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 UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

HIGHLIGHTS

- Revenue for the first half of 2016 decreased by HK$0.3 billion or 16.7% to HK$1.5 billion, when compared to HK$1.8 billion in the same period of 2015, this was mainly due to the weakness of global metal prices which were at a six-year low during the first half of 2016.

- The Group recorded a gross profit of HK$65.6 million, representing an increase of HK$4.1 million or 6.7%, for the first half of 2016, when compared to the gross profit of HK$61.5 million recorded in the same period of 2015. The increase in gross profit was mainly due to the lower volatility in global commodity price during the second quarter of 2016.

- The Group recorded a loss attributable to the owners of the Company of HK$170.5 million, decreased by HK$779.1 million or 82.0%, when compared to the loss attributable to the owners of the Company of HK$949.6 million in the same period of 2015. The overall decrease in a loss attributable to the owners of the Company was mainly due to the significant decrease in loss on fair value changes of derivative financial instruments and the loss on the fair value change of embedded derivative components of convertible bonds, when compared to the same period of 2015.

- The Group sold over 234,000 tonnes of mixed metal scrap during the interim period, representing a slight decrease of 3.3% when compared to 242,000 tonnes in the same period of 2015.

- The Board does not recommend the payment of interim dividend for the period ended 30 June 2016 (2015: 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 unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2016.

During the first half of 2016, despite a reduction in sales from HK$1.8 billion in the same period of 2015 to HK$1.5 billion, representing a slight decrease of 16.7%, the Group recorded a gross profit of HK$65.6 million when compared to the gross profit of HK$61.5 million in the same period of 2015. This was mainly due to the lower volatility in global commodity prices during the second quarter of 2016.

During the period, the Group recorded a loss attributable to the owners of the Company of HK$170.5 million, representing a decrease of HK$779.1 million or 82.0%, when compared to the loss attributable to the owners of the Company of HK$949.6 million recorded in the same period of 2015. The overall decrease in a loss attributable to the owners of the Company was mainly due to the significant decrease in loss on fair value changes of derivative financial instruments and the loss on the fair value change of embedded derivative components of convertible bonds during the period, when compared to those of amounting to HK$315.8 million and HK$559.9 million respectively during the same period of 2015.

With global metal prices at a six-year low throughout the period, the Group faced 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 234,000 tonnes of its processed products within its three business segments throughout the period. This represented a trifling decrease of 3.3% when compared to 242,000 tonnes in the same period of 2015.

During the period, 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$0.106 in the first half of 2016 (2015: Loss per share HK$0.809).

With a strong presence in our Hong Kong operations 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, PRC, we acquired a piece of land nearby our existing processing facilities in the Development Zone in Yantai City in preparation of expanding our production capacity of recycled metals in the future.

On 27 January 2016, our 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) was completed. We aim to obtain the production permit and all necessary permits to start renewable oil operations progressively by the end of year.

On 21 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. As a result, Itochu Corporation holds approximately 1.77% in the issued share capital of the Company through its wholly-owned subsidiary, TCI Ltd., as at the date of this announcement 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 is further exploring opportunities for strategic partnership or cooperation.

Since 2 May 2016, the Group has been embarking on a series of steps to prepare for the potential equity acquisition of Scholz Holding GmbH ("Scholz Holding"), including the acquisition of rights and obligations under certain loan agreements and promissory notes (the "German Debt") of, and provision of bridging loan (the "Bridging Loan") to, Scholz Holding and certain restructuring steps as set out in the section headed "Subsequent Events" of this announcement. The Group became the largest debtholder of Scholz Holding on 22 July 2016 and is preparing for the potential equity acquisition of Scholz Holding in the near future.

Scholz Holding and its subsidiaries (the "Scholz Group") is one of the largest European-based global network of companies and affiliates active in the field of treating and processing scrap metal through its business activities in Europe, North- and Central-America. Founded in 1872, the Scholz Group provides all steps in recycling metal and scrap metal and is a one-stop shop, from collecting, gathering, sorting, and processing the material to its sale, utilisation, and recirculation. In each of the two financial years ended 31 December 2014 and 2015, Scholz Group employed more than 5,000 employees. The acquisition of the German Debt, together with the restructuring steps set out in the section headed "Subsequent Events" of this announcement, are intended to allow the Company to restructure the financial situation and balance sheet of Scholz Holding, revitalise the sustainable going concern of Scholz Holding's business and, thereby, gain access to upstream material supplies from European markets and to one of the best End-of-Life Vehicle dismantling and processing technologies globally.

On 2 June 2016, the Company completed the assumption of all rights and obligations under credit agreements of indirect non-wholly owned subsidiaries of Scholz Holding in the United States ("U. S. Scholz") (the "US Debt") from lenders for a consideration of US$16.76 million (equivalent to approximately HK$130.23 million). The Company believes that by becoming an important debtholder of U.S. Scholz, the Company is able to foster business cooperation with U.S. Scholz so as to gain access to upstream raw material supplies from the United States region.

Going forward, we remain committed to further expanding our processing capability, and simultaneously improving our profitability and return on equity. Our primary focus will be to maximise the utilisation of our existing operation facilities, while looking for opportunities to improve the performance of the Group at the same time. Our next focus will be on expanding our procurement network in East Asia to substantially reduce transportation costs and time, as well as lower the impact of volatile global commodity prices on the Group's profitability. We are also preparing for the potential equity acquisition of Scholz Holding, as mentioned above.

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

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

INTERIM RESULTS

The Board presents the unaudited condensed consolidated results of the Group for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015. These results have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants, by Deloitte Touche Tohmatsu, certified public accountants in Hong Kong, and the Audit Committee of the Company with no disagreement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3*	**1,513,398**	1,779,975
Cost of sales		**(1,447,793)**	(1,718,466)
Gross profit		**65,605**	61,509
Other income		**20,379**	42,809
Other gains and losses	*4*	**(100,457)**	(902,000)
Distribution and selling expenses		**(6,023)**	(4,826)
Administrative expenses		**(83,663)**	(67,916)
Other expenses		**(27,114)**	–
Finance costs		**(40,760)**	(75,618)
Share of profit of an associate		**314**	308
Loss before tax		**(171,719)**	(945,734)
Income tax expense	*5*	**(423)**	(1,070)
Loss for the period	*6*	**(172,142)**	(946,804)
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to the presentation currency		**(17,400)**	(954)
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale investment		**–**	(2,995)
Other comprehensive expense for the period		**(17,400)**	(3,949)
Total comprehensive expense for the period		**(189,542)**	(950,753)
Loss for the period attributable to:			
Owners of the Company		**(170,498)**	(949,641)
Non-controlling interests		**(1,644)**	2,837
		(172,142)	(946,804)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(188,797)**	(953,555)
Non-controlling interests		**(745)**	2,802
		(189,542)	(950,753)
		HK$	*HK$*
Loss per share			
– basic	*8*	**(0.106)**	(0.809)
– diluted	*8*	**(0.106)**	(0.809)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	At 30 June 2016 HK$'000 (Unaudited)	At 31 December 2015 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**750,129**	548,129
Prepaid lease payments		**529,617**	507,853
Investment property		**20,256**	20,954
Goodwill		**14,659**	–
Interest in an associate		**2,378**	2,064
Deposits paid for acquisition of property, plant and equipment		**19,205**	25,546
Loan receivables		**129,994**	–
Deposit paid for purchase of loan receivables	*9*	**2,205,645**	–
Deferred tax assets		**454**	486
		3,672,337	1,105,032
CURRENT ASSETS			
Inventories		**784,238**	975,784
Trade and other receivables	*10*	**183,074**	215,230
Prepaid lease payments		**13,577**	12,603
Fixed return investment		**306,214**	–
Held for trading investments		**35,281**	–
Derivative financial instruments		**211**	73
Tax recoverable		**1,086**	11,460
Pledged bank deposits		**215,265**	132,022
Bank balances and cash		**820,127**	3,585,720
		2,359,073	4,932,892
CURRENT LIABILITIES			
Trade, bills and other payables	*11*	**374,278**	222,351
Derivative financial instruments		**17**	–
Tax payable		**1,927**	1,989
Bank borrowings		**1,059,569**	1,095,156
Other borrowings		**128,070**	161,559
Debt component of convertible bonds		**62,715**	–
Embedded derivative components of convertible bonds		**7,147**	–
		1,633,723	1,481,055
NET CURRENT ASSETS		**725,350**	3,451,837
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,397,687**	4,556,869

	NOTES	At 30 June 2016 HK$'000 (Unaudited)	At 31 December 2015 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**16,197**	15,885
Share premium and reserves		**4,395,495**	4,472,090
Equity attributable to owners of the Company		**4,411,692**	4,487,975
Non-controlling interests		**(43,986)**	(74,141)
TOTAL EQUITY		**4,367,706**	4,413,834
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		**29,981**	29,833
		29,981	143,035
		4,397,687	4,556,869

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Significant events and transactions incurred in the current interim period has been disclosed in the Management Discussion and Analysis section.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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.

3. SEGMENT INFORMATION

The following is an analysis of the Group's segment revenue and segment results by operating and reportable segments.

Six months ended 30 June 2016

	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	940,981	185,868	61,952	42,375	11,673	64,842	2,011	203,696	–	–	1,513,398
Inter-segment sales	–	29	88	–	192	–	–	491,692	–	(492,001)	–
Total segment revenue	940,981	185,897	62,040	42,375	11,865	64,842	2,011	695,388	–	(492,001)	1,513,398
Segment profit (loss)	25,026	1,811	2,396	764	5,150	2,262	(26)	35,919	–	(7,697)	65,605
Other income											20,379
Other gains and losses											(100,457)
Distribution and selling expenses											(6,023)
Administrative expenses											(83,663)
Other expenses											(27,114)
Finance costs											(40,760)
Share of profit of an associate											314
Loss before tax											(171,719)
Income tax expense											(423)
Loss for the period											(172,142)

Six months ended 30 June 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	1,053,024	256,476	88,024	54,472	16,277	109,573	13,549	139,627	48,953	–	1,779,975
Inter-segment sales	12,282	8,332	68,229	–	299	–	–	505,092	–	(594,234)	–
Total segment revenue	1,065,306	264,808	156,253	54,472	16,576	109,573	13,549	644,719	48,953	(594,234)	1,779,975
Segment profit (loss)	35,293	4,417	10,398	(2,929)	675	6,205	5,292	7,637	(940)	(4,539)	61,509
Other income											42,809
Other gains and losses											(902,000)
Distribution and selling expenses											(4,826)
Administrative expenses											(67,916)
Finance costs											(75,618)
Share of profit of an associate											308
Loss before tax											(945,734)
Income tax expense											(1,070)
Loss for the period											(946,804)

Information on segment assets and segment liabilities of the Group are not reviewed by the chief operating decision maker ("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.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
(Loss) gain on fair value change of:		
– derivative financial instruments *(note)*	**(331)**	(315,786)
– held for trading investments	**(88,581)**	–
– embedded derivative components of convertible bonds	**2,468**	(559,913)
Bargain purchase gain on the acquisition of a subsidiary	**88,940**	–
Loss on derecognition of convertible bonds	**–**	(1,210)
Impairment loss on trade, bills and other receivables	**(482)**	–
Recovery of doubtful debts	**5,154**	2,525
Net foreign exchange loss	**(107,023)**	(35,953)
(Loss) gain on disposal of property, plant and equipment	**(162)**	3,641
Others	**(440)**	4,696
	(100,457)	(902,000)

note: The amount arose from aluminum, copper, lead, zinc, steel rebar and nickel future contracts, foreign currency options, foreign currency forward contracts and interest rate swap contract. During the period ended 30 June 2015, substantially all of the loss on fair value change of derivative financial instruments was from fair value change in aluminum, copper, lead, zinc, steel rebar and nickel future contracts (2016: nil).

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Current tax:		
The People's Republic of China (the "PRC") Enterprises Income Tax ("EIT")	**141**	867
Other jurisdiction	**101**	244
	242	1,111
Overprovision in prior periods:		
PRC EIT	**–**	(15)
	242	1,096
Deferred tax expense (credit)	**181**	(26)
	423	1,070

No provision for Hong Kong Profit Tax has been made as the Hong Kong Subsidiaries has no assessable profits for both periods.

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 periods.

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

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting):		
Cost of inventories recognised as an expense	**1,447,793**	1,718,466
Depreciation of investment property	**698**	698
Depreciation of property, plant and equipment	**20,117**	16,373
Share-based payment expense	**–**	428
Amortisation of prepaid lease payments	**6,743**	5,304
Interest income	**(9,932)**	(4,341)

7. DIVIDENDS

No dividends were paid, declared or proposed during the current and previous interim periods. The directors of the Company have determined that no dividend will be paid in respect of the current and previous interim periods.

8. 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:

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**170,498**	949,641
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,606,010,572**	1,174,102,839

In current and previous interim periods, 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.

9. DEPOSIT PAID FOR PURCHASE OF LOAN RECEIVABLES

At 30 June 2016, the Group placed the deposit of EUR256,000,000 (equivalent to HK$2,205,645,000) in an escrow account for acquisition of rights and obligations under certain loan agreements and promissory notes with aggregate principal amount of EUR524,000,000 (equivalent to HK$4,514,679,000) from certain independent lenders comprising German financial institutions, international debt providers and funds. In July 2016, the acquisition has been completed and EUR239,998,000 (equivalent to HK$2,067,778,000) is released from the escrow account. Details are set out in the Company's announcements dated 2 May 2016, 28 June 2016, 20 July 2016 and 22 July 2016.

10. TRADE AND OTHER RECEIVABLES

The Group generally allows its trade customers a credit period ranging from 30 to 90 days. A longer credit period may be granted to the 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, at the end of the reporting period, was prepared based on the invoice date which approximate to the date of revenue recognition, is as follows:

	At 30 June 2016	At 31 December 2015
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**61,168**	9,915
31 – 60 days	**12,823**	1,396
61 – 90 days	**–**	2,010
91 – 180 days	**–**	11,767
Over 180 days	**168**	20,698
	74,159	45,786
Other receivables:		
Deposits paid for purchase of raw materials	**33,407**	99,230
VAT recoverable	**44,412**	42,571
Deposits and prepayments	**21,748**	21,113
Others	**9,348**	6,530
	108,915	169,444
	183,074	215,230

11. TRADE, BILLS AND OTHER PAYABLES

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	At 30 June 2016 *HK$'000*	At 31 December 2015 *HK$'000*
Trade payables:		
0 – 30 days	**86,604**	32,138
31 – 60 days	**2,610**	2,550
61 – 90 days	**2,873**	669
91 – 180 days	**800**	407
Over 180 days	**7,896**	12,278
	100,783	48,042
Bills payables:		
0 – 30 days	**41,866**	–
31 – 60 days	**29,698**	–
91 – 180 days	**526**	6,072
	72,090	6,072
Other payables:		
Other payables and accruals	**92,500**	59,417
Provision for pending litigations	**47,501**	48,460
Government surcharges	**24,620**	22,009
Payable for acquisition of property, plant and equipment	**26,143**	27,032
Interest payables	**5,653**	3,820
Receipts in advance from customers	**4,988**	7,499
	201,405	168,237
	374,278	222,351

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

With the prolonged downward bias that the global metal market has seen in the last 6 years, the management continued to face exceptional challenges as metal prices are at their lowest levels since the financial crisis in 2008, resulting in a disappointing performance for the first half of 2016. With the likelihood of U.S. interest rates turning upwards in the coming months and economic uncertainty overclouding Europe, volatility in the global metal market is expected to be seen in the coming years. However, the management remains to be cautiously optimistic about the Group's performance in the coming months.

In 2016, the Group continued to face challenges arising from the difficult business environment, including the generally low global metal prices and the slower economic growth in the PRC. During the period, despite a reduction in sales from HK$1.8 billion in the same period of 2015 to HK$1.5 billion, representing a slight decrease of 16.7%, the Group recorded a gross profit of HK$65.6 million when compared to the gross profit of HK$61.5 million in the same period of 2015. This was mainly due to the lower volatility in global commodity prices during the second quarter of 2016.

During the period, the Group recorded a loss attributable to the owners of the Company of HK$170.5 million, representing a decrease of HK$779.1 million or 82.0%, when compared to the loss attributable to the owners of the Company of HK$949.6 million recorded in the same period of 2015. The overall decrease in a loss attributable to the owners of the Company was mainly due to the significant decrease in loss on fair value changes of derivative financial instruments and the loss on the fair value change of embedded derivative components of convertible bonds during the period, when compared to those of amounting to HK$315.8 million and HK$559.9 million respectively during the same period of 2015.

With a number of unforeseeable circumstances impacting the global supply of scrap materials, the Group continued to experience a reduction of scrap materials purchased. During the period, mixed metal scrap purchase by the Group remained at the same low level as recorded in 2015. The Group sold in aggregate over 234,000 tonnes of processed products within its three business segments throughout the period. This represented a trifling decrease of 3.3% when compared to 242,000 tonnes in the same period of 2015.

During the period, 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$0.106 in the first half of 2016 (2015: Loss per share HK$0.809).

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, which is critical to its success. 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 transportation costs and time, as well as lower the impact of volatile global commodity prices on the Group's profitability.

Corporate and Business Development

With a strong presence in our Hong Kong operations 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, PRC, we acquired a piece of land nearby our existing processing facilities in the Development Zone in Yantai City in preparation of expanding our production capacity of recycled metals in the future.

On 27 January 2016, our 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) was completed. We aim to obtain the production permit and all necessary permits to start renewable oil operations progressively by the end of year.

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Since 2 May 2016, the Group has been embarking on a series of steps to prepare for the potential equity acquisition of Scholz Holding, including the acquisition of the German Debt of, and provision of Bridging Loan to, Scholz Holding and certain restructuring steps as set out in the section headed "Subsequent Events" of this announcement. The Group became the largest debtholder of Scholz Holding on 22 July 2016 and is preparing for the potential equity acquisition of Scholz Holding in the near future.

Scholz Group is one of the largest European-based global network of companies and affiliates active in the field of treating and processing scrap metal through its business activities in Europe, North- and Central-America. Founded in 1872, the Scholz Group provides all steps in recycling metal and scrap metal and is a one-stop shop, from collecting, gathering, sorting, and processing the material to its sale, utilisation, and recirculation. In each of the two financial years ended 31 December 2014, 2015, Scholz Group employed more than 5,000 employees. The acquisition of the German Debt, together with the restructuring steps set out in the section headed "Subsequent Events" of this announcement, are intended to allow the Company to restructure the financial situation and balance sheet of Scholz Holding, revitalise the sustainable going concern of Scholz Holding's business and, thereby, gain access to upstream material supplies from European markets and to one of the best End-of-Life Vehicle dismantling and processing technologies globally.

On 2 June 2016, the Company completed the assumption of the US Debt from lenders for a consideration of US$16.76 million (equivalent to approximately HK$130.23 million). The Company believes that by becoming an important debtholder of U.S. Scholz, the Company is able to foster business cooperation with U.S. Scholz so as to gain access to upstream raw material supplies from the United States region.

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 plant, 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

Going forward, we remain committed to further expanding our processing capability, and simultaneously improving our profitability and return on equity. Our primary focus will be to maximise the utilisation of our existing operation facilities, while looking for opportunities to improve the performance of the Group at the same time. Our next focus will be on expanding our procurement network in East Asia to substantially reduce transportation costs and time, as well as lower the impact of volatile global commodity prices on the Group's profitability. We are also preparing for the potential equity acquisition of Scholz Holding, as mentioned above.

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

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

The management will continue to place its efforts on the business development of the Group and upstream integrations, in order to achieve satisfactory returns to the shareholders of the Company.

Subsequent Events

On 20 July 2016, a restructuring agreement (the "Restructuring Agreement") was entered into by, among others, the Company and Scholz Holding, in relation to, among other things, (1) finalization of terms of the provision of a EUR80 million (equivalent to approximately HK$712 million) bridging loan (the "Bridging Loan"); (2) amendment to and extension of the maturity dates, and partial release, of the German Debt; and (3) the intended acquisition, and immediate waiver, of a EUR60 million (equivalent to approximately HK$534 million) loan from Scholz Beteiligungsgesellschaft ("TTC Loan") (together, the "Restructuring Steps").

The entering into of the Restructuring Agreement is part of a series of steps taken by the Company to prepare for the potential equity acquisition of Scholz Holding in the near future (the "Potential Equity Acquisition"). The provision of the Bridging Loan is to ensure that the business of the Scholz Group is maintained as a going concern prior to the Potential Equity Acquisition. Further, the amendment to and the extension of the maturity dates, and partial release, of the German Debt and the intended acquisition, and immediate waiver of, the TTC Loan are deemed necessary to facilitate the significant deleveraging of Scholz Group and to enhance its long-term economic performance.

On 22 July 2016, the closing of the acquisition of the German Debt was completed pursuant to the terms and conditions of the debt purchase agreement signed between, among others, the Company and Scholz Holding.

On 4 August 2016, a sale and transfer agreement was entered into between Chiho Renewable Development Limited, a subsidiary of the Company, Scholz Beteiligungsgesellschaft and Scholz Holding, pursuant to which Chiho Renewable Development Limited will acquire the TTC Loan from Scholz Beteiligungsgesellschaft for a nominal consideration of EUR1 (equivalent to approximately HK$8.90).

FINANCIAL REVIEW

Revenue

During this period of 2016, revenue decreased by approximately HK$0.3 billion, or 16.7%, from HK$1.8 billion in the same period of 2015 to HK$1.5 billion in this period. The decrease was mainly due to the weakness of global metal prices, which were at a six-year low during the first half of 2016, resulting in a decrease in the average selling prices of our recycled metal products and foundry products.

Cost of sales

Cost of sales decreased by approximately HK$0.3 billion, or 17.6%, from HK$1.7 billion in the same period of 2015 to HK$1.4 billion in this period of 2016. The decrease is in line with the decrease in revenue and is primarily due to a reduction in the average purchase prices of raw materials.

Gross profit and gross profit margin

Gross profit of approximately HK$65.6 million was recorded in this period of 2016, representing an increase of 6.7% when compared to the gross profit of HK$61.5 million recorded in the same period of 2015. The gross profit margin increased from 3.5% in the same period of 2015 to 4.3% in this period of 2016. The increase in gross profit was mainly due to the lower volatility in global commodity prices in the second quarter of 2016.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK$1.2 million, or 25.0%, from HK$4.8 million in the same period of 2015 to HK$6.0 million in this period of 2016. This was mainly due to the slightly increase in transportation cost.

Administrative expenses

Administrative expenses increased by approximately HK$15.8 million or 23.3%, from HK$67.9 million in the same period of 2015 to HK$83.7 million in this period of 2016. This was mainly due to the increase in staff costs, depreciation and amortization and rental expenses.

Other income

Other income decreased by approximately HK$22.4 million, or 52.3%, from HK$42.8 million in the same period of 2015 to HK$20.4 million in this period of 2016. This was mainly due to the non-recurring government grants received during the same period of 2015, and such insignificant amounts were recorded during the first six months of 2016.

Other gains and losses

Other losses decreased significantly by approximately HK$801.5 million, or 88.9% from HK$902.0 million in the same period of 2015 to HK$100.5 million in this period of 2016. During the interim period 2016, other losses were mainly derived from a loss on fair value changes of held for trading investments relating to listed securities of HK$88.6 million and exchange loss of HK$107.0 million, which partially overcome the loss by the bargain purchase gain of HK$88.9 million was recorded arising from the acquisition of a subsidiary. During the same period of 2015, other losses were mainly derived from a fair value changes of derivative financial instruments relating to various metals futures contracts of HK$315.8 million and an accounting loss of approximately HK$559.9 million derived from the change in the fair value of the embedded derivative components of the Company's convertible bonds.

Other expenses

Other expenses represented professional and legal expenses related to the acquisition of the German Debt and US Debt, amounting to HK$27.1 million in this period of 2016.

Finance costs

Finance costs decreased by approximately HK$34.8 million, or 46.0%, from HK$75.6 million in the same period of 2015 to HK$40.8 million in this period of 2016. This was mainly due to a decrease in the bank interest expenses as the overall bank borrowings decreased during the period 2016 and a decrease in effective interest expenses on convertible bonds due to the conversion during the period 2016.

Loss for the period

As a result of the factors discussed above, the Company incurred a net loss for this period of 2016 of approximately HK$172.1 million, which decreased significantly by HK$774.7 million or 81.8%, as compared to a net loss of HK$946.8 million in the same period of 2015. The overall decrease in net loss was mainly due to the significant decrease in loss on fair value changes of derivative financial instruments and loss on the fair value change of embedded derivative components of convertible bonds arising from a non-cash accounting treatment for the purpose of complying with HKFRSs, when compared to the corresponding period of 2015.

Key Financial Ratios

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

	At 30 June 2016	At 31 December 2015
Liquidity Ratios		
Current ratio	**1.44**	3.33
Quick ratio	**0.96**	2.67
Gearing ratio (%)	**20.7**	22.5

	Six months ended 30 June	
	2016	2015
Inventory turnover days	**111**	113
Debtor's turnover days	**7**	13
Creditor's turnover days	**9**	15

Liquidity and Financial Resources and Capital Structure

The net current assets which included cash and various bank balance and deposits amounted to HK$1,035.4 million (31 December 2015: HK$3,717.7 million). As a result, the current ratio and quick ratio decreased from 3.33 and 2.67 as at 31 December 2015 to 1.44 and 0.96 as at 30 June 2016 respectively. The decrease was mainly due to proceeds being used for making the series of acquisition of the German Debt and US Debt and for paying certain costs in relation to completion of the German Debt and US Debt transaction, which aggregated to approximately HK$2,405 million. Total bank borrowings were HK$1.1 billion (31 December 2015: HK$1.1 billion), and those were mainly used to finance purchases of mixed metal scrap from overseas. Such borrowings were mainly denominated in U.S. Dollars and Renminbi.

The gearing ratio of the Group as at 30 June 2016 was 20.7% (31 December 2015: 22.5%), which is calculated based on the total borrowings over total assets. The decrease was mainly due to the instalment payments of other borrowings during the interim period of 2016.

Debtor's turnover days and creditor's turnover days decreased from 13 days and 15 days for the same period of 2015 to 7 days and 9 days for this period of 2016 respectively.

Inventory turnover days decreased from 113 days for the same period of 2015 to 111 days for this period of 2016.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 30 June 2016, we had pledged certain plant and buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$509.5 million (31 December 2015: approximately HK$445.8 million) to secure bank borrowings.

As at 30 June 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 HK$56.0 million (31 December 2015: 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.

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 and 2015 and its annual report for the year ended 31 December 2014 and 2015.

On 18 December 2015, the Shanghai JV applied to Shanghai High People’s Court for re-trial and sought further legal relief. On the same date, Shanghai High People’s Court accepted the re-trial application. The re-trial application was in the process of being reviewed as at the date of this announcement.

Whilst the Directors do not consider this to be a litigation of material importance for the reasons set out below, for the sake of completeness, it is noted that 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, the Company applied to the High Court of Hong Kong to strike out the claim of Delco in this action (the “Striking Out Application”). The Striking Out Application was heard before Deputy High Court Judge Manzoni, SC on 13 June 2016. Pursuant to the Decision of Deputy High Court Judge Manzoni, SC dated 27 June 2016, the Striking Out Application was dismissed. The proceedings are still in progress. Insofar as we are aware, no judgment has been entered against the Company.

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.

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 (the "Policy") in order to better reflect and restate the Group's current business requirements with regard to dealings in metal futures contracts. Since October 2015, all metal future contracts of the Group were settled and closed. 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 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 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 flexibility through the use of bank borrowings.

EMPLOYEES

As at 30 June 2016, the Group had a workforce of 567 employees. In addition, the Group engaged approximately 2,500 separation and selection workers through local contractors. The Group has not experienced any strikes, work stoppages or significant labor disputes which have affected its operations in the past and it has not experienced any significant difficulties in recruiting and retaining qualified staff. The Group continues to maintain good relationships with its 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. Mr. Goh Kian Guan, the Chief Investment Officer and General Manager of Investment & Development Department 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.

CHANGES SINCE 31 DECEMBER 2015

Save as disclosed in this announcement, there were no other significant changes in the Group's financial position or from the information disclosed under Management Discussion and Analysis in the annual report for the year ended 31 December 2015.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the period for the six months ended 30 June 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "CG Code") with exceptions as explained below:

During the period from 16 February 2016 to 31 March 2016, the roles of the chairman and chief executive officer of the Company had not been segregated as required by the provision A.2.1 of the CG Code because Mr. Tu Jianhua, the Chairman of the Board, also acted as the Chief Executive Officer of the Company after the resignation of Mr. Fang Ankong, the former Chief Executive Office of the Company, on 16 February 2016. On 1 April 2016, Mr. Zhang Jun was appointed as the Chief Executive Officer of the Company and Mr. Tu Jianhua has remained as the Chairman of the Board since then.

SUFFICIENCY OF PUBLIC FLOAT

The Company did not fulfill the minimum public float requirement of 25% under Rule 8.08(1)(a) of the Listing Rules after the close of unconditional mandatory general cash offers on 15 February 2016. The Company made an application to the Stock Exchange for and the Stock Exchange 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 (the "Waiver"). As disclosed in the Company's announcement dated 3 June 2016, the Company applied to the Stock Exchange and the Stock Exchange granted an extension of the Waiver from 15 May 2016 to 14 August 2016.

On 18 July 2016, the Company announced that its public float was restored to 25.12% after it was informed that Good Union Hong Kong Investment Limited transferred an aggregate of 32,000,000 shares in the Company to an independent third party. Accordingly, the public float of the Company had been restored to at least 25% of the issued share capital of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the guidelines for the Directors' dealings in the securities of the Company. Upon specific enquiries with all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 June 2016 in relation to their securities dealings, if any.

The Model Code has extended to be applicable to senior management and relevant employees who likely possess inside information of the Company.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the six months ended 30 June 2016.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016. Accordingly, no closure of the Register of Members of the Company is proposed.

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

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chiho-tiande.com). The interim report of the Company for the six months ended 30 June 2016 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 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 period.

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

Hong Kong, 23 August 2016

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

Executive Directors:	Tu Jianhua, Zhang Jun, Qin Yongming
Independent Non-Executive Directors:	Loke Yu, Zhang Jingdong, Zhu Dajian

* *For identification purpose only*