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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 2012

HIGHLIGHTS

- Revenue for the first half of 2012 decreased by 20.8% to HK$3.6 billion, compared to the same period of 2011
- Gross profit for the first half of 2012 amounted to HK$132.1 million, representing an overall gross margin of 3.7%, and decreased by 70.8% when compared to the gross profit of HK$452.7 million in the same period of 2011
- The Group recorded a net profit attributable to the owners of the Company of HK$45.0 million, representing a net profit margin of 1.3%, and decreased by 85.5% when compared to the net profit attributable to the owners of the Company of HK$309.2 million recorded in the same period of 2011
- The Group sold over 307,000 tonnes of mixed metal scrap during the interim period, representing a decrease of 17.0% compared to the same period of 2011
- In January 2012, Sims Metal Management Dragon Holdings Limited ("Sims"), a Hong Kong subsidiary of Sims Metal Management Limited ("SMM") being the largest (by market capitalization) 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).

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 2012 (the "period").

Facing a volatile global metal market is a huge challenge to the Group. During the first six months of this year, the Group experienced a reduction in sales from HK$4.5 billion in the same period of 2011 to HK$3.6 billion, representing a reduction of 20.8% over the same period of 2011. The decrease in gross margin to 3.7% recorded during the period was due to an adverse impact of the dramatic fall in global metal prices in the second quarter of this year and "mark-to-market" basis for provision for inventories. The drop in commodity prices had a negative impact on the gross margin of the Group especially in the second quarter of 2012. As for the net profit, the Group recorded a net profit attributable to the owners of the Company of HK$45.0 million, representing a net margin of 1.3% when compared to the net profit attributable to the owners of the Company of HK$309.2 million recorded in the same period of 2011. This represents an overall reduction of net profit of 85.5%.

Despite the relatively volatile world metal market experienced in the period, the Group continued to maintain its procurement volume to cater for its processing needs through its well established overseas procurement network. During the period, the Group sold in aggregate over 307,000 tonnes of its processed products within its three business segments. This represents a decrease of 17% when compared to 370,000 tonnes in the same period of 2011.

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$0.043, representing a decrease of 85.8% when compared with HK$0.303 in the same period of 2011.

In January 2012, Sims Metal Management Dragon Holdings Limited ("Sims"), a Hong Kong subsidiary of Sims Metal Management Limited ("SMM") being the largest (by market capitalization) 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 the 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, advance 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 will build on this collaboration to increase the business activities between us and will continue to explore the possibility of further collaboration in business developments in the future. The Group further believes that having SMM as a significant minority shareholder of the Company 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.

As indicated before, the Tianjin joint venture was short-lived due to differences in major business ethics. The joint venture company was ultimately dissolved in the second quarter of 2012.

In the first quarter of this year and following the completion of the acquisition of the Yuen Long industrial site, we have moved all the Group's Hong Kong operations together with the Hong Kong joint venture company to the Yuen Long facility. This will enable the Group to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong.

With regard to the investment to establish new processing facilities in the Development Zone in Yantai City, PRC, we are now in the planning stage of the development and expect the construction of facilities to begin before the end of this year. We anticipate that processing operations will begin in stages starting in 2013.

Going forward, we remain committed to further expanding our processing capability, and at the same time improving our profitability and return on equity. Our focus will continue to cover our existing facilities including Taizhou, Ningbo, Shanghai and Hong Kong. We will continue to be on the lookout for any potential opportunity.

With the 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 resource supply chain of the PRC in the future.

On the basis that metal recycling industry contributes significantly to the protection of the environment and to the preservation of valuable natural resources, we continue to place heavy emphasis on our procurement volume to ensure that it is in line with our processing needs and to cater for our 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 2012, together with the comparative figures for the corresponding period in 2011. 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 2012

	NOTES	Six months ended 30 June 2012 HK$'000 (Unaudited)	2011 HK$'000 (Unaudited)
Revenue	3	**3,583,213**	4,524,547
Cost of sales		**(3,451,154)**	(4,071,824)
Gross profit		**132,059**	452,723
Other income		**5,534**	6,640
Other gains and losses		**63,245**	64,789
Distribution and selling expenses		**(4,397)**	(6,118)
General and administrative expenses		**(64,613)**	(69,874)
Finance costs		**(83,911)**	(34,790)
Profit before tax		**47,917**	413,370
Income tax expense	4	**(19,885)**	(108,022)
Profit for the period	5	**28,032**	305,348
Other comprehensive (expense) income			
Exchange difference arising on translation to the Group's presentation currency		**(16,645)**	25,821
Reclassification adjustment relating to disposal of available-for-sale investment		**429**	–
Fair value loss on available-for-sale investment		**(3,605)**	(2,058)
Total comprehensive income for the period		**8,211**	329,111
Profit for the period attributable to:			
Owners of the Company		**44,966**	309,175
Non-controlling interests		**(16,934)**	(3,827)
		28,032	305,348
Total comprehensive income for the period attributable to:			
Owners of the Company		**25,140**	332,294
Non-controlling interests		**(16,929)**	(3,183)
		8,211	329,111
		HK$	*HK$*
Earnings per share			
– basic	7	**0.043**	0.303
– diluted	7	**0.037**	0.300

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2012

	NOTES	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**314,248**	319,967
Prepaid lease payments		**349,872**	185,968
Investment properties		**31,741**	–
Available-for-sales investment		**12,670**	19,060
Deposits paid for acquisition of property, plant and equipment		**1,205**	22,070
Deferred tax assets		**5,524**	23,594
		715,260	570,659
CURRENT ASSETS			
Inventories		**3,986,988**	3,219,271
Trade and other receivables	*8*	**843,783**	813,397
Bills receivables	*9*	**4,195**	33,676
Prepaid lease payments		**8,666**	5,244
Derivative financial instruments		**17,787**	37,021
Tax recoverable		**32,525**	44,330
Pledged bank deposits		**244,493**	127,004
Restricted bank deposits		**108,398**	71,158
Bank balances and cash		**184,328**	392,762
		5,431,163	4,743,863
CURRENT LIABILITIES			
Trade and other payables	*10*	**545,676**	519,552
Derivative financial instruments		**24,501**	39,765
Tax payable		**8,175**	9,100
Bank borrowings		**2,687,901**	2,651,697
		3,266,253	3,220,114
NET CURRENT ASSETS		**2,164,910**	1,523,749
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,880,170**	2,094,408

	At 30 June 2012 HK$'000 (Unaudited)	At 31 December 2011 HK$'000 (Audited)
CAPITAL AND RESERVES		
Share capital	**10,442**	10,419
Share premium and reserves	**2,037,579**	2,036,203
Equity attributable to owners of the Company	**2,048,021**	2,046,622
Non-controlling interests	**(8,945)**	17,398
TOTAL EQUITY	**2,039,076**	2,064,020
NON-CURRENT LIABILITIES		
Convertible bonds	**685,217**	–
Embedded derivative components of convertible bonds	**113,747**	–
Warrants	**10,717**	–
Deferred tax liabilities	**31,413**	30,388
	2,880,170	2,094,408

NOTES:

1. BASIS OF PREPARATION

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 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 sale of aluminium-alloy ingots and copper rod and wire); and

(iii) wholesales business (including trading of other metal scrap without processing).

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

Six months ended 30 June 2012

	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	**2,102,555**	**624,944**	**107,855**	**107,967**	**31,379**	**129,759**	**104,591**	**374,163**	**–**	**3,583,213**
Inter-segment sales	**1,655**	**603**	**140,193**	**–**	**4,744**	**14,351**	**–**	**2,367,068**	**(2,528,614)**	**–**
Total segment revenue	**2,104,210**	**625,547**	**248,048**	**107,967**	**36,123**	**144,110**	**104,591**	**2,741,231**	**(2,528,614)**	**3,583,213**
Segment profit	**64,574**	**991**	**11,477**	**3,425**	**(1,458)**	**4,191**	**4,649**	**46,856**	**(2,646)**	**132,059**
Other income										**5,534**
Other gains and losses										**63,245**
Distribution and selling expenses										**(4,397)**
General and administrative expenses										**(64,613)**
Finance costs										**(83,911)**
Profit before tax										**47,917**

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

Segment profit represents the gross profit resulted in each segment without allocation of other income, other gains and losses, distribution and selling expenses, general and administrative 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	
	2012	2011
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**506**	9,146
PRC Enterprises Income Tax ("EIT")	**253**	97,077
	759	106,223
(Over)underprovision in prior periods:		
Hong Kong	**(1,521)**	–
PRC Enterprises Income Tax	**1,618**	152
Deferred tax	**19,029**	1,647
	19,885	108,022

5. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2012	2011
	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	**3,451,154**	4,071,824
Depreciation of property, plant and equipment	**19,505**	9,733
Depreciation of investment properties	**311**	–
Share-based payment expense	**9,032**	5,481
Amortisation of prepaid lease payments	**3,662**	449
Loss on disposal of property, plant and equipment	**2,340**	116
Interest income	**(3,041)**	(6,052)

6. DIVIDENDS

	Six months ended 30 June	
	2012	2011
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
2011 final dividend paid – HK3.7 cents per share	**38,612**	–
2010 final dividend paid – HK9 cents per share	**–**	89,641

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2012 (2011: 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	
	2012	2011
	HK$'000	*HK$'000*
Earnings:		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	**44,966**	309,175
Effect of dilutive potential ordinary shares:		
– Interest on convertible bonds	**25,606**	–
– Gain on change in fair value of the derivative components of convertible bonds	**(29,024)**	–
Profit for the period attributable to owners of the Company for the purpose of diluted earnings per share	**41,548**	309,175
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,042,340,970**	1,020,894,381
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**91,142,491**	–
– Share options	**4,302,542**	8,196,371
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,133,786,003**	1,029,090,752

The computation of diluted earnings per share does not assume the exercise of the Company's warrants and certain share options because the exercise prices of those warrants and share options were higher than the average market prices for shares in the date of issuance up to current interim period.

8. 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 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 2012 *HK$'000*	At 31 December 2011 *HK$'000*
Trade receivables:		
0 – 30 days	**213,466**	207,462
31 – 60 days	**3,233**	1,336
61 – 90 days	**3,470**	36,332
91 – 180 days	**207**	54,425
Over 180 days	**34,831**	3,011
	255,207	302,566
Other receivables:		
Deposits and prepayments	**101,155**	99,388
Deposits paid for purchase of raw materials	**213,489**	186,063
VAT recoverable	**262,790**	217,248
Others	**11,142**	8,132
	588,576	510,831
	843,783	813,397

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 2012 *HK$'000*	At 31 December 2011 *HK$'000*
0 – 30 days	**1,656**	617
31 – 60 days	**2,539**	16,268
61 – 90 days	**–**	15,369
91 – 180 days	**–**	1,422
	4,195	33,676

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 2012	At 31 December 2011
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**256,039**	206,179
31 – 60 days	**55,006**	129,432
61 – 90 days	**24,825**	1,996
91 – 180 days	**22,648**	3,091
Over 180 days	**13,787**	6,853
	372,305	347,551
Other payables:		
Other payables and accruals	**95,637**	124,399
Interest payable	**8,413**	14,989
Receipts in advance from customers	**69,321**	32,613
	173,371	172,001
	545,676	519,552

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Facing a volatile global metal market is a huge challenge to the Group. During the period, the Group's revenue decreased from HK$4.5 billion in the same period of 2011 to HK$3.6 billion, representing a decrease of 20.8% over the same period of 2011. The decrease in gross margin to 3.7% recorded during the period was due to an adverse impact of the dramatic fall in global metal prices in the second quarter of this year and "mark-to-market" basis for provision for inventories. The drop in commodity prices had a negative impact on gross margin of the Group especially in the second quarter of 2012. As for the net profit, the Group recorded a net profit attributable to the owners of the Company of HK$45.0 million, representing a net margin of 1.3% when compared to the net profit attributable to the owners of the Company of HK$309.2 million recorded in the same period of 2011. This represents an overall reduction of net profit of 85.5%.

Despite the relatively volatile world metal market experienced in the period, the Group continued to maintain its procurement volume to cater for its processing needs through its well established overseas procurement network. During the period, the Group sold in aggregate over 307,000 tonnes of processed products within its three business segments. This represents a decrease of 17% when compared to 370,000 tonnes in the same period of 2011.

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$0.043, representing a decrease of 85.8% when compared with HK$0.303 in the same period of 2011.

Our Procurement Network

The Group is 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 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 the Group leveraging on its experience in the industry. With our good business practices, we have enjoyed good business relationship with its suppliers over the years.

Corporate and Business Development

In January 2012, Sims Metal Management Dragon Holdings Limited ("Sims"), a Hong Kong subsidiary of Sims Metal Management Limited ("SMM") being the largest (by market capitalization) 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 the 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, advance 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 will build on this collaboration to increase the business activities between us and will continue to explore the possibility of further collaboration in business developments in the future. The Group further believes that having SMM as a significant minority shareholder of the Company 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.

As indicated before, the Tianjin joint venture was short-lived due to differences in major business ethics. The joint venture company was ultimately dissolved in the second quarter of 2012.

In the first quarter of this year and following the completion of the acquisition of the Yuen Long industrial site, we have moved all the Group's Hong Kong operations together with the Hong Kong joint venture company to the Yuen Long facility. This will enable the Group to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong.

With regard to the investment to establish new processing facilities in the Development Zone in Yantai City, PRC. We are now in the planning stage of the development and expect the construction of facilities to begin before the end of this year. We anticipate that processing operations will begin in stages starting in 2013.

Going forward, we remain committed to further expanding our processing capability, and at the same time improving our profitability and return on equity. Our focus will continue to cover our existing facilities including Taizhou, Ningbo, Shanghai and Hong Kong. We will continue to be on the lookout for any potential opportunity.

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.

Despite the changes in the evaluation basis by the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳) in 2011, our Taizhou facilities still rank amongst the top 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

The recent data including the latest reported inflation reading indicates that PRC Government has more room to provide further stimulus to the PRC's economy in the coming months. Despite the consensus that PRC economic growth might come in at a slower pace for 2012, there are beliefs that with the recent rate cuts and other stimulus on infrastructure and business activities, we may see a renewed growth to support a continued strong demand for various industrial commodities. In addition, with the 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 resource supply chain of the PRC in the future.

On the basis that metal recycling industry contributes significantly to the protection of the environment and to the preservation of valuable natural resources, we continue to place heavy emphasis on our procurement volume to ensure that it is in line with our processing needs and to cater for our expansion strategy for scrap materials in the PRC. 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 per month to cater for its processing needs. This purchase volume is expected to increase as the Group continues to expand. The management will continue to make efforts to capitalize on such direction in achieving satisfactory returns to the Shareholders.

FINANCIAL REVIEW

Revenue

During the period, revenue decreased by approximately HK$0.9 billion, or 20.8%, from HK$4.5 billion in the same period of 2011 to HK$3.6 billion in this period. The decrease was mainly contributed by a decrease in sales volume as well as average selling prices for our recycled metal products and foundry products.

Cost of sales

Cost of sales decreased by approximately HK$0.6 billion, or 15.2%, from HK$4.1 billion in the same period of 2011 to HK$3.5 billion in this period. Cost of sales decreased primarily due to decrease in sales volume and reduction in average purchase prices of raw materials.

Gross profit and gross profit margin

Our gross profit decreased by approximately HK$320.7 million, or 70.8%, from HK$452.7 million in the same period of 2011 to HK$132.1 million in this period. The decrease in gross profit was mainly contributed by a decrease in sales revenue.

The overall gross profit margin decreased from 10.0% in the same period of 2011 to 3.7% in this period. The decrease was mainly due to an adverse impact of the dramatic fall in global metal prices especially in the second quarter of this year.

Distribution and selling expenses

Distribution and selling expenses decreased by approximately HK$1.7 million or 28.1%, from HK$6.1 million in the same period of 2011 to HK$4.4 million in this period. This was mainly due to decrease in sales volume.

General and administrative expenses

General and administrative expenses decreased by approximately HK$5.3 million, or 7.5%, from HK$69.9 million in the same period of 2011 to HK$64.6 million in this period. This was mainly due to decrease in professional fees incurred during the period.

Other income

Other income decreased by approximately HK$1.1 million, or 16.7%, from HK$6.6 million in the same period of 2011 to HK$5.5 million in this period. This was mainly due to decrease in interest income during the period.

Other gains and losses

Other gains decreased by approximately HK$1.5 million, or 2.4%, from HK$64.8 million in the same period of 2011 to HK$63.2 million in this period. This was mainly due to exchange loss during the period as opposed to a significant exchange gain in the previous period and, significant increase in gains from commodities derivative and derivative component of convertible bonds and warrants when compared to previous period.

Finance costs

Finance costs increased by approximately HK$49.1 million, or 141.2%, from HK$34.8 million in the same period of 2011 to HK$83.9 million in this period. This was mainly due to the increase in average bank borrowings during the period, and also the interest expenses from the issuance of the convertible bonds together with the accounting adjustments on its imputed interests 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 decreased by approximately HK$277.3 million, or 90.8%, from HK$305.3 million in the same period of 2011 to HK$28.0 million in this period. The decrease was mainly due to an adverse impact of the dramatic fall in global metal prices especially in the second quarter of this year.

Key Financial Ratios

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

	At 30 June 2012	At 31 December 2011
Liquidity Ratios		
Current ratio	**1.66**	1.47
Quick ratio	**0.44**	0.47
Gearing ratio (%)	**54.9**	49.9

	Six months ended 30 June	
	2012	2011
Inventory turnover days	**191**	127
Debtor's turnover days	**14**	6
Creditor's turnover days	**19**	8

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits totaling HK$0.5 billion (31 December 2011: HK$0.6 billion). Total bank borrowings were HK$2.7 billion (31 December 2011: HK$2.7 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 2012 was 54.9% (31 December 2011: 49.9%). The increase was mainly due to the issuance of convertible bonds during the period.

Debtor's turnover days and creditor's turnover days both increased from 6 days and 8 days for the same period of 2011 to 14 days and 19 days for this period, respectively.

Inventory turnover days increased from 127 days for the same period of 2011 to 191 days for this period.

Capital Commitments and Contingent Liabilities

As at 30 June 2012, the Group had pledged certain buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$511.1 million (31 December 2011: approximately HK$295.5 million) to secure bank borrowings.

As at 30 June 2012, 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$4.4 million (31 December 2011: HK$185.9 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 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 2012, the Group had a workforce of 662 employees. In addition, the Group engaged approximately 3,700 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 AND PRACTICES AND THE CORPORATE GOVERNANCE CODE

The Stock Exchange of Hong Kong Limited has made various amendments to the Code on Corporate Governance and Practices (the "Old CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and renamed it the Corporate Governance Code (the "New CG Code").

The Company has complied with all code provisions of the Old CG Code during the period from 1 January 2012 to 31 March 2012, except that the roles of the Chairman and Chief Executive Officer of the Company have not been segregated as required by code provision A.2.1 of the Old CG Code for the reasons set out in the Corporate Governance Report of the Company for the year ended 31 December 2011 on page 54 of the annual report of the Company for year ended 31 December 2011.

The Company has also complied with all code provisions of the New CG Code during the period from 1 April 2012 to 30 June 2012, other than code provision A.2.1 of the New CG Code (which is the same as the code provision A.2.1 of the Old CG Code) for the reasons as explained in the preceding paragraph and code provision A.6.7 of the New CG Code.

Code provision A.6.7 of the New CG Code requires that non-executive Directors should attend general meetings of the Company. All the non-executive Directors (including independent non-executive Directors) attended the annual general meeting and the extraordinary general meeting of the Company held on 24 May 2012, with the exception of two independent non-executive Directors who were unable to attend the said general meetings due to other overseas commitments.

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 six months ended 30 June 2012.

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 six months ended 30 June 2012 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 2012. 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 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders of the Company and 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 and auditors for their support to the Group throughout the period.

By Order of the Board
Fang Ankong
Chairman

Hong Kong, 17 August 2012

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

Executive Directors:	Fang Ankong, Stephanus Maria van Ooijen, Gu Liyong
Non-Executive Director:	Michael Charles Lion
Independent Non-Executive Directors:	Loke Yu, Li Xikui, Zhang Jingdong