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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of the directors (the "**Directors**") of Chiho-Tiande Group Limited (the "**Company**", together with its subsidiaries, the "**Group**", "**we**" or "**our**") announces the audited consolidated results of the Group for the year ended 31 December 2016 prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") as follows (together with the comparative figures for the year ended 31 December 2015):

FINANCIAL HIGHLIGHTS

	2016	2015	Changes	
	HK$'000	*HK$'000*	*HK$'000*	%
Revenue *(Note 1)*	**3,211,431**	3,136,633	+74,798	+2.4
Gross profit/(loss)	**218,582**	(45,276)	+263,858	*(Note 2)*
Loss before income tax	**(443,568)**	(1,143,684)	-700,116	
Loss for the year attributable to owners of the Company	**(439,893)**	(1,138,804)	-698,911	*(Note 3)*
Basic loss per share (expressed in HK$)	**(0.27)**	(0.82)	0.55	
Diluted loss per share (expressed in HK$)	**(0.27)**	(0.82)	0.55	

Notes:

1. Revenue increased by 2.4% to approximately HK$3.2 billion.

2. Gross profit was approximately HK$219 million in 2016, it was a turnaround from gross loss of approximately HK$45 million in 2015.

3. Loss for the year attributable to owners of the Company reduced from approximately HK$1,139 million in 2015 to approximately HK$440 million in 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	4	**3,211,431**	3,136,633
Cost of sales	5	**(2,992,849)**	(3,181,909)
Gross profit/(loss)		**218,582**	(45,276)
Other income		**15,241**	8,697
Other losses, net	6	**(335,059)**	(850,678)
Distribution and selling expenses	5	**(15,166)**	(9,785)
Administrative expenses	5	**(293,521)**	(142,604)
		(409,923)	(1,039,646)
Finance income		**47,918**	13,890
Finance costs		**(82,006)**	(117,383)
Finance costs, net	7	**(34,088)**	(103,493)
Share of profit/(loss) of an associate		**443**	(545)
Loss before income tax		**(443,568)**	(1,143,684)
Income tax credit/(expense)	8	**384**	(337)
Loss for the year		**(443,184)**	(1,144,021)
Loss attributable to:			
Owners of the Company		**(439,893)**	(1,138,804)
Non-controlling interests		**(3,291)**	(5,217)
		(443,184)	(1,144,021)
Loss per share attributable to owners of the Company for the year (expressed in HK$ per share)			
Basic loss per share	10	**(0.27)**	(0.82)
Diluted loss per share	10	**(0.27)**	(0.82)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Loss for the year		**(443,184)**	(1,144,021)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		**(40,558)**	(38,466)
Reclassification to profit or loss on disposal of available-for-sale investment		**–**	(4,606)
Fair value gain on available-for-sale investment		**–**	4,606
Other comprehensive loss for the year		**(40,558)**	(38,466)
Total comprehensive loss for the year		**(483,742)**	(1,182,487)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(483,278)**	(1,181,800)
Non-controlling interests		**(464)**	(687)
		(483,742)	(1,182,487)

CONSOLIDATED BALANCE SHEET
As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,002,859**	548,129
Leasehold land and land use rights		**529,330**	520,456
Investment properties		**81,754**	20,954
Intangible assets		**1,211,412**	–
Investments accounted for using the equity method		**425,937**	2,064
Other non-current assets		**70,943**	25,546
Deferred income tax assets		**149,568**	486
		5,471,803	1,117,635
Current assets			
Inventories		**1,808,758**	975,784
Trade and other receivables	*11*	**1,752,379**	215,230
Fixed return investment		**316,800**	–
Amounts due from related parties		**262,336**	–
Derivative financial instruments		**7,928**	73
Tax recoverable		**11,345**	11,460
Pledged bank deposits		**422,732**	132,022
Cash and cash equivalents		**1,656,701**	3,585,720
		6,238,979	4,920,289
Assets classified as held for sale		**161,234**	–
Total assets		**11,872,016**	6,037,924

	Notes	**2016**	2015
		HK$'000	*HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital		**16,197**	15,885
Other reserves		**6,485,848**	6,418,074
Accumulated losses		**(2,384,834)**	(1,945,984)
		4,117,211	4,487,975
Non-controlling interests		**(32,750)**	(74,141)
Total equity		**4,084,461**	4,413,834
Non-current liabilities			
Borrowings		**1,930,123**	103,587
Derivative financial instruments		**11,944**	9,615
Retirement benefit obligations		**24,086**	–
Other payables		**279,485**	–
Deferred income tax liabilities		**447,246**	29,833
		2,692,884	143,035
Current liabilities			
Trade and other payables	*12*	**1,503,501**	222,351
Current income tax liabilities		**113,091**	1,989
Borrowings		**3,104,205**	1,256,715
Amounts due to related parties		**354,311**	–
Derivative financial instruments		**19,563**	–
		5,094,671	1,481,055
Total liabilities		**7,787,555**	1,624,090
Total equity and liabilities		**11,872,016**	6,037,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Chiho-Tiande Group Limited ("the **Company**") is an investment holding company. The subsidiaries (together "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 in Asia, Europe and America.

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 address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company's ultimate holding company is Loncin Group Co., Ltd. (隆鑫集團有限公司) ("**Loncin Group**"), a limited liability company incorporated in the People's Republic of China (the "**PRC**"), and the Company's immediate holding company is USUM Investment Group Hong Kong Limited ("**USUMHK**"), a company incorporated in Hong Kong with limited liability. Loncin Group is 98% owned by Mr. Tu Jianhua, an executive director and the chairman of the Company.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

These financial statements are presented in Hong Kong Dollar ("**HK$**"), unless otherwise stated.

2 BASIS OF PREPARATION

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.1.1 Going concern

For the year ended 31 December 2016, the Group reported a loss of HK$443,184,000, which included certain non-recurring losses such as net foreign exchange losses of HK$298,192,000 and a loss on disposal of financial assets at fair value through profit or loss of HK$105,279,000. In December 2016, the Group completed the acquisition of 100% equity interest in Scholz Holding GmbH ("**Scholz Holding**" and together with its subsidiaries, "**Scholz Group**"). For the year ended 31 December 2016, Scholz Group reported a consolidated loss of HK$816,948,000, which included certain non-recurring expenses such as legal and professional fees incurred in its debt restructuring exercise and restructuring expenses incurred for its operations in Europe and the United States.

On 20 December 2016, the Company issued a 8% note ("**Note**") with a principal amount of US$200 million (equivalent to approximately HK$1,556 million) to an independent third party, which matures in 2 years from the issue date. The Company is required to comply with certain restrictive financial and non-financial covenants pursuant to the terms of the subscription agreement of the Note.

As at 31 December 2016, the Group's current assets exceeded its current liabilities by HK$1,305,542,000. It had borrowings totalled HK$5,034,328,000, of which HK$3,104,205,000 are repayable in the coming twelve months. As at the same date, it had cash and cash equivalents amounted to HK$1,656,701,000.

In addition, USUMHK has granted a stand-by facility of up to HK$500 million to the Company, which is available for draw down on or before 31 March 2018. The loan is unsecured, bears interest at 8% per annum and is repayable in 24 months from the date of draw down. The directors believe that this stand-by shareholder loan facility can provide additional working capital to the Group, as and when needed.

The management is closely monitoring the Group's financial performance, liquidity position, continuously compliance with all restrictive loan covenants and has been implementing measures to improve profitability and control operating costs. These measures include (i) post-acquisition integration and transformation programme to redefine the Group's business strategies and to optimise the Group's operations in different geographies; and (ii) implement strict controls to reduce capital and operational expenditures.

The management has prepared cash flow projections covering a period of 12 months from 31 December 2016. The projections adopted key assumptions with regard to the anticipated cash flows from the Group's operations, capital expenditure and the successful renewal and continuous availability of bank facilities. The projections have also taken into account the rebounding trend in metal prices since the last quarter of 2016 and assuming such trend would continue in 2017. These assumptions about future events and conditions are subject to inherent estimation uncertainties. The directors, after making due enquiries and considering the basis of management's projections described above and after taking into account the reasonably possible improvements in the operational performance and the successful renewal and continuous availability of bank facilities, believe that there will be sufficient financial resources to meet its financial obligations as and when they fall due in the coming 12 months from 31 December 2016. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. ACCOUNTING POLICIES

(a) New and amended standards adopted by the Group

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: bearer plants
Amendments to HKAS 27	Equity method in separate financial statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
HKFRS 14	Regulatory deferral accounts
Annual Improvements Project	Annual improvements 2012–2014 Cycle

The adoption of the above new and amended standards did not have any significant impact on the Group's consolidated financial statements.

(b) New and amended standards have been issued but are not effective and have not been early adopted by the Group

The following new and amended standards are not effective for financial year beginning on 1 January 2016, and have not been applied in preparing these consolidated financial statements:

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Disclosure initiative	1 January 2017
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses	1 January 2017
Amendments to HKFRS 2	Classification and measurement of share-based	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKFRS 15	Classifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of assessing the financial impact of the adoption of the above new standards, amendments to standards and annual improvement. The Group will adopt the new standards, amendments to standards and annual improvements when they become effective.

4 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 in Asia, because the acquisition of Scholz Holding is just completed in December 2016:

(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 2016

	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$'000*	Subtotal *HK$'000*	Aluminium alloy ingots *HK$'000*	Copper rod and wire *HK$'000*	Subtotal *HK$'000*	Other metal scrap without processing *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE												
External sales	1,906,017	407,568	130,372	82,706	40,302	2,566,965	214,403	1,976	216,379	428,087	–	3,211,431
Inter-segment sales	–	28	86	–	189	303	–	–	–	1,272,525	(1,272,828)	–
Total segment revenue	1,906,017	407,596	130,458	82,706	40,491	2,567,268	214,403	1,976	216,379	1,700,612	(1,272,828)	3,211,431
Segment profit/(loss)	104,694	29,283	9,424	5,742	7,152	156,295	15,047	(16)	15,031	76,088	(28,832)	218,582
Other income												15,241
Other losses, net												(335,059)
Distribution and selling expenses												(15,166)
Administrative expenses												(293,521)
Finance costs, net												(34,088)
Share of profit of an associate												443
Loss before income tax												(443,568)
Income tax credit												384
Loss for the year												(443,184)

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	Subtotal	Aluminium alloy ingots	Copper rod and wire	Subtotal	Other metal scrap without processing	Elimination	Total
	HK$'000	*HK$'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	2,624,860	181,175	14,187	195,362	316,411	–	3,136,633
Inter-segment sales	21,517	11,393	119,733	18	330	152,991	–	–	–	1,079,782	(1,232,773)	–
Total segment revenue	1,964,503	441,607	248,560	92,231	30,950	2,777,851	181,175	14,187	195,362	1,396,193	(1,232,773)	3,136,633
Segment (loss)/profit	(39,609)	(9,355)	3,415	(5,338)	1,639	(49,248)	6,135	4,879	11,014	(2,243)	(4,799)	(45,276)
Other income												8,697
Other losses, net												(850,678)
Distribution and selling expenses												(9,785)
Administrative expenses												(142,604)
Finance costs, net												(103,493)
Share of loss of an associate												(545)
Loss before income tax												(1,143,684)
Income tax expense												(337)
Loss for the year												(1,144,021)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit/(loss) represents the gross profit/(loss) resulted in each segment without allocation of other income, other losses, net, distribution and selling expenses, administrative expenses, finance costs, net, share of profit of an associate and income tax expense. This is the measure reported 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 during the year nor otherwise regularly provided to the CODM. As a result, no analysis of segment assets and segment liabilities is presented.

Geographical information

Non-current assets, other than financial instruments and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts), and analysed by geographies as follows:

	2016	2015
	HK$'000	*HK$'000*
Asia *(Note)*	**1,286,907**	1,117,149
Europe	**3,337,646**	–
America	**645,543**	–
	5,270,096	1,117,149

Note: Asia mainly represents Hong Kong and the PRC.

Substantially all of external revenue of the Group during the year ended 31 December 2016 and 2015 is attributable to customers established in Asia. The remaining revenue is immaterial for separate disclosure of the Group's geographical information.

Information about major customers

No single customer contributed 10% or more to the Group's revenue during the years ended 31 December 2016 and 2015.

5 EXPENSE BY NATURE

	2016	2015
	HK$'000	*HK$'000*
Changes in inventories of finished goods	**(243,774)**	(1,051)
Raw materials and consumables used	**3,121,838**	2,910,602
(Reversal)/provision for inventories, net	**(75,982)**	64,290
Employee benefit expense	**185,520**	187,527
Depreciation and amortisation expenses	**60,769**	40,897
Legal and professional expenses	**106,580**	10,430
Auditor's remuneration		
— Audit services	**10,200**	2,460
— Non-audit services	**6,650**	1,330
Other expenses	**129,735**	117,813
Total cost of sales, distribution and selling expenses and administrative expenses	**3,301,536**	3,334,298

6 OTHER LOSSES, NET

	2016	2015
	HK$'000	*HK$'000*
Gain/(loss) on fair value change of:		
— derivative financial instruments	**3,308**	(387,257)
— financial assets at fair value through profit or loss	**(105,279)**	–
— embedded derivative components of convertible bonds	**9,611**	(305,463)
Loss on derecognition of convertible bonds	**–**	(1,210)
Foreign exchange losses, net	**(298,192)**	(112,012)
Provision for impairment of trade and other receivables	**(417)**	(22,308)
Provision for impairment of deposits and prepayments	**–**	(30,858)
Reversal of impairment of trade and other receivables	**6,969**	1,613
(Loss)/gain on disposal of property, plant and equipment	**(875)**	2,084
Loss on disposal of leasehold land	**(37,391)**	–
Gain on bargain purchase on acquisition of a subsidiary	**88,940**	–
Compensation (paid)/received	**(1,733)**	749
Reclassified to profit or loss on disposal of available-for-sale investment	**–**	4,606
Handling charges on disposal of available-for-sale investment	**–**	(622)
	(335,059)	(850,678)

7 FINANCE COSTS, NET

	2016	2015
	HK$'000	*HK$'000*
Interest income from bank deposits	**5,924**	13,890
Interest income from loans to Scholz Group (pre-acquisition)	**25,194**	–
Interest income from fixed return investment	**16,800**	–
Finance income	**47,918**	13,890
Interest expense on loan from a former director	**–**	(1,198)
Interest expense on loan from the immediate holding company	**(3,721)**	–
Interest expense on loan from an intermediate holding company	**(1,009)**	–
Interest expense on bank loans, overdrafts and bills payable	**(36,816)**	(38,624)
Interest expense on notes payable	**(6,865)**	–
Effective interest expense on other borrowings	**(22,732)**	(17,264)
Effective interest expense on a convertible bond	**(10,863)**	(60,297)
Finance costs	**(82,006)**	(117,383)
Finance costs, net	**(34,088)**	(103,493)

8 INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
The PRC	**–**	(137)
Hong Kong	**(109)**	(50)
Other jurisdictions	**(101)**	(143)
	(210)	(330)
(Under)/over provision in prior years:		
The PRC	**(141)**	8
Hong Kong	**(30)**	20
	(171)	28
Deferred tax credit/(expense)	**765**	(35)
Income tax credit/(expenses)	**384**	(337)

9 DIVIDENDS

No dividend was paid or proposed during 2016 and 2015, nor has any dividend been proposed by the Company since the end of the reporting period in respect of the years ended 31 December 2016 and 2015.

10 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company	**(439,893)**	(1,138,804)
Number of shares		
Weighted average number of ordinary shares in issues	**1,612,911,939**	1,382,512,563
Basic loss per share (expressed in HK$)	**(0.27)**	(0.82)

(b) Diluted

Diluted loss per share for the year equals basic loss per share as the exercise of the outstanding share option and convertible bonds would be anti-dilutive.

11 TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**1,475,173**	72,672
Less: Provision for impairment	**(17,564)**	(26,886)
Trade receivables, net	**1,457,609**	45,786
Bills receivables	**1,217**	–
Other receivables	**73,953**	6,530
Deposits and prepayments	**67,718**	21,113
Deposits paid for purchase of raw materials	**25,429**	99,230
VAT recoverable	**126,453**	42,571
	1,752,379	215,230

The Group generally grants credit terms ranging from 30 to 90 days to customers upon the approval of management according to the credit quality of individual customers. At 31 December 2016 and 2015, the aging analysis of the trade receivables based on invoice date were as follows:

	2016	2015
	HK$'000	*HK$'000*
0–90 days	**1,304,704**	13,321
91–180 days	**33,658**	30,871
Over 180 days	**136,811**	28,480
	1,475,173	72,672

The carrying amounts of the trade receivables approximate their fair value.

12 TRADE AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables	**919,923**	48,042
Bills payable	**–**	6,072
Other tax payables	**37,012**	7,129
Accrued salaries	**111,661**	12,231
Provision for claims and contingencies	**70,748**	48,460
Accrued professional expenses	**50,718**	2,275
Other payables and accruals	**592,924**	98,142
	1,782,986	222,351
Less: non-current portion		
Other payables	**(279,485)**	–
	1,503,501	222,351

The carrying amounts of the trade payables approximate their fair values.

The aging analysis of the trade payables based on invoice date was as follows:

	2016	2015
	HK$'000	*HK$'000*
0–90 days	**825,561**	35,357
91–180 days	**23,127**	407
Over 180 days	**71,235**	12,278
	919,923	48,042

13 BUSINESS COMBINATIONS

(a) Acquisition of Yantai Liheng Environmental Protection Technology Co., Ltd* (煙台立衡環保科技有限公司) ("Yantai Liheng")

In January 2016, the Group acquired 100% equity interest in Yantai Liheng through a 60% owned subsidiary for approximately HK$65,585,000 and obtained control of Yantai Liheng, which principally engages in recycling of hazardous waste and sale of, lubricating oil, gas oil, base oil, residual oil, fuel oil and the related additives.

As a result of the acquisition, the Group is expected to expand into the business relating to waste lubricating oil processing, thereby will increase the revenue base of the Group. The goodwill of approximately HK$14,659,000 arising from the acquisition is attributable to acquired the market on the north eastern region of the PRC, and economies of scale expected from combining the operations of Yantai Liheng.

The following table summarises the consideration paid for acquisition of Yantai Liheng, the fair value of assets acquired and liabilities assumed on the acquisition date.

	HK$'000
Consideration:	
— Cash consideration	64,109
— Consideration payable	1,476
Total consideration transferred	65,585
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	40,751
Land use rights	15,864
Deposits	345
Inventories	3,543
Prepayments and other receivables	10,905
Cash and cash equivalents	11,806
Trade and other payables	(14,450)
Bank borrowings	(17,838)
Total identifiable net assets	50,926
Goodwill	14,659

Acquisition-related costs of approximately HK$347,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

(b) Acquisition of Dalian New Green Recycle & Resources Corporation* (大連新綠再生資源加工有限公司) ("DNG")

In March 2016, the Group acquired 100% equity interest in DNG for 31,037,585 ordinary shares of the Company and obtained control of DNG, a recycler specialised in mixed metal scrap recycling, disassembling and processing, and resource recycling.

As a result of the acquisition, the Group is expected to enhance the Group's processing coverage especially in the north-eastern region of the PRC.

The following table summarises the consideration paid for acquiring DNG, the fair value of assets acquired and liabilities assumed on the acquisition date.

	HK$'000
Consideration:	
— Issue of ordinary shares	111,735
— Contingent consideration received	(6,062)
Total consideration transferred	105,673
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	153,597
Land use rights	3,902
Inventories	4,195
Prepayments and other receivables	26,847
Cash and cash equivalents	7,642
Trade and other payables	(1,570)
Total identifiable net assets	194,613
Gain on bargain purchase	(88,940)

Acquisition-related costs of approximately HK$817,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

The Group recognised a gain on bargain purchase of approximately HK$88,940,000 as a result of the business combination. The gain is included in the other losses, net in the consolidated statement of profit or loss for the year ended 31 December 2016. The bargain purchase gain on acquisition of DNG is mainly attributable to the decrease in share price of the Company before the completion of the acquisition. The Company's share price on the date of sale and purchase agreement was HK$5.60 and that on the date of completion in March 2016 was HK$3.60.

(c) Acquisition of Scholz Holding

As part of a series of steps taken by the Group to acquire Scholz Holding, the Group has participated and completed the debt restructuring programme of Scholz Group during the year to revitalise the sustainable going concern of Scholz Group's business.

Pursuant to the German Debt Purchase Agreement signed in June 2016, the Group has paid EUR256 million to purchase the rights and obligations under certain loan agreements and promissory notes of Scholz Group with an aggregate principal amount of EUR524 million and accrued interest of EUR0.2 million from certain independent lenders comprising German financial institutions, international debt providers and funds, and to settle the Austrian Bond issued by Scholz Group with a principal amount of EUR182 million and accrued interest of EUR21 million. In addition, the Group and Scholz Group are obliged to pay EUR20.4 million to these independent tenders and EUR5.8 million to the bondholders, respectively, if Scholz Group's EBITDA, excluding amount attributable to non-controlling interest of Scholz Group, based on Scholz Group's consolidated financial statements prepared in accordance with generally accepted accounting principles in Germany is more than EUR100 million for either of the fiscal year 2016 or the fiscal year 2017. Formal closing of the German Debt Acquisition took place in July 2016.

Note: German Debt Purchase Agreement, Austrian Bond and EBITDA were defined in the Company's circular dated 22 November 2016.

Subsequent to the completion of the above debt restructuring programme, in December 2016, the Group acquired 100% of the share capital of Scholz Holding for a nominal purchase price of EUR1.

Scholz Group is one of the largest European-based global network of companies and affiliates focuses in the field of treating and processing scrap metal. It was founded in 1872. It operates in integrated scrap metal recycling supply chain, from collecting, gathering, sorting, and processing the scarp materials to its sale, utilisation, and recirculation. It has a global procurement network for recycling materials including end-of-life automobiles mainly located in Europe. It also carries out demolitions and gutting projects and takes apart railway vehicles and recovers resources from these materials which it then supplies to steel mills, foundries, and smelters worldwide. Scholz Group is one of the few service providers in recycling that handles all steps in the resource cycle.

As a result of the acquisition, the Group is expected to have direct and immediate access to its global customer base and stable upstream material supplies in the European and U.S. markets as well as leveraging on Scholz Group's business know-how which, in turn, enhances the operating efficiency and create synergistic effects within the Group. Meanwhile, Scholz Group would also be benefited by gaining access to the Group's customer base and distributed channel in the PRC.

The goodwill of approximately HK$833,682,000 arising from the acquisition is mainly attributable to the anticipated profitability and net cash inflows of the acquired business and the synergies created from the merger and acquisition of and the integration with newly-acquired business.

The following table summarises the consideration paid for acquiring Scholz Holding, the fair value of assets acquired, liabilities assumed and the non-controlling interest on the acquisition date.

	HK$'000
Total consideration transferred:	
— Consideration and contingent consideration	158,086
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	2,371,950
Intangible assets	363,071
Interests in joint ventures	423,430
Other non-current assets	54,190
Assets classified as held for sale	140,515
Cash and cash equivalents	133,290
Pledged bank deposits	345,918
Tax recoverable	11,322
Deferred income tax assets	149,022
Inventories	627,515
Trade and other receivables	1,611,159
Amount due from related parties, net	122,365
Deferred income tax liabilities	(418,032)
Borrowings	(2,563,972)
Derivative financial instruments	(24,994)
Retirement benefit obligations	(24,086)
Tax payables	(110,996)
Trade and other payables	(1,171,695)
Non-controlling interests	(3,710)
Total identifiable net assets	2,036,262
Amount due to the Group, net	(2,711,858)
Goodwill	833,682

The above purchase price allocation is on a provisional basis.

Acquisition-related costs of approximately HK$97,107,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2016.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The year of 2016 was tumultuous for the global metal market. With the prolonged downward trend in the global metal market seen in the last six years, the metal prices in the first half of 2016 reached their lowest levels since the financial crisis in 2008 with major metal prices rebounded in the fourth quarter of 2016. Copper price in London Metal Exchange ("**LME**") grew steadily from approximately US$4,700 per tonnes to approximately US$4,840 per tonnes between January 2016 and October 2016, and recorded a significant growth to approximately US$5,470 per tonnes in December 2016. LME metal index increased approximately 23.7% from approximately 2,150 in January 2016 to 2,660 in December 2016. In 2016, against the backdrop of significant fluctuation of major currencies and metal prices due to various political changes of some leading countries (including Brexit and United States ("**U.S.**") presidential election), coupled with continuous depreciation of Renminbi, the Group faced great opportunities and challenges for its operation and development during the year. New management team was progressing to optimise our operation by endeavoring in overcoming all these challenges, which was reflected in the significant improvement of gross profit and operating results in 2016. The overall performance of the Group generally saw an improvement in 2016 when compared to the last two years.

With the expected U.S. interest rate upcycle, political uncertainty of Brexit in the European Union ("**EU**"), anti-dumping of steel stemmed from the rise of protectionism in Europe and the U.S., and de-capacity of ferrous and non-ferrous metals, it is expected that a number of uncertainties over the global economy and metal market in the coming year, the management still believes that the Group will have a promising prospect in 2017 by capitalising on the synergies created from the merger and acquisition and the integration of newly-acquired business.

With the global metal prices bottomed out in 2016, the Group's revenue continued to increase from approximately HK$3,136,633,000 in 2015 to approximately HK$3,211,431,000 in 2016, up by 2.4%. During the year, write back of provision for inventory of approximately HK$75,982,000 resulted in a gross profit of approximately HK$218,582,000 in 2016, when compared to a gross loss of HK$45,276,000 in 2015. During the year, the Group continued to record a net loss attributable to the owners of the Company of approximately HK$439,893,000, as compared to that of approximately HK$1,138,804,000 in 2015. Due to the merger and acquisition in 2016, legal and professional expenses increased from approximately HK$10,430,000 in 2015 to approximately HK$106,580,000 in 2016. In addition, net foreign exchange losses increased from approximately HK$112,012,000 in 2015 to approximately HK$298,192,000 in 2016, due to the political changes that caused the significant fluctuation of major currencies during the year.

With a number of unforeseeable circumstances impacting the global metal scrap market, mixed metal scrap purchase by the Group remained at a relatively low level during the year, which was comparable to that recorded in 2015. The Group sold in aggregate over 469,900 tonnes of processed products within its three business segments throughout the year. This represents a slight increase of 0.97% when compared to the 465,400 tonnes sold in 2015.

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$0.27 in 2016 (2015: Basic loss per share HK$0.82).

Our Procurement Network

The Group is still one of major importers 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 People's Republic of China (the "**PRC**"). The Group developed a strong international procurement network with established and developed suppliers, covering Europe, North America, Oceania and the Middle East, which were the key to our past success. Currently, we are expanding our procurement network in East Asia for the purposes of expanding the purchase volume of mixed metal and developing new varieties of renewable resources recycling process. Looking forward, upon the completion of acquisition of the entire share capital of Scholz Holding GmbH ("**Scholz Holding**" and together with its subsidiaries, "**Scholz Group**") in Germany, the sales and operation network of the Group will cover China, Hong Kong, Germany, Poland, Austria, Czech Republic, Romania, the Balkans and North America (including Mexico). We believe this will largely reduce the transportation costs and time, diversify the supply of mixed metal scrap, as well as lower the impact of the volatility of global commodity price on the Group's profitability.

Our sales

In 2016, a majority of our sales were made to customers located and based in the PRC. As our recycled metals products are raw materials by nature for which there is a ready market, as long as our selling price is in line with the market price, our customers select us mainly for our good credibility and steady supply of quality recycled metal products.

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.

With regard to the Group's investment in establishing new processing facilities in the Development Zone in Yantai City, the PRC, we acquired a piece of land near our existing processing facilities in the Development Zone in Yantai City in preparation of expanding our production capacity of recycled metals in the future.

In January 2016, our 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) was completed. It is intended to obtain the production permit and other necessary permits to start renewable oil operations progressively in 2017. For details, please refer to the announcement of the Company dated 1 December 2014, 29 May 2015 and 27 January 2016, respectively.

In March 2016, our acquisition of 100% equity interest in Dalian New Green Recycle & Resources Corporation* (大連新綠再生資源加工有限公司) by way of the allotment and issue of 31,037,585 consideration shares to Suzuki Shokai Co., Ltd. and ITOCHU Corporation, a company listed on Tokyo stock exchange, was completed. ITOCHU Corporation holds approximately 1.77% in the issued share capital of the Company through its wholly-owned subsidiary, TCI Ltd., and has become a strategic investor that provides the Group with additional sourcing capabilities in East Asia, especially in Japan. The Group has launched trade business with ITOCHU Corporation and explored opportunities for strategic partnership or cooperation. For details, please refer to the announcement of the Company dated 19 June 2015, 21 August 2015, 30 December 2015 and 21 March 2016, respectively.

Starting from April 2016, the Group had taken a series of actions in respect of the acquisition of the entire share capital of Scholz Holding and its reorganisation, which included the acquisition of the German debt of Scholz Group and the provision of bridging loans to Scholz Group. In June 2016, the Company completed the assumption of lenders' rights and obligations under the Credit Agreement (as defined in the announcement of the Company dated 2 June 2016) in respect of the U.S. revolving credit facilities of Scholz Group at a consideration of US$16,760,000 (equivalent to approximately HK$130,230,000), bought the German debt of Scholz Group with a face value of approximately EUR524,000,000 (equivalent to approximately HK$4,660,000,000) at an initial purchase price of approximately EUR236,000,000 (equivalent to approximately HK$2,100,000,000); further, the Group also set aside EUR20,000,000 (equivalent to approximately HK$178,000,000) as an assistance for Scholz Holding to repay the 8.5% coupon bond, initially issued by Scholz Holding on 8 March 2012 and governed by the laws of Austria, with a value of EUR150,000,000 (equivalent to approximately HK$1,335,000,000) and subsequently increased to EUR182,500,000 (equivalent to approximately HK$1,624,250,000).

The Group became the largest debtholder of Scholz Group in July 2016. In the same month, the Company approved the provision of a bridging loan of up to EUR80,000,000 (equivalent to approximately HK$ 712,000,000) to Scholz Recycling GmbH & Co. KG, a member of Scholz Group, the amendment and extension of the maturity of the German debt and partial discharge of such debt.

In August 2016, the maturity dates of German debt were amended together with a partial release of approximately EUR224,000,000 (equivalent to approximately HK$2,000,000,000) of German debt plus interest. In the same month, the Group acquired a loan of EUR60,000,000 (equivalent to approximately HK$534,000,000) from Scholz Beteiligungsgesellschaft at a nominal consideration of EUR1 (equivalent to approximately HK$8.9) and immediately waived such loan.

Upon completion of above procedures, the unaudited pro forma consolidated net liabilities position and gearing ratio of Scholz Group as at 30 June 2016 were significantly improved from EUR630,500,000 (equivalent to approximately HK$5,600,000,000) to EUR143,000,000 (equivalent to approximately HK$1,300,000,000) and from 142.8% to 65.3%, respectively.

In December 2016, the Group completed the acquisition of the entire share capital of Scholz Holding at a cash consideration of EUR1 (equivalent to approximately HK$8.9).

Scholz Holding is the holding company of a global network of companies and affiliates in the business of treating and processing scrap metals, and is one of the largest European-based global network of companies and affiliates active in this industry. Founded in 1872, Scholz Group provides all steps in recycling metal and scrap metals and is a one-stop shop, from collecting, gathering, sorting, and processing the material to its sale, utilisation, and recirculation. Scholz Group is among one of the process and technology leaders in recycling of ferrous and non-ferrous metals. In 2016, Scholz Group sold around 4 million tonnes of ferrous and non-ferrous scrap through its business activities in Europe, North- and Central-America. Scholz Group has an international network of over 200 collecting and processing yards. Upon completion, utilising the strong international network and advanced technological competence from Scholz Group, the Group can reduce its operation costs with stable and economical upstream raw material supplies from European and American markets, gain access to world leading end-of-life vehicle dismantling and processing technologies and further expand its customer base by tapping into the international customer network of Scholz Group. The resultant synergy for the business of the Group should help the Group develop into a leading mixed metal recycler in the world. For further details, please refer to the announcements of the Company dated 2 May 2016, 13 May 2016, 2 June 2016, 3 June 2016, 24 June 2016, 28 June 2006, 20 July 2016, 22 July 2016, 25 July 2016, 27 July 2016, 3 August 2016, 5 August 2016, 12 August 2016, 30 August 2016, 31 August 2016, 8 November 2016, 15 December 2016 and 16 December 2016, respectively, and the circulars of the Company dated 22 August 2016 and 22 November 2016, respectively.

Looking forward, the Group will adhere to the promise of further expanding the processing capacity of metal recycler facilities to strengthen its major operation of green recycled metal. The Company believes that recycled metal is an industry encouraged by the Chinese Government. The Group will continue to utilise the existing production facilities in Taizhou, Yantai and Hong Kong and generate business synergy for the Group with the acquisition of Scholz Holding.

Prospect

With the acquisition of Scholz Holding, the Group extended its business footprint worldwide. Given access to the strong global network and technological expertise of Scholz Group, the Group will be able to secure stable upstream material supplies from Europe and the United States and access to one of the world's best end-of-life vehicle dismantling and processing technologies. The Group will leverage the expanded clientele in Europe and the United States to cement its market position as one of the global leaders in metals recycling.

The Group is also focusing on the development of urban mining in China. Metal recycling is fundamental in reducing society's dependency of the mining of primary resources from the earth, which not only bring environmental concern but also pollution. The Group aims to deploy its knowhow into the sustainable development of global economy.

The Group will continue to explore new business and investment opportunities globally, including, without limitation, investments in electronic waste recycling, scraped cars disassembling and auto parts re-manufacturing, as well as to expand its current business in the metal recycling industry in order to achieve satisfactory returns to the shareholders of the Company.

The Group considers it has good prospects of developing its business with careful execution of its business plans. The management team will continue to place its efforts on the global business development of the Group with stronghold in markets around the world.

Subsequent Events

On 1 March 2017, the Company redeemed all outstanding five-year 4% coupon convertible bonds (the "**Convertible Bonds**") due 2017 in the aggregate initial principal amount of HK$815,800,000 and the aggregate amount paid by the Company for the redemption of all of the remaining outstanding Convertible Bonds is approximately HK$115,000,000. All the certificates of the Convertible Bonds have been cancelled immediately upon the redemption. For further details, please refer to the announcements of the Company dated 17 January 2012, 1 March 2012, 5 March 2012, 18 March 2012 and 1 March 2017, respectively and the circulars dated 8 February 2012 and 11 April 2015, respectively.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$3,211,431,000 for the year ended 31 December 2016, compared to approximately HK$3,136,633,000 in 2015, representing an increase by approximately HK$74,798,000, or 2.4%. The slight increase was mainly attributable to the average selling prices of our recycled metal products bounced from bottom since the fourth quarter of 2016.

Cost of sales

For the year ended 31 December 2016, the cost of sales amounted to approximately HK$2,992,849,000, representing a decrease of approximately HK$189,060,000, or 5.9%, from approximately HK$3,181,909,000 in 2015. The decrease was contributed by the global commodity prices at the relatively low price in the first to third quarter of 2016.

Gross profit

Gross profit for the year ended 31 December 2016 was approximately HK$218,582,000 when compared to that of gross loss approximately HK$45,276,000 was recorded in 2015. The turnaround was contributed by the increase in average selling prices which was offset by the decrease in the cost of raw materials (mainly cost of recycled metals) for the year ended 31 December 2016.

Distribution and selling expenses

Distribution and selling expenses for the year ended 31 December 2016 amounted to approximately HK$15,166,000 (2015: approximately HK$9,785,000), representing an increase of approximately 55.0%. This was mainly due to an increase in selling activities in Hong Kong and the PRC during the year.

Administrative expenses

Administrative expenses increased by approximately HK$150,917,000, or 105.8%, from approximately HK$142,604,000 in 2015 to approximately HK$293,521,000 for the year ended 31 December 2016. This was mainly due to the increase in legal and professional expenses mainly for the merger and acquisition, and re-engineering of existing operations, staff costs, and rental expenses as well as operating related contributions.

Other income

Other income increased by approximately HK$6,544,000, or 75.2%, from approximately HK$8,697,000 in the year 2015 to approximately HK$15,241,000 for the year ended 31 December 2016. This was mainly because the dividend income received from the held for trading investments on the listed equity securities during the year.

Other losses, net

Other losses decreased significantly by approximately HK$515,619,000, or 60.6% from approximately HK$850,678,000 in 2015 to approximately HK$335,059,000 for the year ended 31 December 2016. During the year, other losses were mainly derived from a loss on fair value changes of financial assets at fair value through profit or loss of approximately HK$105,279,000 and net foreign exchange losses of approximately HK$298,192,000, mainly arising from the depreciation of Euro against the Hong Kong Dollar and Renminbi against the U.S. Dollar, which partially overcome the loss by a gain on bargain purchase on acquisition of a subsidiary of approximately HK$88,940,000 was recorded. In the last financial year, other losses were mainly derived from a fair value changes of derivative financial instruments relating to various metals futures contracts of approximately HK$387,257,000, the net foreign exchange loss of approximately HK$112,012,000 mainly arising from the depreciation of Renminbi against the U.S. Dollar and an accounting loss of approximately HK$305,463,000 derived from the loss on fair value change of embedded derivative components of the convertible bonds of the Company arose from a non-cash accounting treatment solely for the purpose of complying with HKFRS.

Finance income

Finance income increased by approximately HK$34,028,000, or 245.0%, from approximately HK$13,890,000 in 2015 to approximately HK$47,918,000 for the year ended 31 December 2016. This was mainly because the interest income received from the loan to Scholz Group in pre-acquisition and from the fixed return investment carries fixed interest at 7% per annum.

Finance costs

Finance costs decreased by approximately HK$35,377,000, or 30.1%, from approximately HK$117,383,000 in 2015 to HK$82,006,000 for the year ended 31 December 2016. This was mainly due to a decrease in effective interest expenses on a convertible bond due to the conversion of a convertible bond during 2016.

Loss for the year

As a result of the factors discussed above, the Company incurred a net loss for the year ended 31 December 2016 of approximately HK$443,184,000, as compared to a net loss of approximately HK$1,144,021,000 in 2015. The overall decrease in net loss was mainly due to the turnaround of gross profits, significant drop of the loss on 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 HKFRS; and reduce in net finance costs.

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 2016**	At 31 December 2015
Current ratio	**1.22**	3.32
Quick ratio	**0.87**	2.66
Gearing ratio (%)	**44.1**	22.5
	Year ended 31 December 2016	Year ended 31 December 2015
Inventory turnover days[#]	**132**	120
Debtor's turnover days[#]	**4**	11
Creditor's turnover days[#]	**19**	13

[#] These financial ratio were normalised to exclude the impacts from the very substantial acquisition in December 2016.

Liquidity and Financial Resources and Capital Structure

The net current assets which included cash and various bank balances and margin deposits amounted to approximately HK$2,079.4 million as at 31 December 2016 (31 December 2015: approximately HK$3,717.7 million). The decrease was mainly due to the proceeds paid for the equity acquisition of Scholz Holding, also including the acquisition of the German Debt and US Debt of and provision of Bridging Loan to Scholz Group, certain restructuring steps and related costs incurred, which aggregated to approximately HK$3,031.1 million. Total borrowings (including amounts due to the immediate holding company and an intermediate holding company) were approximately HK$5,241.4 million as at 31 December 2016 (31 December 2015: approximately HK$1,360.3 million), and those were mainly utilised for the purchase of mixed recycle metal from overseas. Such borrowings were mainly denominated in Euro, U.S. Dollar and Renminbi. Approximately HK$638.1 million (31 December 2015: approximately HK$762.1 million) of bank borrowings are at fixed interest rates.

The gearing ratio of the Group as at 31 December 2016 was 44.1% (31 December 2015: 22.5%) which is calculated based on the total borrowings over total assets. The increase was mainly due to note payable from holding company of approximately HK$1,465 million and the increase in bank and other external borrowings.

Debtor's turnover days decreased from 11 days for the year ended 31 December 2015 to 4 days for the year ended 31 December 2016 and the creditor's turnover increased from 13 days for the year ended 31 December 2015 to 19 days for the year ended 31 December 2016.

Inventory turnover days increased from 120 days for the year ended 31 December 2015 to 132 days for the year ended 31 December 2016.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2016, we had pledged certain plant and buildings, land use rights, bank deposits, inventories and trade receivables with an aggregate carrying value of approximately HK$3,446.2 million (31 December 2015: approximately HK$445.8 million) to secure bank borrowings.

As at 31 December 2016, 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 approximately HK$129.9 million (31 December 2015: approximately HK$519.0 million).

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

The Group has contingent liabilities of approximately HK$27,460,000 which consist of non-financial guarantee in favour of investee entities.

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. The Company filed its defence on 23 September 2016 and further filed its amended defence on 13 December 2016 after Delco added Mr. Fang Ankong ("**Mr. Fang**") as a defendant to the proceedings. The case is still in progress.

Each of Mr. Fang, a former director of the Company, 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.

A writ of summons was issued by Delco as plaintiff on 10 November 2016 in the High Court of Hong Kong (High Court Action No. 2939 of 2016, "**HCA 2939/2016**") against the Company as the 1st defendant, Chiho-Tiande (HK) Limited ("**CTHK**"), a wholly-owned subsidiary of the Company, as the 2nd defendant, HWH as the 3rd defendant and Mr. Fang as the 4th Defendant. So far as the Company and its subsidiaries are concerned, Delco claimed against the Company for damages for an alleged breach of a letter of undertaking dated 3 March 2015 in relation to a convertible bond issued by the Company and subscribed for by Delco on 1 March 2012. Delco further claimed against CTHK for a sum of US$1,000,000, allegedly advanced by Delco Asia to CTHK on or around 16 April 2009. Delco further claims interests, costs and further or other relief. The Company and CTHK gave notice of the intention to contest the proceedings on 23 December 2016. The case is still in progress.

Whilst the Board does not consider HCA 2939/2016 to be a claim of material importance for the reason set out above, details of HCA 2939/2016 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) 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, 2015 and 2016 and its annual report for the year ended 31 December 2014 and 2015. On 18 December 2015, Shanghai JV applied to Shanghai High People's Court for re-trial and sought for further legal relief. On the same date, Shanghai High People's Court accepted the re-trial application. Shanghai JV received the decision from Shanghai High People's Court on 16 Feb 2017 that the re-trail has been revoked. The Company may still apply to the People's Procuratorate for advice or make a complaint to relevant authorities according to the relevant laws of the PRC. The case is still in progress.

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 29 July 2016, the Board adopted a revised version of the policy (the "**Revised Policy**") which the Board believes is more suitable for the current operating conditions of the Group. Details of which were disclosed in the Company's announcement made on the same date and the Revised Policy is available on the Company's website, www.chiho-tiande.com.

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 Renminbi to U.S. Dollars and other currencies as a result of the reform of the Renminbi middle exchange rate quotation regime, and consider various measures to minimise the foreign currency risk.

With the relatively low interest rates in 2016, 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 management, the Group continues to follow the trade practices of cash on collection from sales of most of its metal recycling products in order to minimise the carrying amounts of the financial assets in the Group's financial statements. Upon completion of the acquisition of Scholz Holding, the Group will align its credit risk management with the newly acquired group and 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 flexibility through the use of bank borrowings.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had a workforce of 516 employees. In addition, we engaged approximately 1,942 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 Group's total staff costs for the year was approximately HK$185,520,000. The remuneration package of staff consists of basic salary, mandatory provident fund, insurances and other benefits as considered appropriate. Remuneration of the employees of the Group is determined by reference to the market, individual performance and their respective contribution to the Group.

The emoluments of the Directors are subject to the recommendations of the remuneration committee of the Company and the Board's approval. Other emoluments including discretionary bonuses, are determined by the Board with reference to the Directors' duties, abilities, reputation and performance.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

The Group considers that investor relations are important to a listed company. The Board believes that maintaining a 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. Liu Huaiyu, the executive director and company secretary 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.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises all three independent non-executive directors, namely Dr. Loke Yu (as chairman), Mr. Zhu Dajian and Ms. Qian Liping. 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 2016.

REMUNERATION COMMITTEE

The Company has established a remuneration committee (the "**Remuneration Committee**") with specific written terms of reference. The Remuneration Committee is responsible for making recommendations to the Board on, among other things, the Company's policy and structure for the remuneration of all directors and senior management of the Company and is delegated by the Board with the responsibility to determine on behalf of the Board the specific remuneration packages for all executive directors and senior management of the Company. The Remuneration Committee currently comprises three independent non-executive directors, namely Mr. Zhu Dajian (as chairman), Dr. Loke Yu and Ms. Qian Liping.

NOMINATION COMMITTEE

The Company has established a nomination committee (the "**Nomination Committee**") with specific written terms of reference. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board, identifying individuals suitable and qualified to become the Board members and making recommendations to the Board with due regard to Nomination Committee's board diversity policy. The Normination Committee currently comprises four members namely Mr. Tu Jianhuan (as chairman), Dr. Loke Yu, Mr. Zhu Dajian and Ms. Qian Liping.

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 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") and Corporate Governance Report, contained in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") with exceptions as explained below:

Pursuant to code provision E.1.2 of the CG Code, the chairmen of the Board and each of the board committees shall attend the annual general meeting (the "**AGM**") of the Company which was held on 15 June 2016. Mr. Zhu Dajian, who is the chairman of the Remuneration Committee, was unable to attend the AGM due to another business engagement. However, all other members of the Remuneration Committee attended the AGM to be available to answer questions thereat.

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 2016, 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 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed percentage of public float under the Listing Rules and as at the date of this announcement.

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

This annual 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 2016 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the 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 2017

* *For identification purpose only*

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

Executive Directors:	Tu Jianhua, Qin Yongming, Liu Huaiyu
Independent Non-Executive Directors:	Loke Yu, Zhu Dajian, Qian Liping