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 2011

HIGHLIGHTS

- Revenue for the first half of 2011 increased by 85.1% to HK$4.5 billion, compared to the same period of 2010
- Gross profit for the first half of 2011 amounted to HK$452.7 million, representing an overall gross margin of 10.0%, and increased by 63.9% when compared to the gross profit of HK$276.2 million in the same period of 2010
- The Group achieved a net profit of HK$305.3 million, representing a net profit margin of 6.7%, and increased by 94.6% when compared to the net profit of HK$156.9 million recorded in the same period of 2010
- The Group sold over 370,000 tonnes of mixed metal scrap during the interim period, representing an increase of 60.9% compared to the same period of 2010
- The Company successfully placed 60,000,000 new ordinary shares to not less than six Placees at the placing price of HK$6.6 per share. The net proceeds of approximately HK$385.7 million were raised and were used for general working capital of the Group
- As announced on 11 August 2011, the Company entered into an investment agreement with Yantai Economic and Technological Development Zone Administration Committee ("Yantai Committee") for the purpose of developing and operating an integrated processing facility for recycling, processing and sales of imported mixed metal scrap in Yantai (the "Project"). The Project is expected to have an annual processing capacity of 500,000 tonnes. The total investment of the Project is US$99,980,000 (equivalent to approximately HK$779,844,000)

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 am pleased to present the unaudited interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2011 (the "period"). General consensus has indicated that future supply of mining resources will not be able to keep up with future demand and scrap metal recycling is regarded as a key solution to satisfying future demands and environmental concerns. To capitalise on such market opportunities, the Group continued to place strong emphasis on capturing and securing supply of raw materials from proven sources of scrap metal through its well established overseas procurement network. We believe our current strategy will allow our Group to build on its solid foundation to be a leading player in the rapidly expanding scrap metal recycling business and also establish our position as a leading scrap metal recycler in the PRC.

Business Review

With improved market conditions in the PRC, the Group continued to record strong growth in revenue and exceptional overall profitability for the period as compared to 2010. During the period, the Group's revenue increased from HK$2.4 billion in the same period of 2010 to HK$4.5 billion, this represents an increase of 85.1% over the same period last year. Similar to those in the past, the gross margin of 10.0% achieved during the period is within the range expected by the Group's management. As for the net profit, the Group achieved a net profit of HK$305.3 million representing a net profit margin of 6.7%, compared to the net profit of HK$156.9 million recorded in the same period last year. This represents an overall increase of net profit by 94.6%.

With the relatively stable pricing environment of world metal prices experienced in the period, the Group continued to increase procurement volume to cater for its processing needs through its well established overseas procurement network. During the period, the Group sold over 370,000 tonnes of its processed products within its three business segments combined. This represents an increase of 60.9% when compared with just over 230,000 tonnes in the same period of 2010.

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 earnings per share amounted to HK$0.30 representing an increase of 42.9% when compared with HK$0.21 in the same period of 2010.

Our Procurement Network

We are 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. We import nearly all of our mixed metal scrap and have, over the years, developed a strong international procurement network which covers Europe, North America, Oceania and Asia. Our network of suppliers was mostly established and developed by us leveraging on our experience in the industry. With our good business practices, we have enjoyed good business relationship with our suppliers over the years.

Corporate and Business Development

In April 2011, the Company successfully placed 60,000,000 new ordinary shares to not less than six Placees at the placing price of HK$6.6 per share. The net proceeds of approximately HK$385.7 million were raised and were used for general working capital of the Group. The placing exercise was completed with 2 times oversubscribed by a number of reputable Placees.

With regard to our joint venture operations established in Hong Kong and Shanghai at the end of 2010, both facilities are in their early phase of development with expected annual processing capacities in 2011 reaching approximately 150,000 tonnes of ferrous and non-ferrous scrap metals and 300,000 tonnes of ferrous scrap metal in Hong Kong and Shanghai respectively. As for the Hong Kong joint venture, we plan to build an advance recycling facility capable of handling more diverse scrap materials. As for our main facilities in both Taizhou and Ningbo, their capacities are expected to increase to 630,000 tonnes and 210,000 tonnes by the end of this year for Taizhou and Ningbo respectively. For the second half of 2011, management expects continuing growth in both volume and profitability.

With regard to the developments of the possible joint venture operations in Beijing and Tianjin, the due diligence work for Beijing takes longer than expected and is at its final stage, and the outcome of which will give rise to a decision whether to proceed or not in the next few months. As for Tianjin, a joint venture company has just been established and operation will start in the second half of this year. Management expects that contribution from the Tianjin operation will be minimal for the remaining part of this year.

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Moving forward, the Group continues to increase purchase of raw materials, to further enhance the existing procurement network and to develop the current capabilities of our existing facilities. In addition, the management continues to actively look for potential opportunities including merger and acquisition opportunities to enhance the development of the Group. We have not identified any targets to enter into any such transactions to date.

Social Responsibilities

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

As announced by the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳), we have obtained the highest verification result among the designated processing units for imported hardware and electrical appliance scrap, electric wire and cable scrap, as well as motor scrap in Zhejiang Province. Our production processes do not consume large volumes of electricity and water and therefore produce very small volumes of waste materials. We consider that we have adopted sufficient environmental protection measures and controls against air, water, solids and noise pollutions produced during the course of our production process.

Prospects

With encouraging signs indicating the world economy is gradually recovering, and the increasing support from the PRC Government to develop the recycling industry, especially with reference to the latest PRC Government policies stated in its “12th Five-Year Plan”, we are confident that our current position and business strategy will allow the Group to be benefited in such policies going forward. We believe the metal recycling industry in the PRC will continue to grow and will become an important source and an integral part of the metal resource supply chain of the PRC in the foreseeable future.

We also strongly believe in the importance of building a sustainable and environmentally responsible business. The metal recycling industry is in the forefront and plays a vital role in ensuring that the future production and supply of ferrous and non-ferrous metals are conducted in a sustainable and environmentally responsible manner. Metal recycling contributes significantly to the protection of the environment and to the preservation of valuable natural resources, including the use of energy, which are consumed in large quantities during primary metal production processes. On the basis of the above stated fundamental belief, we continued focusing on increasing our procurement and processing volumes substantially in the future to cater for the rapidly increasing demand for scrap raw materials in the PRC. We strongly believe in our ability to capitalise on a rapidly growing industry and to achieve good returns to Shareholders in a sustainable and environmentally responsible manner.

INTERIM RESULTS

The Board is pleased to present the unaudited condensed consolidated results of the Group for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010. 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 with no disagreement.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	NOTES	Six months ended 30 June 2011 HK$'000 (Unaudited)	2010 HK$'000 (Audited)
Revenue	3	**4,524,547**	2,444,432
Cost of sales		**(4,071,824)**	(2,168,186)
Gross profit		**452,723**	276,246
Other income		**6,640**	5,336
Other gains and losses		**64,789**	6,471
Distribution and selling expenses		**(6,118)**	(1,711)
General and administrative expenses		**(69,874)**	(17,780)
Other expenses		–	(24,471)
Finance costs		**(34,790)**	(18,830)
Profit before tax		**413,370**	225,261
Income tax expense	4	**(108,022)**	(68,372)
Profit for the period	5	**305,348**	156,889
Other comprehensive income			
Exchange difference arising on translation to the Group's presentation currency		**25,821**	5,654
Fair value loss on available-for-sale financial assets		**(2,058)**	–
Total comprehensive income for the period		**329,111**	162,543
Profit for the period attributable to:			
Owners of the Company		**309,175**	156,889
Non-controlling interests		**(3,827)**	–
		305,348	156,889
Total comprehensive income for the period attributable to:			
Owners of the Company		**332,294**	162,543
Non-controlling interests		**(3,183)**	–
		329,111	162,543
		HK$	*HK$*
Earnings per share			
– basic	7	**0.30**	0.21
– diluted	7	**0.30**	0.21

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	At 30 June 2011 HK$'000 (Unaudited)	At 31 December 2010 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**253,560**	203,735
Prepaid lease payments		**36,706**	36,435
Available-for-sale investment		**21,229**	–
Deposits paid for acquisition of property, plant and equipment		**25,690**	7,587
Deferred tax assets		**1,263**	–
		338,448	247,757
CURRENT ASSETS			
Inventories		**3,368,542**	2,303,425
Trade and other receivables	*8*	**637,159**	411,647
Bills receivables	*9*	**17,325**	14,629
Prepaid lease payments		**908**	890
Derivative financial instruments		**124**	–
Pledged bank deposits		**907,619**	351,684
Restricted bank deposits		**3,101**	–
Bank balances and cash		**248,967**	251,335
		5,183,745	3,333,610
CURRENT LIABILITIES			
Trade and other payables	*10*	**359,505**	188,237
Bills payables	*11*	**244,791**	149,150
Amounts due to non-controlling interests		–	23,976
Derivative financial instruments		**686**	205
Tax payable		**65,215**	50,747
Bank borrowings		**2,522,804**	1,496,672
		3,193,001	1,908,987
NET CURRENT ASSETS		**1,990,744**	1,424,623
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,329,192**	1,672,380

	At **30 June 2011** ***HK$'000*** **(Unaudited)**	At 31 December 2010 *HK$'000* (Audited)
CAPITAL AND RESERVES		
Share capital	**10,602**	10,000
Share premium and reserves	**2,235,897**	1,601,801
Equity attributable to owner of the Company	**2,246,499**	1,611,801
Non-controlling interests	**54,084**	34,880
TOTAL EQUITY	**2,300,583**	1,646,681
NON-CURRENT LIABILITY		
Deferred tax liabilities	**28,609**	25,699
	2,329,192	1,672,380

NOTES:

1. GENERAL INFORMATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 Interim Financial Reporting.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

3. SEGMENT INFORMATION

Operating 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 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. The operating segments are classified into three categories of business activities:

(i) metal recycling business;

(ii) foundry business; and

(iii) wholesales business.

The following is an analysis of the Group's revenue and results by reportable and operating segments for the period under review.

Six months ended 30 June 2011

	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	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External sales	**2,593,950**	**825,717**	**107,720**	**156,103**	**27,876**	**152,061**	**441,529**	**219,591**	**–**	**4,524,547**
Inter-segment sales	**8,089**	**43,356**	**79,125**	**–**	**111**	**1,695**	**–**	**2,191,730**	**(2,324,106)**	**–**
Total segment revenue	**2,602,039**	**869,073**	**186,845**	**156,103**	**27,987**	**153,756**	**441,529**	**2,411,321**	**(2,324,106)**	**4,524,547**
Segment profit	**231,935**	**63,579**	**18,219**	**14,790**	**2,320**	**7,957**	**61,419**	**52,504**	**–**	**452,723**
Other income										**6,640**
Other gains and losses										**64,789**
Distribution and selling expenses										**(6,118)**
General and administrative expenses										**(69,874)**
Finance costs										**(34,790)**
Profit before tax										**413,370**

Six months ended 30 June 2010

	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	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE										
External sales	1,526,585	449,808	20,858	114,672	12,096	152,123	119,643	48,647	–	2,444,432
Inter-segment sales	5,919	8,684	133,085	–	329	22,217	–	656,411	(826,645)	–
Total segment revenue	1,532,504	458,492	153,943	114,672	12,425	174,340	119,643	705,058	(826,645)	2,444,432
Segment profit	132,535	50,793	13,950	13,605	1,154	8,864	24,933	30,412	–	276,246
Other income										5,336
Other gains and losses										6,471
Distribution and selling expenses										(1,711)
General and administrative expenses										(17,780)
Other expenses										(24,471)
Finance costs										(18,830)
Profit before tax										225,261

Segment profit represents the profit resulted in each segment without allocation of other income, other gains and losses, distribution and selling expenses, general and administrative expenses, other expenses and finance costs. This is the measure reporting to the executive directors of the Company for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

4. INCOME TAX EXPENSE

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**9,146**	3,941
PRC Enterprises Income Tax	**97,077**	56,875
	106,223	60,816
Underprovision in prior periods:		
PRC Enterprises Income Tax	**152**	1
Deferred tax	**1,647**	7,555
	108,022	68,372

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting) the following items:		
Cost of inventories recognised as an expense	**4,071,824**	2,168,186
Depreciation of property, plant and equipment	**9,733**	5,590
Share-based payment expense	**5,481**	–
Amortisation of prepaid lease payments	**449**	430
Loss on disposal of property, plant and equipment	**116**	–
Interest income	**(6,052)**	(2,929)

6. DIVIDENDS

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
2010 final dividends paid – HK$9 cents per share	**89,641**	–

Cash alternative was offered to shareholders in lieu of scrip dividends. As a result, the 2010 final dividend was settled in the following manner:

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
2010 final dividend		
Cash alternative	**88,449**	–
Scrip share	**1,192**	–
	89,641	–

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2010: Nil).

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2011	2010
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**309,175**	156,889
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,020,894,381**	750,000,000
Effect of diluted potential ordinary shares – share options	**8,196,371**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,029,090,752**	750,000,000

The weighted average number of ordinary shares used in the calculation of basic earnings per share for the period ended 30 June 2010 was adjusted for the 749,999,900 shares issued pursuant to the capitalisation issue in July 2010, which was assumed to occur at 1 January 2010.

No diluted earnings per share was presented for the period ended 30 June 2010 as there were no potential ordinary shares in issue.

8. TRADE AND OTHER RECEIVABLES

The Group allows a credit period of 30 to 90 days to its trade customers. A longer credit period may be granted to trade customers with good credit quality upon the approval of management.

The following is an analysis of the Group's trade receivables by age, presented based on the invoice date, net of allowance for doubtful debts:

	At 30 June 2011	At 31 December 2010
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**129,917**	110,310
31 – 60 days	**15,313**	4,270
61 – 90 days	**7,342**	10
91 – 180 days	**10,331**	484
Over 180 days	**1,536**	596
	164,439	115,670
Other receivables:		
Deposits and prepayments	**69,957**	73,054
Deposits paid for purchase of raw materials	**265,926**	124,415
VAT recoverable	**107,461**	90,190
Others	**29,376**	8,318
	472,720	295,977
	637,159	411,647

9. BILLS RECEIVABLES

The following is an analysis of the Group's bills receivables by age, presented based on the invoice date:

	At 30 June 2011	At 31 December 2010
	HK$'000	*HK$'000*
0 – 30 days	**8,022**	3,034
31 – 60 days	**2,505**	6,848
61 – 90 days	**4,282**	1,889
91 – 180 days	**2,516**	2,858
	17,325	14,629

10. TRADE AND OTHER PAYABLES

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

	At 30 June 2011	At 31 December 2010
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**195,851**	101,086
31 – 60 days	**45,556**	325
61 – 90 days	**5,327**	–
91 – 180 days	**10,644**	1,933
Over 180 days	**937**	81
	258,315	103,425
Other payables:		
Other payables and accruals	**78,584**	71,589
Interest payable	**11,351**	5,335
Receipts in advance from customers	**11,255**	7,888
	101,190	84,812
	359,505	188,237

11. BILLS PAYABLES

The following is an analysis of the Group's bills payables by age, presented based on the invoice date:

	At 30 June 2011	At 31 December 2010
	HK$'000	*HK$'000*
0 – 30 days	**105,916**	40,985
31 – 60 days	**131,495**	23,614
61 – 90 days	**7,380**	84,551
	244,791	149,150

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

With improved market conditions in the PRC, the Group continued to record strong growth in revenue and exceptional overall profitability for the period as compared to 2010. During the period, the Group's revenue increased from HK$2.4 billion in the same period of 2010 to HK$4.5 billion, this represents an increase of 85.1% over the same period last year. As for the net profit, the Group achieved a net profit of HK$305.3 million representing a net profit margin of 6.7%, compared to the net profit of HK$156.9 million recorded in the same period last year. This represents an overall increase of net profit by 94.6%.

With the relatively stable pricing environment of world metal prices experienced in the period, the Group continued to increase procurement volume to cater for its processing needs through its well established overseas procurement network. During the period, the Group sold over 370,000 tonnes of its processed products within its three business segments combined. This represents an increase of 60.9% when compared with just over 230,000 tonnes in the same period of 2010.

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 earnings per share amounted to HK$0.30 representing an increase of 42.9% when compared with HK$0.21 in the same period of 2010.

In April 2011, the Company successfully placed 60,000,000 new ordinary shares to not less than six Placees at the placing price of HK$6.6 per share. The net proceeds of approximately HK$385.7 million were raised and were used for general working capital of the Group. The placing exercise was completed with 2 times oversubscribed by a number of reputable Placees.

With regard to our joint venture operations established in Hong Kong and Shanghai at the end of 2010, both facilities are in their early phase of development with expected annual processing capacities in 2011 reaching approximately 150,000 tonnes of ferrous and non-ferrous scrap metals and 300,000 tonnes of ferrous scrap metal in Hong Kong and Shanghai respectively. As for the Hong Kong joint venture, we plan to build an advance recycling facility capable of handling more diverse scrap materials. As for our main facilities in both Taizhou and Ningbo, their capacities are expected to increase to 630,000 tonnes and 210,000 tonnes by the end of this year for Taizhou and Ningbo respectively. For the second half of 2011, management expects continuing growth in both volume and profitability.

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Moving forward, the Group continues to increase purchase of raw materials, to further enhance the existing procurement network and to develop the current capabilities of our existing facilities. In addition, the management continues to actively look for potential opportunities including merger and acquisition opportunities to enhance the development of the Group. We have not identified any targets to enter into any such transactions to date.

With encouraging signs indicating the world economy is gradually recovering, and the increasing support from the PRC Government to develop the recycling industry, especially with reference to the latest PRC Government policies stated in its "12th Five-Year Plan", we are confident that our current position and business strategy will allow the Group to be benefited in such policies going forward. We believe the metal recycling industry in the PRC will continue to grow and will become an important source and an integral part of the metal resource supply chain of the PRC in the foreseeable future.

We also strongly believe in the importance of building a sustainable and environmentally responsible business. The metal recycling industry is in the forefront and plays a vital role in ensuring that the future production and supply of ferrous and non-ferrous metals are conducted in a sustainable and environmentally responsible manner. Metal recycling contributes significantly to the protection of the environment and to the preservation of valuable natural resources, including the use of energy, which are consumed in large quantities during primary metal production processes. On the basis of the above stated fundamental belief, we continued focusing on increasing our procurement and processing volumes substantially in the future to cater for the rapidly increasing demand for scrap raw materials in the PRC. We strongly believe in our ability to capitalise on a rapidly growing industry and to achieve good returns to Shareholders in a sustainable and environmentally responsible manner.

The management also believes that the metal recycling industry plays a vital role in the production and the supply of ferrous and non-ferrous metals. It contributes significantly to the protection of the environment and to the preservation of valuable natural resources, including energy, which are consumed in large quantities during primary metal production processes. With this in mind and in accordance with our expansion strategy, the Group is aiming to procure 55,000 to 65,000 tonnes of mixed metal scrap materials a month to cater for its processing needs. Such purchase volume is expected to increase as the Group continues to expand. The management will continue making efforts to capitalize on such direction in achieving satisfactory returns to the Shareholders.

FINANCIAL REVIEW

Revenue

During the period, revenue increased by approximately HK$2.1 billion, or 85.1%, from HK$2.4 billion in the same period in 2010 to HK$4.5 billion in this period. The increase was mainly contributed by an increase in sales volume as well as average selling prices for our Recycled Metal Products and Foundry Products.

Cost of sales

Cost of sales increased by approximately HK$1.9 billion, or 87.8%, from HK$2.2 billion in the same period last year to HK$4.1 billion in this period. Cost of sales increased in line with the increase of the Group's revenue and primarily due to an increase in sales volume and in the average purchase prices relating to the Group's raw materials.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$176.5 million, or 63.9%, from HK$276.2 million in the same period last year to HK$452.7 million in this period. The increase in gross profit was mainly contributed by the increase in sales revenue.

The overall gross profit margin decreased from 11.3% in the same period last year to 10.0% in this period. The decrease was mainly due to the proportion difference in sales mix.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK$4.4 million, or 258.8%, from HK$1.7 million in the same period last year to HK$6.1 million in this period. This was mainly due to increase in sales volume especially wholesales segment and also the enlargement of the sales department.

General and administrative expenses

General and administrative expenses increased by approximately HK$52.1 million, or 292.7%, from HK$17.8 million in the same period last year to HK$69.9 million in this period. This was mainly due to additional expenses for professional and consultancy fees, share option expense incurred and increase in salaries and allowances during this period.

Other income

Other income increased by approximately HK$1.3 million, or 24.5%, from HK$5.3 million in the same period last year to HK$6.6 million in this period. This was mainly due to increase in interest income during the period.

Other gains and losses

Other gains increased by approximately HK$58.3 million, or 896.9%, from HK$6.5 million in the same period last year to HK$64.8 million in this period. This was mainly due to the significant exchange gain incurred during the period and the increasing position in the commodities derivative.

Other expenses

Other expenses decreased by approximately HK$24.5 million mainly due to one-off listing expenses incurred in the same period last year.

Finance costs

Finance costs increased by approximately HK$16.0 million, or 85.1%, from HK$18.8 million in the same period last year to HK$34.8 million in this period. This was mainly due to the increasing in bank borrowings during the period.

Profit for the period and net profit margin

As a result of the factors discussed above, the net profit for the period increased by approximately HK$148.4 million, or 94.6%, from HK$156.9 million in the same period last year to HK$305.3 million in this period. The increase was mainly due to increase in sales coupled with additional gains in foreign exchange and hedging positions in the commodities derivative market in this period.

Key Financial Ratios

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

	At 30 June 2011	At 31 December 2010
Liquidity Ratios		
Current ratio	**1.62**	1.75
Quick ratio	**0.57**	0.54
Gearing ratio (%)	**45.7**	41.8

	Six months ended 30 June	
	2011	2010
Inventory turnover days	**127**	120
Debtor's turnover days	**6**	4
Creditor's turnover days	**8**	8

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits totaling HK$1.2 billion (31 December 2010: HK$0.6 billion). Total bank borrowings were HK$2.5 billion (31 December 2010: HK$1.5 billion), and these were mainly used to finance the purchases of mixed metal scrap from overseas. Such borrowings are mainly denominated in US Dollar and Renminbi.

The gearing ratio of the Group as at 30 June 2011 was 45.7% (31 December 2010: 41.8%). The increase was mainly due to increase in bank borrowings during the period.

Debtor's turnover days increased to 6 days for this period from 4 days for the same period in 2010. Creditor's turnover days for this period remained at 8 days.

Inventory turnover days slightly increased to 127 days for this period as compared to 120 days for the same period in 2010.

Capital Commitments and Contingent Liabilities

As at 30 June 2011, the Group had pledged certain buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$1,047.8 million (31 December 2010: approximately HK$491.5 million) to secure bank borrowings.

As at 30 June 2011, the Group had capital commitments in respect of acquisition of property, plant and equipment but not provided for in the condensed consolidated financial statements amounted to HK$24.0 million (31 December 2010: HK$10.4 million).

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

Risk Management

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

With the establishment of the Pricing Committee, a new formal hedging policy took effect on 23 June 2010 which aimed to enhance the Group's risk management of commodity price fluctuations.

As part of its foreign currency hedging strategy, the Group bought US Dollar forward contracts since the second half of 2009 primarily to mitigate our exposure to fluctuation of the exchange rate between US Dollar and Renminbi whilst taking advantage of the favourable forward contract exchange rates. The Group will continue to adhere to this hedging strategy so long as the forward contracts rate justifies it.

With the current interest rates staying at relatively low levels, the Group has not entered into any interest rate hedging contracts or any other interest rate related derivative financial instrument. 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 minimize the carrying amounts of the financial assets in the Group's financial statements. In addition, the Group will continue to monitor closely the trade debtors for the Foundry business to minimize potential impairment losses.

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

Employees

As at 30 June 2011, the Group had a workforce of 583 employees. In addition, the Group engaged approximately 4,200 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.

Investor Relations

The Group considers that investor relations are important to a listed company. Maintaining good relationships with investors and keeping them up-to-date on 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. Gu Liyong, an Executive Director of the Company, has been assigned to take responsibility for all matters relating to investor relations of the Company and the Group.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Between 31 December 2010 and 30 June 2011, the Company adopted, applied and complied with the code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") except the roles of the Chairman and Chief Executive Officer of the Company have not been segregated as required by the provision A.2.1 of the Code.

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

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 of all the Directors, each of them confirmed that they have complied with the required standards set out in the Model Code during the period in relation to their securities dealings, if any.

The Model Code has been extended to be applicable to senior management and relevant employees who likely possesses the non public price-sensitive information of the Company.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011. Accordingly, no closure of Register of Members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim results announcement is published on the websites of the Company (www.chiho-tiande.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). An interim report for the six months ended 30 June 2011 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and it will be available on the said 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, sponsor and auditors for their support to the Group throughout the period.

By Order of the Board
Fang Ankong
Chairman

Hong Kong, 17 August 2011

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

Executive Directors:	Fang Ankong, Stephanus Maria van Ooijen and Gu Liyong
Non-Executive Director:	Ralph Sytze Ybema
Independent Non-Executive Directors:	Loke Yu, Li Xikui and Zhang Jingdong