| | | **4,932,892** | 2,659,117 |
| **CURRENT LIABILITIES** | | | |
| Trade, bills and other payables | *12* | **222,351** | 412,209 |
| Derivative financial instruments | | **–** | 402,932 |
| Tax payable | | **1,989** | 3,771 |
| Bank borrowings and overdrafts | | **1,095,156** | 1,324,831 |
| Other borrowings | | **161,559** | – |
| Debt component of convertible bonds | | **–** | 816,421 |
| | | **1,481,055** | 2,960,164 |
| **NET CURRENT ASSETS (LIABILITIES)** | | **3,451,837** | (301,047) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **4,556,869** | 680,861 |

| | NOTES | 2015 HK$'000 | 2014 HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **15,885** | 10,494 |
| Share premium and reserves | | **4,472,090** | 713,556 |
| Equity attributable to owners of the Company | | **4,487,975** | 724,050 |
| Non-controlling interests | | **(74,141)** | (80,694) |
| **TOTAL EQUITY** | | **4,413,834** | 643,356 |
| **NON-CURRENT LIABILITIES** | | | |
| Other borrowings | | **44,775** | – |
| Debt component of convertible bonds | | **58,812** | – |
| Embedded derivative components of convertible bonds | | **9,615** | – |
| Deferred tax liabilities | | **29,833** | 37,505 |
| | | **143,035** | 37,505 |
| | | **4,556,869** | 680,861 |

*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 People's Republic of China (the "PRC").

Since 22 December 2015, the Company's ultimate holding company has been Loncin Group Co., Ltd. ("Loncin Group"), a limited liability company incorporated in the PRC, and the Company's immediate holding company has been USUM Investment Group Hong Kong Limited, a company incorporated in Hong Kong with limited liability. Loncin Group is 98% owned by Mr. Tu Jianhua, an executive director of the Company since 29 April 2015.

The functional currency of the Company and its subsidiaries 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.

## 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 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 amount received and receivable from 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 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 the Group's segment revenues and segment results by operating and reportable segment is as below.

**For the year ended 31 December 2015**

| | 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 | 1,942,986 | 430,214 | 128,827 | 92,213 | 30,620 | 181,175 | 14,187 | 268,248 | 48,163 | – | 3,136,633 |
| Inter-segment sales | 21,517 | 11,393 | 119,733 | 18 | 330 | – | – | 1,079,782 | – | (1,232,773) | – |
| Total segment revenue | 1,964,503 | 441,607 | 248,560 | 92,231 | 30,950 | 181,175 | 14,187 | 1,348,030 | 48,163 | (1,232,773) | 3,136,633 |
| Segment (loss) profit | (39,609) | (9,355) | 3,415 | (5,338) | 1,639 | 6,135 | 4,879 | (766) | (1,477) | (4,799) | (45,276) |
| Other income | | | | | | | | | | | 22,587 |
| Other gains and losses | | | | | | | | | | | (850,678) |
| Distribution and selling expenses | | | | | | | | | | | (9,785) |
| Administrative expenses | | | | | | | | | | | (142,604) |
| Finance costs | | | | | | | | | | | (117,383) |
| Share of loss of an associate | | | | | | | | | | | (545) |
| Loss before tax | | | | | | | | | | | (1,143,684) |
| Income tax expense | | | | | | | | | | | (337) |
| Loss for the year | | | | | | | | | | | (1,144,021) |
| (Allowance) reversal of allowance for inventories included in segment (loss) profit | (44,585) | (7,409) | (7,267) | (1,439) | (1,513) | (1,241) | 10,130 | (12,194) | 1,228 | – | (64,290) |

**For the year ended 31 December 2014**

| | 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 | 3,661,650 | 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 |

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 (loss) 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 revenues of the Group during the year ended 31 December 2015 (2014: 92%) 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. Substantially all of the Group's non-current assets are located in the PRC.

**Information about major customers**

No single customer contributed 10% or more to the Group's revenue for the years ended 31 December 2015 and 2014.

## 4. COST OF SALES

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

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Allowance of inventories to net realisable value recognised | **88,177** | 23,887 |
| Reversal of prior year's inventories allowance | **(23,887)** | (35,793) |
| Allowance (reversal of allowance) for inventories, net | **64,290** | (11,906) |

Management assesses whether the carrying value of inventories exceed their net realisable value at the end of each 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 reporting period.

During the year, certain inventories for which allowances to net realisable value were previously made are sold. As a result, a reversal of write-down of inventories of HK$23,887,000 (2014: HK$35,793,000) has been recognised and included in cost of sales.

## 5. OTHER GAINS AND LOSSES

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| (Loss) gain on fair value change of: | | |
| – derivative financial instruments *(note)* | | |
| realised loss | **(387,330)** | (762,372) |
| unrealised gain (loss) | **73** | (11,456) |
| | **(387,257)** | (773,828) |
| – embedded derivative component of convertible bonds | **(305,463)** | 13,353 |
| – warrants | **–** | 1,331 |
| Loss on derecognition of convertible bonds | **(1,210)** | – |
| Net foreign exchange losses | **(112,012)** | (34,005) |
| Impairment loss on trade, bills and other receivables | **(53,166)** | (1,807) |
| Recovery of doubtful debts | **1,613** | – |
| Gain on disposal of an investment property | **–** | 29,216 |
| Gain on disposal of property, plant and equipment | **2,084** | 335 |
| Reclassified to profit or loss on disposal of available-for-sale ("AFS") investment | **4,606** | (499) |
| Handling charges on disposal of AFS investment | **(622)** | (54) |
| Net compensation received (paid) | **749** | (4,965) |
| | **(850,678)** | (770,923) |

*note:* The amount arose from aluminium, copper, zinc, steel rebar and nickel future contracts, provisional pricing arrangements embedded in sales contracts and foreign currency forward contracts. Substantially all of the loss on fair value change of derivative financial instruments is from fair value change in aluminium, copper, zinc, steel rebar and nickel future contracts.

## 6. FINANCE COSTS

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on bank borrowings | **38,624** | 63,680 |
| Effective interest expense on convertible bonds and other borrowings | **77,561** | 89,647 |
| Interest on a loan from a former director | **1,198** | – |
| | **117,383** | 153,327 |

## 7. INCOME TAX EXPENSE

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax: | | |
| PRC Enterprises Income Tax ("EIT") | **137** | 2,435 |
| Hong Kong | **50** | 471 |
| Other jurisdiction | **143** | 138 |
| | **330** | 3,044 |
| (Over) underprovision in prior years: | | |
| PRC EIT | **(8)** | 11 |
| Hong Kong | **(20)** | 507 |
| | **(28)** | 518 |
| Deferred tax expense | **35** | 67 |
| | **337** | 3,629 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Taxation arising in other jurisdiction is calculated at the rate prevailing in the relevant jurisdiction.

## 8. LOSS FOR THE YEAR

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss for the year has been arrived at after charging: | | |
| Directors' emoluments | **4,572** | 3,913 |
| Other staff costs | **177,790** | 179,213 |
| Retirement benefit scheme contributions, excluding those of directors | **4,704** | 3,158 |
| Share-based payments, excluding those of directors | **422** | 3,390 |
| Total staff costs | **187,488** | 189,674 |
| Cost of inventories recognised as an expense | **3,181,909** | 5,895,336 |
| Depreciation of investment properties | **1,397** | 1,631 |
| Depreciation of property, plant and equipment | **28,958** | 36,122 |
| Amortisation of prepaid lease payments | **10,542** | 10,593 |
| Total depreciation and amortisation | **40,897** | 48,346 |
| Auditor's remuneration | **2,460** | 2,430 |

## 9. DIVIDENDS

No dividend was paid or proposed during both years, nor has any dividend been proposed by the Company since the end of the respective reporting periods in respect of the years ended 31 December 2015 and 2014.

## 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:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Loss: | | |
| Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share | **(1,138,804)** | (1,057,980) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted loss per share | **1,382,512,563** | 1,047,387,288 |

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

## 11. TRADE, BILLS 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. The aged analysis of the Group's trade receivables, net of allowance for doubtful debts, and bills receivables at the end of the reporting period, was prepared based on the invoice date which approximate to the date of revenue recognition are as follows:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables: | | |
| 0 – 30 days | **9,915** | 62,366 |
| 31 – 60 days | **1,396** | – |
| 61 – 90 days | **2,010** | 5,572 |
| 91 – 180 days | **11,767** | 17,413 |
| Over 180 days | **20,698** | 56,546 |
| | **45,786** | 141,897 |
| Bills receivables: | | |
| 0 – 30 days | **–** | 127 |
| Other receivables: | | |
| Deposits and prepayments | **21,113** | 29,140 |
| Deposits paid for purchase of raw materials | **99,230** | 221,534 |
| VAT recoverable | **42,571** | 28,485 |
| Others | **6,530** | 10,260 |
| | **169,444** | 289,419 |
| | **215,230** | 431,443 |

## 12. TRADE, BILLS AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables presented based on the invoice date:

| | **2015** | 2014 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables: | | |
| 0 – 30 days | **32,138** | 113,241 |
| 31 – 60 days | **2,550** | 56,525 |
| 61 – 90 days | **669** | 253 |
| 91 – 180 days | **407** | 92 |
| Over 180 days | **12,278** | 7,890 |
| | **48,042** | 178,001 |
| Bills payable: | | |
| 91 – 180 days | **6,072** | – |
| Other payables: | | |
| Other payables and accruals | **59,417** | 113,211 |
| Provision for pending litigation | **48,460** | 51,464 |
| Government surcharges | **22,009** | 22,655 |
| Payables for acquisition of property, plant and equipment | **27,032** | 24,973 |
| Interest payables | **3,820** | 6,253 |
| Receipts in advance from customers | **7,499** | 15,652 |
| | **168,237** | 234,208 |
| | **222,351** | 412,209 |

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

With the prolonged downward bias in the global metal market seen in the last 5 years, the management continued to face exceptional challenges as the metal prices were in 2015 at their lowest levels since the financial crisis in 2008, resulting in the Group's disappointing performance in 2015. With the U.S. economy still being in recovery and economic uncertainty overclouding Europe and the PRC (given that the U.S. interest rate is expected to increase in the coming months and the depreciation of Renminbi against the U.S. Dollar), volatility in the global metal market is expected to continue in the coming year. However, the management believes in the long term prospects of the Group's performance.

In 2015, the Group continued to face challenges arising from the difficult business environment, including the generally low global metal prices and the anticipated slower economic growth in the PRC. With the continuous decrease in global commodity prices during the year 2015, the Group continued to record a substantial decrease in revenue from HK$5.9 billion in 2014 to HK$3.1 billion in 2015, representing a reduction of 47.5%; and inventory provision significantly increased to HK$ 64.3 million during the year, which resulted in a gross loss of HK$45.3 million for the year 2015, when compared to that of HK$17.4 million in 2014.

During the year, the Group continued to record a net loss attributable to the owners of the Company of HK$1,138.8 million, as compared to that of HK$1,058.0 million recorded in 2014. Loss on fair value changes of derivative financial instruments decreased from HK$773.8 million in 2014 to HK$387.3 million in 2015, representing a reduction of 49.9%. However, an accounting loss of approximately HK$305.5 million was derived from the change in the fair value of the embedded derivative components of the convertible bonds issued by the Company. Nevertheless, given that the loss derived from the fair value change of the embedded derivative components of the Company's convertible bonds is a non-cash accounting treatment solely for compliance with HKFRSs, it will not have an impact on the operating cash flow of the Group. As announced by the Company in its announcement and circular dated 5 March 2015 and 11 April 2015 respectively, the maturity date of the convertible bonds issued by the Company in the aggregate principal amount of HK$815,800,000 was extended for a further two years to 1 March 2017, subject to the modifications set out in the said announcement and circular. The extension was approved by the shareholders of the Company on 27 April 2015.

With a number of unforeseeable circumstances impacting the global metal scrap market, the Group continued to experience a reduction in purchase of metal scrap. During the year, mixed metal scrap purchase by the Group remained at the same low level as recorded in 2014. The Group sold in aggregate over 465,400 tonnes of processed products within its three business segments throughout the year. This represents a decrease of 20.8% when compared to the 587,400 tonnes sold in 2014.

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.

Basic loss per share attributable to owners of the Company amounted to HK$0.82 in 2015 (2014: Basic loss per share HK$1.01).

**Our Procurement Network**

The Group is still 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 developed a strong international procurement network with established and developed suppliers which covers Europe, North America, Oceania and the Middle East. Looking forward, we plan to expand our procurement network in East and Southeast Asia for the purpose of expanding the purchase volume of mixed metal and developing new varieties of renewable resources recycling process. We believe this will largely reduce the transportation cost and shorten the logistics time, as well as lower the impact of the volatility of global commodity price on the Group's profitability.

**Corporate and Business Development**

With a strong presence in our Hong Kong operation since 2012, the Company believes that the Group is now in a well-placed position to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong.

During the year, USUM Investment Group Hong Kong Limited became the single largest shareholder of the Company. By virtue of its familiarity with the metal market, including the market of scrap and recycled metal, combined with the Group's procurement network, we believe that it will help further enhance the Group's future development. The Group is consolidating the existing procurement network and supply chain whole broadening procurement channels to maintain its competitive advantage.

With regard to the investment in establishing new processing facilities in the Development Zone in Yantai City, PRC, we have recently acquired a piece of land nearby our existing processing facilities in the Development Zone in Yantai City for the purpose of expanding our production capacity of recycled metals in the future.

As indicated in the Company's announcements dated 1 December 2014 and 29 May 2015 and 27 January 2016 in relation to the proposed establishment of a renewable oil investment company in the PRC and the proposed acquisition of 60% effective equity interest in Yantai Liheng Environmental Protection Technology Co., Ltd. (煙台立衡環保科技有限公司), which owns certain production facilities located in Yantai, the PRC, all conditions precedent of the acquisition agreements have been satisfied and the acquisition was completed on 27 January 2016. We aim to obtain the production permit to start renewable oil operations progressively in the coming year.

In August 2015, the Group entered into (i) an agreement with ITOCHU Corporation and SUZUKI SHOKAI Co., Ltd. (the "Acquisition Agreement"), for acquiring the entire interests in a company which engages in recycle processing and utilisation of metal scrap, discarded appliances, office machines and other wastes and is the only approved recycle processing enterprise in Changxing Island Harbor Industrial Zone in Dalian, the PRC (the "Acquisition"), by issuing consideration shares; and (ii) an agreement with ITOCHU Metals Corporation and SUZUKI SHOKAI Co., Ltd. (the "JV Agreement"), to set up a joint venture which will mainly be engaged in the trading of recycle materials with a focus on the Chinese and Japanese markets (the "JV Formation"). For more details please refer to the Company's announcements dated 19 June 2015, 21 August 2015 and 30 December 2015 respectively. As disclosed in the Company's announcement dated 21 March 2016, all the conditions precedent under the Acquisition Agreement and the JV Agreement have been satisfied, and the Acquisition and JV Formation were completed on 21 March 2016.

The Company believes that the JV Formation will allow the Company to expand its procurement network in Asia, which could largely reduce the on route time of procurements as compared to obtaining international supplies from Europe and North America, resulting in a potential reduction in transportation cost and delivery time, as well as lowering the Group's exposure to the volatility in global metal market price.

Following the completion of the Subscriptions on 30 April 2015 and 29 May 2015, the Proceeds amounted to approximately HK$4.1 billion, which has significantly improved the overall financial position of the Group when compared with the year 2014. We intend to apply the Proceeds to finance any potential acquisitions of businesses or assets in metal recycling as well as environmental recycling industry. Meanwhile, the Company is looking for any suitable acquisition opportunities within the recycling business in the PRC as well as the overseas in order to strengthen our procurement network.

As disclosed in the announcement of the Company dated 11 March 2016, the Board has resolved to allocate approximately RMB1,350 million (equivalent to approximately HK$1,614.7 million) out of the unutilised Proceeds for investment in the financial industry, as well as for working capital and funding for other general corporate purposes. The remaining unutilised Proceeds (i.e. approximately HK$1,439.0 million) is expected to be used as originally intended.

Going forward, the Group remains committed to further expanding its processing capability in metal recycling facilities in order to further strengthen its principal business of metal recycling, which is environmental friendly and the Company believes that is a sector encouraged by the central government of the PRC. The Group will continue to focus on its existing production facilities, including those in Taizhou, Yantai and Hong Kong, while it will also continue to be on the lookout for any potential opportunities. In addition to the existing business operations, the Group is also seeking for other recycling and environmental projects related to its business in the PRC.

**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.

Our Taizhou facilities, the main production base, continued to qualify as one of the designated processing units for imported metal scraps recycling and utilisation in Zhejiang Province under the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳). Our production processes do not consume large volumes of electricity and water and therefore produce very small volume of waste materials. We consider that we have adopted sufficient environmental protection measures and controls against air, water, solid and noise pollutions produced during the course of our production processes.

**Prospects**

With the successful Subscriptions made in the first half of 2015, the Group has received Proceeds amounting to approximately HK$4.1 billion and is in a much improved and well-placed overall financial position. The Group is actively looking for suitable acquisitions opportunities within the scrap metal recycling sector in mature overseas markets. Likely targets are global recyclers based overseas with the necessary technology, management techniques and know-how to help upskill the PRC recycling market and further strengthen its operations.

During the National People's Congress of the People's Republic of China and the Chinese People's Political Consultative Conference of 2016, Premier Li Keqiang emphasised, in the government work report, on a vigorous development of the energy conservation and environmental protection industry and improvement of the renewable resource recycling network in the PRC. Together with 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 become an important source and an integral part of the metal resources supply chain in 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 potential expansion for scrap materials in the PRC.

The Group will continue to explore new business and investment opportunities in other areas and in PRC or overseas, including, without limitation, investment in financial industry, as well as to expand its current business in the metals recycling industry in order to maximise the value and return of the Group's business and operations.

We believe that the development of the Group the coming year will be full of challenges, but we are hopeful about the prospectus of the Group and we will proceed with our business plans cautiously.

**Subsequent Event**

On 17 December 2015, USUM Investment Group Hong Kong Limited (the "Offeror") exercised an option granted by HWH Holdings Limited ("HWH") pursuant to a deed dated 23 October 2015 entered into between HWH and the Offeror in respect of 389,787,256 Shares (the "Option Shares"), requiring HWH to transfer to it all of the Option Shares at a price of HK$3.50 per Share, totaling HK$1,364,255,396. The Option Shares represented approximately 24.54% of the then issued share capital of the Company.

Immediately prior to the transfer of the Option Shares, the Offeror and its Concert Parties (as defined in the Hong Kong Code on Takeovers and Mergers ("the Code"))(other than HWH) collectively held a total of 509,608,000 Shares, representing approximately 32.08% of the then issued share capital of the Company. Upon completion, the Offeror and its Concert Parties collectively held a total of 899,395,256 Shares, representing approximately 56.62% of the then issued share capital of the Company. Accordingly, pursuant to Rule 26.1 of the Code, the Offeror was required to make an unconditional mandatory general cash offer to purchase a total of 689,119,450 Shares, representing all the issued Shares which were not already owned or agreed to be acquired by the Offeror and its Concert Parties. The Offeror was also required to make an offer to cancel all outstanding share options in exchange for cash and to acquire all the outstanding convertible bonds pursuant to Rule 13 of the Code (collectively, the "Offers") .

As at the close of the Offers on 15 February 2016, the Offeror and its Concert Parties were interested in an aggregate of 1,008,993,181 Shares (representing approximately 63.52% of the then issued share capital of the Company), whereas 349,323,535 Shares, representing approximately 21.99% of the then issued share capital of the Company, were held by the public. Accordingly, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) of the Listing Rules is not satisfied. In this regard, the Stock Exchange has granted the Company a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules and further details regarding the sufficiency of public float of the Company are set out under the section titled "Sufficiency of Public Float" in this announcement.

## FINANCIAL REVIEW

### Revenue

Revenue decreased by approximately HK$2.8 billion, or 47.5%, from HK$5.9 billion in 2014 to HK$3.1 billion in 2015. The decrease was mainly attributable to a decrease in the sales volume and a continuous decrease in the average selling prices of our recycled metal products and foundry products.

### Cost of sales

Cost of sales decreased by approximately HK$2.7 billion, or 45.8%, from HK$5.9 billion in 2014 to HK$3.2 billion in 2015. 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$45.3 million was recorded in 2015 when compared to that of HK$17.4 million in 2014. The gross loss margin increased from 0.3% in 2014 to 1.4% in 2015. The gross loss was due to the continuous decrease in global commodity prices for the year 2015, which resulted in an inventory provision of HK$ 64.3 million being recognised during the year 2015 (2014: a reversal of inventory provision of HK$11.9 million).

**Distribution and selling expenses**

Distribution and selling expenses decreased by approximately HK$13.9 million, or 58.6%, from HK$23.7 million in 2014 to HK$9.8 million in the year 2015. This was mainly due to the decrease in selling activities in Hong Kong and the PRC during the year.

**Administrative expenses**

Administrative expenses increased by approximately HK$12.1 million, or 9.3%, from HK$130.5 million in 2014 to HK$142.6 million in the year 2015. This was mainly due to the increase in staff costs, rental expenses as well as trade related contributions.

**Other income**

Other income decreased by approximately HK$5.4 million, or 19.3%, from HK$28.0 million in 2014 to HK$22.6 million in the year 2015. This was mainly because government grants received during the year 2015 mainly related to fixed assets and recognised for the deduction of carrying amount of the fixed assets, while government grants received in 2014 was recognised in profit or loss.

**Other gains and losses**

Other losses increased by approximately HK$79.8 million from HK$770.9 million in 2014 to HK$850.7 million in the year 2015. This was mainly due to the foreign exchange loss arising from the depreciation of Renminbi against the U.S. Dollar, as a result of the reform of the Reminbi middle exchange rate quotation regime, and the loss on the fair value change of embedded derivative components of convertible bonds of the Company arising from a non-cash accounting treatment solely for the purpose of complying with HKFRSs.

**Finance costs**

Finance costs decreased by approximately HK$35.9 million, or 23.4%, from HK$153.3 million in 2014 to HK$117.4 million in the year 2015. This was mainly due to a decrease in the bank interest expenses as the overall bank borrowings decreased during the year 2015 and a decrease in effective interest expenses on convertible bonds due to the conversion during the year.

**Loss for the year**

As a result of the factors discussed above, the Company incurred a net loss for the year of approximately HK$1,144.0 million, as compared to a net loss of HK$1,071.2 million in 2014. The overall increase in net loss was mainly due to the loss on fair value changes of the embedded derivative components of the convertible bonds of the Company arising from a non-cash accounting treatment solely for the purpose of complying with HKFRSs; and foreign exchange loss.

**Key Financial Ratios**

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

**Liquidity Ratios**

| | **At 31 December 2015** | At 31 December 2014 |
|---|---|---|
| Current ratio | **3.33** | 0.90 |
| Quick ratio | **2.67** | 0.52 |
| Gearing ratio (%) | **22.5** | 58.8 |

| | **Year ended 31 December** | |
|---|---|---|
| | **2015** | 2014 |
| Inventory turnover days | **120** | 114 |
| Debtor's turnover days | **11** | 13 |
| Creditor's turnover days | **13** | 12 |

**Liquidity and Financial Resources and Capital Structure**

The net current assets which included cash and various bank balances and margin deposits amounted to HK$3,717.7 million as at 31 December 2015 (31 December 2014: HK$707.4 million). Total bank borrowings were HK$1.1 billion as at 31 December 2015 (31 December 2014: HK$1.3 billion), and those were mainly used to purchase the mixed metal scrap from overseas. Such borrowings were mainly denominated in U.S. Dollars and Renminbi.

The gearing ratio of the Group as at 31 December 2015 was 22.5% (31 December 2014: 58.8%) which is calculated based on the total borrowings over total assets. The decrease was mainly due to total Proceeds of approximately HK$4.1 billion received from the Subscriptions, the decrease of principal amount of convertible bonds of HK$435.6 million following the exercise of such convertible bonds and the issue of conversion shares in relation and instalments paid thereto, and the decrease in bank borrowings. Details of the completion of the Subscriptions and issue of conversion shares were disclosed in the announcements of the Company dated 30 April 2015, 29 May 2015, 10 June 2015 and 15 June 2015.

Debtor's turnover days decreased from 13 days for the year ended 31 December 2014 to 11 days for the year ended 31 December 2015 and the creditor's turnover increased from 12 days for the year ended 31 December 2014 to 13 days for the year ended 31 December 2015.

Inventory turnover days increased from 114 days for the year ended 31 December 2014 to 120 days for the year ended 31 December 2015.

**Funds raised by Subscriptions of the Company's new shares and use of Proceeds**

Following the completion of the Subscriptions on 30 April 2015 and 29 May 2015, the total Proceeds from such Subscriptions amounted to approximately HK$4.1 billion after the deduction of all relevant expenses.

During the year ended 31 December 2015, the Proceeds were utilised as follows:

| | *HK$ million* |
|---|---|
| Expansion of production capacity | 146.2 |
| Purchase raw materials | 892.7 |

The remaining Proceeds from the Subscriptions amounted to approximately HK$3,055.7 million as at 31 December 2015. As disclosed in the announcement of the Company dated 11 March 2016, the Board has resolved to allocate approximately RMB1,350 million (equivalent to approximately HK$1,614.7 million) out of the unutilised Proceeds for investment in the financial industry, as well as for working capital and funding for other general corporate purposes, the remaining unutilised Proceeds (i.e. approximately HK$1,439.0 million) is expected to be used as originally intended. Approximately HK$301 million of Proceeds was used for investment in listed securities and wealth management products as at the date of the announcement.

## CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2015, we had pledged certain plant and buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$445.8 million (2014: approximately HK$577.9 million) to secure bank borrowings.

As at 31 December 2015, we had capital commitments in respect of acquisition of a subsidiary, property, plant and equipment, prepaid lease payments, additions in construction in progress and formation of subsidiaries but not provided for in the consolidated financial statements amounted to HK$519.0 million (2014: HK$257.2 million).

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

A writ of summons was issued by Delco Participation B.V. ("Delco"), as plaintiff on 21 December 2015 in the High Court of Hong Kong (High Court Action No. 3040 of 2015, "HCA 3040/2015") against the Company as defendant for a sum of HK$57,827,118 together with interest and costs. The claim relates to an alleged non-payment of a portion of the loans advanced by Delco Asia Company Limited ("Delco Asia") to subsidiaries of the Company in accordance with the terms of a Shareholders Loan Assignment and Capitalisation Agreement dated 24 June 2010 between, amongst others, Delco Asia and the Company. Delco alleged that it acquired all the assets and receivables of Delco Asia pursuant to an Assets & Liabilities Transfer Agreement dated 3 October 2011 between itself and Delco Asia. The Company gave notice of intention to contest the proceedings on 4 January 2016. On 26 February 2016, a summons was issued by the Company in the High Court of Hong Kong for an order that the claim dated 21 December 2015 to be struck out. The proceedings are now in progress.

Each of Mr. Fang Ankong ("Mr. Fang"), a former Director, and HWH Holdings Limited ("HWH"), undertook to the Company to indemnify and hold harmless on demand (on an after-tax basis) the Company against all losses arising out of, inter alia, HCA 3040/2015 in accordance with the terms of a letter of indemnity signed by Mr. Fang and HWH in favour of the Company on 17 December 2015. Further, HWH has also agreed that a sum including the amount of HK$57,827,118 be held in escrow as security for any liability of the Company in respect of, inter alia, HCA 3040/2015.

Whilst the Board does not consider HCA 3040/2015 to be a claim of material importance for the reasons set out above, details of HCA 3040/2015 are disclosed herein for the sake of completeness.

With regard to the legal proceedings in the PRC between Shanghai Chiho-Tiande Resource Recycling Co., Ltd.（上海齊合天地再生資源有限公司）("Shanghai JV"), an indirect 51%-owned subsidiary of the Company, and Shanghai Science and Technology Co., Ltd.（上海民營科技實業發展公司）("SST") in relation to certain housing and land lease contracts, disclosures have been made by the Company in its announcements dated 14 December 2012, 15 January 2014, 22 January 2014 as well as its interim reports for the six months ended 30 June 2014 and 2015 and its annual report for the year ended 31 December 2014. On 18 December 2015, the Shanghai JV applied to Shanghai High People's Court for re-trial and seek for further legal relief. On the same date, Shanghai High People's Court accepted the re-trial application. The re-trial application is in the process of being reviewed as at the date of this result announcement.

The Board takes the view that these legal proceedings will not have any material adverse effect on the business, operations or financial results of the Group.

## RISK MANAGEMENT

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

On 26 March 2015, the Board resolved to adopt a new 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. Details were disclosed in the Company's announcement made on the same date and the full policy is available on the Company's website, www.chiho-tiande.com. In October 2015, all metal future contracts of the Group were settled and closed.

As part of its foreign currency hedging strategy, the Board will closely monitor the Group's foreign currency borrowings in the view of the volatile exchange rate for Reminbi to U.S. Dollars and other currencies as a result of the reform of the Reminbi middle exchange rate quotation regime, and consider various measures to minimise the foreign currency risk.

With the relatively low interest rates in 2015, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instruments. However, the Group continues to monitor its related interest rate exposure closely and will consider hedging significant interest rate exposure when the need arises.

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

With regard to the liquidity risk, the Group will continue to maintain a balance between the continuity of funding and the flexibility through the use of bank borrowings.

## EMPLOYEES

As at 31 December 2015, we had a workforce of 461 employees. In addition, we engaged approximately 2,380 separation and selection workers through local recognised 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 Group considers that investor relations are important to a listed company. The Board believes that maintaining good relationship with investors and keeping them up-to-date on the latest corporate communications and business development in a timely fashion would enhance transparency and strengthen corporate governance of the Group. With the support of the Board, Mr. Meng Yi, an Executive Director of the Company, has been assigned to take responsibility for all matters relating to investor relations of the Group.

Going forward, the Company will continue to make effort to keep our investors abreast of the corporate and business developments, and to introduce the Group's strengths and strategies in order to gain support and recognition from them and also the market in general.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

## FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 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 financial reporting matters and internal control systems, including the review of the Group's audited consolidated results for the year ended 31 December 2015.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company recognises the importance of corporate transparency and accountability and is committed to achieving a high standard of corporate governance. Throughout the year ended 31 December 2015, 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:

(i) During the period from 1 January 2015 to 28 April 2015, the roles of the chairman and chief executive officer of the Company had not been segregated as required by provision A.2.1 of the Corporate Governance Code because Mr. Fang Ankong was both the Chairman and Chief Executive Officer of the Company during that period. On 29 April 2015, Mr. Tu Jianhua was appointed as the Executive Director and Chairman of the Board, and Mr. Fang Ankong was re-designated as the Vice Chairman of the Board and remained as Chief Executive Officer of the Company until his resignation on 16 February 2016.

(ii) Due to conflicting of other engagements, Mr. Tu Jianhua, who was appointed as Chairman of the Board on 29 April 2015, Mr. Zhu Dajian, the chairman of Remuneration Committee, and Mr. Fang Ankong, the former chairman of Nomination Committee, were unable to attend the annual general meeting of the Company held on 22 May 2015, as repuired by provision E.1.2 of the Corporate Governance Code. However, Dr. Loke Yu, the chairman of Audit Committee and the member of Remuneration Committee and Nomination Committee, was invited to, and attended such annual general meeting of the Company.

**SUFFICIENCY OF PUBLIC FLOAT**

On 13 July 2015, the Company announced a reduction in the shares of the Company held by the public after the transfer of the entire share capital of Tai Security Holding Limited ("Tai Security") to Mr. Zhang Mingjie ("Mr. Zhang") on 8 July 2015 (the "Tai Security Transfer"). As a result of and immediately after the Tai Security Transfer, Mr. Zhang, through his entire shareholdings in Tai Security and Good Union Hong Kong Investment Limited ("Good Union"), was indirectly interested in 295,197,990 shares (approximately 18.60% of the then total issued share capital of the Company) on 8 July 2015, among which 175,197,990 shares and 120,000,000 shares were held by Tai Security and Good Union respectively (representing approximately 11.04% and 7.56% of the then total issued share capital of the Company respectively). As a result of the Tai Security Transfer, Mr. Zhang has become a substantial shareholder and core connected person (as defined under the Listing Rules) of the Company. Pursuant to the Listing Rules, the shares held by Tai Security and Good Union cannot be counted towards the public float of the Company. The Company became aware of the insufficiency of public float during a routine review of the shareholdings of its shareholders after office hour on 10 July 2015. The Company had since communicated with Mr. Zhang and had been advised that Mr. Zhang was in the process of disposing of some of the shares acquired through the acquisition of Tai Security to independent third parties.

As announced by the Company on 15 July 2015, it had been informed by Mr. Zhang on 14 July 2015 that Tai Security had disposed of 65,000,000 shares (representing approximately 4.10% of the then issued share capital of the Company) on the open market on 13 July 2015. As a result of the said disposal, 405,800,460 shares had been held in the public hands, representing approximately 25.57% of the issued share capital of the Company as at the date of the announcement dated 15 July 2015. Accordingly, the public float requirement under Rule 8.08(1)(a) of the Listing Rules had been restored and complied with.

Save as disclosed above, based on the information that is publicly available to the Company and with the knowledge of the Directors, the Company had maintained sufficient public float throughout 31 December 2015.

As disclosed in the Company's announcements dated 15 February 2016 and 23 February 2016, upon the close of the Offers, 349,323,535 Shares, representing approximately 21.99% of the then issued share capital of the Company, were held by the public. Accordingly, upon the close of the Offers, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) of the Listing Rules was not satisfied. The Company has made an application to the Stock Exchange for and the Stock Exchange has granted a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules for a period of three months from 15 February 2016 to 14 May 2016.

As further disclosed in the Company's announcement dated 21 March 2016, after the completion of the Acquisition and the JV Formation, 349,323,535 Shares, representing approximately 21.57% of the issued share capital of the Company, are held by the public. As at the date of this announcement, the minimum public float requirement of 25.0% under Rule 8.08(1)(a) of the Listing Rules is still not satisfied. Further announcement(s) will be made by the Company regarding the restoration of public float as and when appropriate pursuant to the Listing Rules.

## 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 year ended 31 December 2015, they have complied with provisions of the Model Code.

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

During the year ended 31 December 2015, 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 2015 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**
**Tu Jianhua**
*Chairman*

Hong Kong, 23 March 2016

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

| | |
|---|---|
| *Executive Directors:* | Tu Jianhua, Zhang Mingjie, Meng Yi |
| *Independent non-executive Directors:* | Loke Yu, Zhang Jingdong, Zhu Dajian |