CHIHO-TIANDE GROUP LIMITED
齊合天地集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 976)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

HIGHLIGHTS

- Revenue for the year ended 31 December 2011 amounted to over HK$9.8 billion (2010: HK$5.9 billion), representing an increase of 65.5% compared to 2010.
- Gross profit for the year ended 31 December 2011 amounted to HK$452.6 million (2010: HK$569.9 million), representing a decrease of 20.6%.
- The Group recorded a net profit attributable to the owners of the Company of HK$152.1 million (2010: HK$352.8 million), representing a decrease of 56.9% compared to 2010.
- The Group recorded a net profit margin of 1.2% for the year ended 31 December 2011 (2010: 5.9%).
- Basic earnings per share attributable to owners of the Company amounted to HK$0.15 (2010: HK$0.41).
- We have sold over 843,400 tonnes (2010: 518,600 tonnes) of mixed metal scrap during the year, an increase of 62.6% compared to 2010.
- The Board recommended the payment of a final dividend of HK3.7 cents per ordinary share for the year ended 31 December 2011 (2010: HK9 cents).

- In January 2012, Sims became a strategic investor of the Company holding a 16% equity interest. Sims was granted an option to acquire a further 2% of the existing issued share capital of the Company. On 1 March 2012, Sims also completed the subscription for part of the convertible bonds of the Company with detachable warrants, assuming full exercise of which, Sims is expected to hold not more than approximately 20% of the fully diluted issued share capital of the Company. The Board firmly believes that in view of SMM's global reach and customer network, advanced technologies and solutions in the metals and electronics recycling industry together with its strong global resources with approximately 260 facilities worldwide, the proposed strategic collaboration with SMM will significantly add value and expertise which complements that of the Group, and will considerably enhance the Group's current position for future expansion. The Group further believes that having SMM as a significant minority shareholder of the Group is a strong recognition of the Group's competitiveness and achievements and will significantly enhance the overall reputation and strategic growth of the Group within the metal recycling industry.

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 annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2011.

The Group finished the 2011 financial year with a reduced net profit attributable to owners of the Company from HK$352.8 million in the previous year to HK$152.1 million. Despite the drop in net profit, the Group continued to experience strong demand in its processed products and as such a significant increase in sales was recorded in 2011.

The main reasons for the reduction in net profit were due to a significant drop in the global commodity prices in the last quarter of 2011 and "mark-to-market" basis for provision for inventories and revaluation for the financial instruments held by the Group. The drop in commodity prices had a negative impact on the gross margin of the Group especially in the last quarter of 2011 and also gave rise to an inventories provision based on the "mark-to-market" accounting principle and the need for a downward revaluation for the financial instruments held by the Group at the end of 2011. In addition, the drop in commodity price was also the main reason for the negative contribution from the Shanghai joint venture company.

In 2011, the Group continued its expansion plans by completing the acquisition of an industrial site at the Yuen Long Industrial Estate to increase its processing capability in Hong Kong and by executing an investment agreement with Yantai Committee to establish new processing facilities in the Development Zone in Yantai City, PRC. These two investments will enable the Group to diversify the variety of scrap materials handled and also to establish a wider coverage area in the PRC.

In December 2011, the Company through its wholly owned subsidiary increased the equity interest in Chiho-Tiande (HK) Metals Recycling Co. Limited, the Company's joint venture company in Hong Kong, from 55% to 70% as we see great potential in the Hong Kong market and such joint venture will compliment the acquisition of the industrial site in Yuen Long for establishing a more diversified processing platform in Hong Kong.

In 2011, 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.

During the financial year, we also disclosed two other potential joint-venture opportunities in Beijing and Tianjin. As an update, the Beijing joint-venture did not materialise at the end as we did not believe that the venture will be viable after having carried out a detailed internal feasibility study on the potential venture. In so far as the Tianjin joint venture is concerned, the collaboration with the counterparty was short-lived and was ultimately discontinued due to differences in major business ethics. Nevertheless, we are continuing to explore other possible opportunities in similar areas.

Going forward and with the encouragement from the PRC Government to increase importation of non-ferrous scrap metals to compensate for the shortages that the PRC is currently facing, we remain committed to further expanding our processing capability, and at the same time improving our profitability and return on equity. Our focus will cover the existing facilities including Taizhou, Ningbo, Shanghai, Hong Kong (together with the joint venture) and Yantai. We will continue to be on the lookout for any potential opportunity in the year ahead.

In January 2012, Sims Metal Management Dragon Holdings Limited ("Sims"), a Hong Kong subsidiary of Sims Metal Management ("SMM") being the largest (by market capitalisation) metal recycler in the world and one of the Group's major suppliers, became the first strategic investor of the Company (details of such investment are set out in the Company's announcement dated 17 January 2012). Since Sims became a strategic investor of our Company, we have already started to reap the synergistic benefit of our tie-up with the gradual increase in our purchase volume with Sims and at the same time, we have also started selling scrap materials through Sims to its customers in the Asia region. The Board firmly believes that in view of SMM's global reach and customer network, advanced technologies and solutions in the metals and electronics recycling industry together with its strong global resources with approximately 260 facilities worldwide, the strategic collaboration with SMM will significantly add value and expertise which complements that of the Group, and will considerably enhance the Group's current position for future expansion. The Group further believes that having SMM as a significant minority shareholder of the Group is a strong recognition of the Group's competitiveness and achievements and will significantly enhance the overall reputation and strategic growth of the Group within the metal recycling industry.

ANNUAL RESULTS

The Board presents the audited consolidated results of the Group for the year ended 31 December 2011, together with the comparative figures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	3	**9,815,522**	5,931,589
Cost of sales	4	**(9,362,935)**	(5,361,645)
Gross profit		**452,587**	569,944
Other income		**22,345**	11,548
Other gains and losses		**2,051**	55,001
Distribution and selling expenses		**(31,303)**	(12,805)
Administrative expenses		**(143,466)**	(69,718)
Other expenses		**–**	(24,849)
Finance costs	5	**(97,755)**	(47,087)
Profit before tax		**204,459**	482,034
Income tax expense	7	**(88,208)**	(129,478)
Profit for the year	6	**116,251**	352,556
Other comprehensive income			
Exchange difference arising on translation to presentation currency		**51,433**	33,954
Fair value loss on available-for-sale financial assets		**(6,653)**	–
Total comprehensive income for the year		**161,031**	386,510
Profit for the year attributable to:			
Owners of the Company		**152,087**	352,798
Non-controlling interests		**(35,836)**	(242)
		116,251	352,556
Total comprehensive income for the year attributable to:			
Owners of the Company		**195,930**	386,455
Non-controlling interests		**(34,899)**	55
		161,031	386,510
		HK$	*HK$*
Earnings per share			
– basic	9	**0.15**	0.41
– diluted		**0.15**	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**319,967**	203,735
Prepaid lease payments		**185,968**	36,435
Available-for-sale investment		**19,060**	–
Deposits paid for acquisition of property, plant and equipment		**22,070**	7,587
Deferred tax asset		**23,594**	–
		570,659	247,757
CURRENT ASSETS			
Inventories		**3,219,271**	2,303,425
Trade and other receivables	*10*	**813,397**	411,647
Bills receivables	*11*	**33,676**	14,629
Prepaid lease payments		**5,244**	890
Derivative financial instruments		**37,021**	–
Tax recoverable		**44,330**	–
Pledged bank deposits		**127,004**	351,684
Restricted bank deposits		**71,158**	–
Bank balances and cash		**392,762**	251,335
		4,743,863	3,333,610
CURRENT LIABILITIES			
Trade and other payables	*12*	**519,552**	188,237
Bills payables	*13*	–	149,150
Amount due to non-controlling interests		–	23,976
Derivative financial instruments		**39,765**	205
Tax payable		**9,100**	50,747
Bank borrowings		**2,651,697**	1,496,672
		3,220,114	1,908,987
NET CURRENT ASSETS		**1,523,749**	1,424,623
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,094,408**	1,672,380

	2011	2010
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**10,419**	10,000
Share premium and reserves	**2,036,203**	1,601,801
Equity attributable to owners of the Company	**2,046,622**	1,611,801
Non-controlling interests	**17,398**	34,880
TOTAL EQUITY	**2,064,020**	1,646,681
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**30,388**	25,699
	2,094,408	1,672,380

NOTES:

1. GENERAL INFORMATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

3. REVENUE AND SEGMENT INFORMATION

The Group's revenue represents the amount received and 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 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 and reportable segments are identified based on major products under three categories of business activities:

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

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

(iii) wholesales business.

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 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	5,711,958	1,882,559	252,272	346,142	67,421	312,468	716,803	525,899	–	9,815,522
Inter-segment sales	15,613	51,260	194,592	–	134	8,005	–	4,477,634	(4,747,238)	–
Total segment revenue	5,727,571	1,933,819	446,864	346,142	67,555	320,473	716,803	5,003,533	(4,747,238)	9,815,522
Segment profit	190,470	24,740	15,716	13,631	(2,298)	12,945	64,972	196,123	(63,712)	452,587
Other income										22,345
Other gains and losses										2,051
Distribution and selling expenses										(31,303)
Administrative expenses										(143,466)
Finance costs										(97,755)
Profit before tax										204,459
Income tax expense										(88,208)
Profit for the year										116,251
Write down of inventories included in segment profit	(46,731)	(27,688)	(1,387)	(527)	(3,066)	–	(18,158)	–	–	(97,557)

For the year ended 31 December 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	3,576,085	1,025,843	46,085	235,334	37,168	311,592	523,714	175,768	–	5,931,589
Inter-segment sales	11,901	35,313	263,860	–	332	35,303	–	1,413,551	(1,760,260)	–
Total segment revenue	3,587,986	1,061,156	309,945	235,334	37,500	346,895	523,714	1,589,319	(1,760,260)	5,931,589
Segment profit	278,246	91,898	25,963	22,091	2,296	17,401	75,600	56,328	121	569,944
Other income										11,548
Other gains and losses										55,001
Distribution and selling expenses										(12,805)
Administrative expenses										(69,718)
Other expenses										(24,849)
Finance costs										(47,087)
Profit before tax										482,034
Income tax expense										(129,478)
Profit for the year										352,556

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies. Segment profit represents the gross profit resulted in each segment without allocation of other income, other gains and losses, distribution and selling expenses, administrative expenses, other expenses, finance costs and income tax expense. 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 price.

Segment assets and segment liabilities

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

Geographical information

Approximately 95% of external revenues of the Group during the year 31 December 2011 (2010: 98%) are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. The remainings are immaterial for separate disclosure on their geographical information. Majority of the Group's non-current assets are located in the PRC.

Information about major customers

No individual customer contributed to more than 10% of the Group's revenue for the years ended 31 December 2011 and 2010.

4. COST OF SALES

Included in cost of sales are the following write down of inventories:

	2011	2010
	HK$'000	*HK$'000*
Write down of inventories	**97,557**	–

Management assesses whether the cost of inventories exceed their net realisable value at the end of each reporting period. Management estimates the net realisable value for inventories with reference to the ask price of metal scrap in the relevant markets and the quoted prices of metal on applicable commodity exchanges at the end of reporting period. As at 31 December 2011, because the market prices of the commodities were lower than the respective purchase price of certain inventories held, a provision of approximately HK$97,557,000 was recorded. As at 31 December 2010, because the market prices of the commodities were higher than the respective purchase prices of inventories held, no allowance was required.

5. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
Bank charges	**8,065**	4,499
Interest on:		
– bank borrowings wholly repayable within five years	**89,177**	36,632
– amounts due to related parties	**–**	1,596
– bills payables	**513**	4,360
	97,755	47,087

6. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging:		
Directors' emoluments	**14,625**	2,963
Other staff costs	**205,789**	117,943
Retirement benefit scheme contributions, excluding those of directors	**3,009**	1,873
Share-based payments, excluding those of directors	**11,377**	1,689
Total staff costs	**234,800**	124,468
Cost of inventories recognised as an expense	**9,362,935**	5,361,645
Listing expenses, included in other expenses	**–**	24,624
Depreciation of property, plant and equipment	**24,250**	12,103
Amortisation of prepaid lease payments	**909**	867
Auditor's remuneration	**2,650**	4,000

7. INCOME TAX EXPENSE

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**13,388**	5,722
PRC Enterprises Income Tax	**93,454**	118,495
Other jurisdiction	**129**	186
	106,971	124,403
Underprovision in prior years:		
PRC Enterprises Income Tax	**142**	594
Deferred tax	**(18,905)**	4,481
	88,208	129,478

PRC

The Group's PRC subsidiaries were subject to PRC Enterprises Income Tax at the rate of 25% for both years.

Hong Kong

All the Hong Kong subsidiaries are subject to Hong Kong Profits Tax at the rate of 16.5% on their respective estimated assessable profits.

Other jurisdictions

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

8. DIVIDENDS

The final dividend of HK3.7 cents in respect of the year ended 31 December 2011 (2010: final dividend of HK9 cents in respect of the year ended 31 December 2010) per share amounting to approximately HK$38,549,000 in total (2010: HK$90,000,000) has been proposed by the directors and is subject to approval by the shareholders in general meeting.

9. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**152,087**	352,798
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,035,912,789**	868,493,151
Effect of diluted potential ordinary shares as a result of the share options	**1,349,778**	1,029,999
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,037,262,567**	869,523,150

The computation of diluted earnings per share does not assume the exercise of the Company's certain options because the exercise price of these options was higher than the average market price of shares for both 2011 and 2010.

10. TRADE AND OTHER RECEIVABLES

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

	2011	2010
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**207,462**	110,310
31 – 60 days	**1,336**	4,270
61 – 90 days	**36,332**	10
91 – 180 days	**54,425**	484
Over 180 days	**3,011**	596
	302,566	115,670
Other receivables:		
Deposits and prepayments	**99,388**	73,054
Deposits paid for purchase of raw materials	**186,063**	124,415
Rental receivable	**–**	2,204
VAT recoverable	**217,248**	90,190
Others	**8,132**	6,114
	510,831	295,977
	813,397	411,647

11. BILLS RECEIVABLES

An analysis of the Group's bills receivables by age at the end of the reporting period, based on their invoice dates, are as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**617**	3,034
31 – 60 days	**16,268**	6,848
61 – 90 days	**15,369**	1,889
91 – 180 days	**1,422**	2,858
	33,676	14,629

12. TRADE AND OTHER PAYABLES

The average credit period for trade purchases is 30 to 60 days.

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

	2011	2010
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**206,179**	101,086
31 – 60 days	**129,432**	325
61 – 90 days	**1,996**	–
91 – 180 days	**3,091**	1,933
Over 180 days	**6,853**	81
	347,551	103,425
Other payables:		
Other payables and accruals	**124,399**	71,589
Interest payable	**14,989**	5,335
Receipts in advance from customers	**32,613**	7,888
	172,001	84,812
	519,552	188,237

13. BILLS PAYABLES

An aged analysis of the Group's bills payables at the end of the reporting period is as follows:

	2011	2010
	HK$'000	*HK$'000*
0 – 30 days	**–**	40,985
31 – 60 days	**–**	23,614
61 – 90 days	**–**	84,551
	–	149,150

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

During the year ended 31 December 2011, our revenue exceeded HK$9.8 billion (2010: HK$5.9 billion), representing an increase of 65.5% from the previous year. With regard to the profitability, we recorded a reduced net profit attributable to owners of the Company of HK$152.1 million (2010: HK$352.8 million). Despite the drop in net profit, the Group continued to experience strong demand in its processed products and as such a significant increase in sales was recorded in 2011.

The main reasons for the reduction in net profit were due to a significant drop in the global commodity prices in the last quarter of 2011 and "mark-to-market" basis for provision for inventories and revaluation for the financial instruments held by the Group. The drop in commodity prices had a negative impact on the gross margin of the Group especially in the last quarter of 2011 and also gave rise to an inventories provision based on the "mark-to-market" accounting principle and the need for a downward revaluation for the financial instruments held by the Group at the end of 2011. In addition, the drop in commodity price was also the main reason for the negative contribution from the Shanghai joint venture company.

In 2011, the Group continued its expansion plans by completing the acquisition of an industrial site at the Yuen Long Industrial Estate to increase its processing capability in Hong Kong and by executing an investment agreement with Yantai Committee to establish new processing facilities in the Development Zone in Yantai City, PRC. These two investments will enable the Group to diversify the variety of scrap materials handled and also to establish a wider coverage area of the PRC.

The Group continued to experience strong demand in its processed products. During the year, we have sold over 843,400 tonnes of processed products from our three business segments. This represents an increase of 62.6% when compared with over 518,600 tonnes in the previous year.

In the last quarter of 2011, there was a significant drop in global commodity prices. As a result, our gross profit margin was negatively impacted and was reduced from 9.6% in 2010 to 4.6% in 2011. We continued our usual practices of buying mixed metal scrap and selling its recycled products in accordance with our processing ability so as to mitigate the short-term impact of price volatility on our overall performance.

In 2011, 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. In January 2012, Sims became the first strategic investor of the Company. Soon after Sims becoming a strategic investor of our Company, we have seen a gradual increase in our purchase volume with Sims and at the same time, we have started selling scrap materials through Sims to its customers in the Asia region. We expect the business volumes between our Group and Sims to increase further in the future.

Basic earnings per share amounted to HK$0.15 (2010: HK$0.41), representing a decrease of 63.4% when compared with the previous year.

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 are 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

With the acquisition of an industrial site at Yuen Long Industrial Estate and the establishment of new processing facilities in the Development Zone in Yantai City, PRC, we expect that the Group's processing and production capacity will be increased to over 1,295,000 tonnes.

Social Responsibilities

Despite the changes in evaluation basis by the Zhejiang Environmental Protection Bureau (浙江省環境保護廳) in 2011, our Taizhou facilities still rank in the top 15% 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.

We are committed to the extension of our social responsibilities when setting up facilities in major cities of the PRC to contribute to the successful development of an environmentally friendly recycling industry.

This commitment together with local and national environmental protection standards has now been extended to our Shanghai joint venture facilities and will apply to our new facilities in the Yantai City, PRC.

Prospects

With signs indicating that the world economy is stabilizing, and the 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 resource supply chain of the PRC in the future.

As 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 continue to increase our procurement volume in line with the rapidly increasing demand and our expansion strategy for scrap raw materials in the PRC.

With regard to business development, our focus will cover the existing facilities including Taizhou, Ningbo, Shanghai, Hong Kong (together with the joint venture) and Yantai. We will continue to be on the lookout for any potential opportunity in the year ahead.

During the year 2011, the Company entered into the Investment Agreement with Yantai Committee for the purpose of developing and operating an integrated processing facility for recycling, processing and sales of imported mixed metal scrap in the Development Zone in Yantai City, PRC. The total investment of the project is USD99,980,000. The Company has also, through an indirect wholly-owned subsidiary, completed the purchase of an industrial site located at Yuen Long Industrial Estate for a consideration of HK$148 million. The Group intends to develop the industrial site into an integrated processing facility capable of processing mixed metal scrap and electric recycling.

The Group believes that in view of SMM's global reach and customer network, advanced technologies and solutions in the metals and electronics recycling industry together with its strong global resources with approximately 260 facilities worldwide, the strategic collaboration with SMM will significantly add value and expertise which complements that of the Group, and will considerably enhance the Group's current position for future expansion. The Group further believes that having SMM as a significant minority shareholder of the Group is a strong recognition of the Group's competitiveness and achievements and will significantly enhance the overall reputation and strategic growth of the Group within the metal recycling industry.

Detailed Comparison of Profit and Loss Summary

	Year ended 31 December	
	2011	2010
	HK$'000	*HK$'000*
Revenue	**9,815,522**	5,931,589
Cost of sales	**(9,362,935)**	(5,361,645)
Gross profit	**452,587**	569,944
Gross profit margin	**4.6%**	9.6%
Net profit attributable to owners of the Company	**152,087**	352,798

Due to a significant drop in global commodity prices in the last quarter of 2011, the gross profit reduced from HK$569.9 million in 2010 to HK$452.6 million in 2011.

We continued to increase our purchase volumes to cater for processing needs through our well established overseas procurement network. During the year, we sold over 843,400 tonnes (2010: 518,600 tonnes) of our processed products within our three business segments, representing an increase of 62.6% over 2010.

The management also believes that the metal recycling industry plays a vital role in the production and the supply of ferrous and nonferrous 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, we are aiming to procure 70,000 to 80,000 tonnes of metal scrap materials (21,000 – 24,000 tonnes of non-ferrous and 49,000 to 56,000 tonnes of ferrous) a month to cater for its processing needs. Such purchase volume is expected to increase as we continue to expand. The management is committed to achieving satisfactory returns to the Shareholders.

FINANCIAL REVIEW

Revenue

Revenue increased by HK$3.9 billion, or 65.5%, from HK$5.9 billion in 2010 to HK$9.8 billion in the year. 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 HK$4.0 billion, or 74.6%, from HK$5.4 billion (taking into account of inventory provision) in 2010 to HK$9.4 billion in the year. The increase is in line with the increase in revenue and primarily due to an increase in sales volume and in the average purchase prices of raw materials.

Gross profit and gross profit margin

Our gross profit for the year was HK$452.6 million as compared to a gross profit of HK$569.9 million for 2010. We recorded a gross profit margin of 9.6% last year as compared to gross profit margin in the year of 4.6%.

The decrease in overall gross profit margin was mainly due to a significant drop in the global commodity prices in the last quarter of 2011 and corresponding inventory provision on a "mark-to market" basis.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK$18.5 million, or 144.5%, from HK$12.8 million in 2010 to HK$31.3 million in the year due to increase in sales volume. The increase in distribution costs was mainly due to an increase in selling activities through its joint venture facilities in Shanghai and Hong Kong.

Administrative expenses

Administrative expenses increased by approximately HK$73.7 million, or 105.8%, from HK$69.7 million in 2010 to HK$143.5 million in the year. This was mainly due to additional expenses for salaries and allowances and share-base payment incurred during the year.

Other income

Other income increased by approximately HK$10.8 million, or 93.5%, from HK$11.5 million in 2010 to HK$22.3 million in the year. This was mainly due to increase in interest income during the year.

Other gains and losses

Other gains decreased by approximately HK$53.0 million from HK$55.0 million in 2010 to HK$2.0 million in the year mainly due to downward revaluation of the financial instruments.

Other expenses

Other expenses decreased by HK$24.8 million mainly due to one-off listing expenses incurred last year.

Finance costs

Finance costs increased by approximately HK$50.7 million, or 107.6%, from HK$47.1 million in 2010 to HK$97.8 million in the year. This was mainly due to increase in interest expenses incurred from additional bank borrowings raised during the year.

Profit for the year and net profit margin

As a result of the factors mentioned above, the net profit for the year decreased by HK$236.3 million, or 67.0% from HK$352.6 million in 2010 to HK$116.3 million in the year.

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 2011	At 31 December 2010
Current ratio	**1.47**	1.75
Quick ratio	**0.47**	0.54
Gearing ratio (%)	**49.9**	41.8

	Year ended 31 December	
	2011	2010
Inventory turnover days	**108**	118
Debtor's turnover days	**8**	6
Creditor's turnover days	**9**	7

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits totalling HK$590.9 million (2010: HK$603.0 million). Total bank borrowings were HK$2.7 billion (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 United States dollars and Renminbi.

The gearing ratio of the Group as at 31 December 2011 was 49.9% (2010: 41.8%). This was mainly due to net increase in bank borrowings during the year.

Debtor's turnover days and creditor's turnover days both increased from 6 days and 7 days for the year ended 31 December 2010 to 8 days and 9 days for the year ended 31 December 2011 respectively.

Inventory turnover days decreased from 118 days for the year ended 31 December 2010 to 108 days for the year ended 31 December 2011.

Capital Commitments and Contingent Liabilities

As at 31 December 2011, we had pledged certain buildings, land use rights, trade receivables and bank deposits with an aggregate carrying value of approximately HK$295.5 million (2010: approximately HK$491.5 million) to secure bank borrowings.

As at 31 December 2011, we had capital commitments in respect of acquisition of property, plant and equipment but not provided for in the consolidated financial statements amounted to HK$185.9 million (2010: HK$10.4 million).

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

Risk Management

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

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.

With regard to foreign currency risk management, we have placed more emphasis on increased United States dollars borrowings secured by Renminbi deposits in order to take advantage of the favourable exchange rate. We will continue using this hedging strategy so long as the exchange rate justifies it.

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

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

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

Funds raised by the Company's initial public offering and use of proceeds

The Company was listed on the Stock Exchange in 2010 and proceeds, less listing expenses, amounted to approximately HK$581.0 million, was raised by the public offering. During the years ended 31 December 2010 and 2011, the net proceeds were fully utilised as follows:

	HK$ million
For the year ended 31 December 2010	
Purchase raw material	290.0
Enhancement of procurement network and capabilities through joint ventures, mergers or acquisition	19.9
Expansion of production capacity	54.3
Repayment of shareholder's loan	50.0
General working capital	51.0
For the year ended 31 December 2011	
Expansion of production capacity – acquisition of the industrial site at the Yuen Long Industrial Estate	115.8
Total	581

Employees

As at 31 December 2011, we had a workforce of 703 employees. In addition, we engaged approximately 4,300 separation and selection workers through local contractors. We have not experienced any strikes, work stoppages or significant labor disputes which have affected its operations in the past. We have not experienced any significant difficulties in recruiting and retaining qualified staff. We continue to maintain good relationships with our employees.

The Remuneration Policy

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

During the financial year ended 31 December 2011, 31,495,000 share options were granted under the Post-IPO share option scheme.

INVESTOR RELATIONS AND COMMUNICATIONS WITH SHAREHOLDERS

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

FINAL DIVIDEND

The Board proposed the payment of a final dividend for the financial year ended 31 December 2011 of HK3.7 cents per ordinary share, subject to the approval by the shareholders of the Company at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING

The annual general meeting ("AGM") is to be held on Thursday, 24 May 2012 and the notice of AGM will be published and despatched to the shareholders of the Company within the prescribed time and in such manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

(i) For determining the entitlement to attend and vote at the AGM

The Register of Members of the Company will be closed from Tuesday, 22 May 2012 to Thursday, 24 May 2012, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 21 May 2012.

(ii) For determining the entitlement to receive the Proposed Final Dividend

The Register of Members of the Company will be closed on Wednesday, 30 May 2012, during which period no transfer of shares will be registered. The ex-dividend date will be Monday, 28 May 2012. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with Company's Hong Kong Branch Share Registrar and Transfer Office, Computershare Hong Kong Investor Services Limited at Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 29 May 2012.

AUDIT COMMITTEE

The Audit Committee of the Company comprises all three independent non-executive Directors. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal control system and financial reporting matters including the review of the Group's audited consolidated results for the year ended 31 December 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board has adopted Corporate Governance Policy with reference to the principles set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules and has updated regularly so as to maintain a high standard of corporate governance practices.

The Company has complied with the code provisions of the Code during the financial year ended 31 December 2011 except the following deviation:

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 ("Mr. Fang") is the Chairman and Chief Executive Officer of the Company. With extensive experience in the mixed metal scrap recycling business, Mr. Fang is responsible for our Group's overall strategic planning and the management of our business. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the business prospects and management of our Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprise experienced and high caliber individuals. The Board currently comprises 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.

COMPLIANCE WITH THE MODEL CODE OF THE LISTING RULES

The Company has adopted a code of conduct regarding securities transactions of directors (the "Securities Code") on no less exacting the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules. All Directors confirmed that they have complied with the required standard set out in the Securities Code for the financial year ended 31 December 2011.

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

During the financial year ended 31 December 2011, the Company repurchased 20,000,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$83,945,621. The repurchases were effected by the Directors for the enhancement of shareholders' value. Details of the repurchases are as follows:

Month of the repurchases	Total number of the ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration
		HK$	*HK$*	*HK$*
August, 2011	2,780,000	4.50	4.08	11,640,375
September, 2011	9,934,000	4.55	3.84	42,475,825
October, 2011	7,286,000	4.30	3.69	29,829,421
	20,000,000			83,945,621

Except as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year.

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

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chiho-tiande.com). The annual report of the Company for the year ended 31 December 2011 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 attribute our performance achieved in the past year to the management of our Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, bankers, lawyers and auditors for their support throughout the year.

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

Hong Kong, 27 March 2012

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

Executive directors:	Fang Ankong, Stephanus Maria van Ooijen and Gu Liyong
Non-executive director:	Michael Charles Lion
Independent non-executive directors:	Loke Yu, Li Xikui and Zhang Jingdong