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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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

HIGHLIGHTS

- Revenue for the year ended 31 December 2012 amounted to HK$8.2 billion (2011: HK$9.8 billion), representing a decrease of 16.4% compared to 2011.
- Gross profit for the year ended 31 December 2012 amounted to HK$171.4 million (2011: HK$452.6 million), representing a decrease of 62.1%.
- The Group recorded a net profit attributable to the owners of the Company of HK$88.6 million (2011: HK$152.1 million), representing a decrease of 41.7% compared to 2011.
- The Group recorded a net profit margin of 1.1% for the year ended 31 December 2012 (2011: 1.6%).
- Basic earnings per share attributable to owners of the Company amounted to HK$0.08 (2011: HK$0.15).
- We have sold over 723,600 tonnes (2011: 843,400 tonnes) of mixed metal scrap during the year, a decrease of 14% compared to 2011.
- The Board recommended the payment of a final dividend of HK2.12 cents per ordinary share for the year ended 31 December 2012 (2011: HK3.7 cents).
- 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 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).

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 audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

The Group finished the 2012 financial year with a reduced net profit attributable to owners of the Company from HK$152.1 million in the previous year to HK$88.6 million. During the year, the Group recorded a reduction in sales from HK$9.8 billion in 2011 to HK$8.2 billion in 2012, representing a reduction of 16.4%. The decrease in gross margin to 2.1% recorded during the year was due to an adverse impact of the continued volatile with downward focus global metal prices throughout the year and "mark-to-market" basis for provision for inventories. The drop in commodity prices during the year had a negative impact on the gross margin of the Group. As for the net profit, the Group recorded a net profit attributable to the owners of the Company of HK$88.6 million, representing a net margin of 1.1% when compared to the net profit attributable to the owners of the Company of HK$152.1 million recorded in 2011. This represented an overall reduction of net profit of 41.7%.

Despite the relatively volatile world metal market with downward price trend experienced throughout the year, the Group continued to maintain its procurement volume to cater for its processing needs through its well established overseas procurement network. During the year, the Group sold in aggregate over 723,600 tonnes of its processed products within its three business segments. This represented a decrease of 14% when compared to 843,400 tonnes in 2011.

During the year, the Group continued to follow its usual practices of consistently buying mixed metal scrap and selling its recycled products in accordance with its processing ability so as to mitigate the short-term impact of price volatility on the overall performance of the Group.

Basic earnings per share attributable to owners of the Company amounted to HK$0.08, representing a decrease of 46.7% when compared with HK$0.15 in 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 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 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 270 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 in our announcement dated 27 March 2012, 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. Since then, the Group has established a strong presence in Hong Kong with a rapid increase in local market share. The Group is now in a well-placed position to establish a more diversified scrap metal and electronic waste processing platform in Hong Kong. We are confident that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

With regard to the investment to establish new processing facilities in the Development Zone in Yantai City, the People's Republic of China (the "PRC"), we are now in the planning and construction stage of the development and expect the first stage of the facilities to become partially operational in the second half of 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 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.

ANNUAL RESULTS

The Board presents the audited consolidated results of the Group for the year ended 31 December 2012, together with the comparative figures for 2011.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	3	**8,202,702**	9,815,522
Cost of sales	4	**(8,031,286)**	(9,362,935)
Gross profit		**171,416**	452,587
Other income		**21,453**	22,345
Other gains and losses		**272,760**	2,051
Distribution and selling expenses		**(33,456)**	(31,303)
Administrative expenses		**(155,294)**	(143,466)
Other expense		**(32,156)**	–
Finance costs	5	**(172,689)**	(97,755)
Profit before tax	6	**72,034**	204,459
Income tax expense	7	**(32,683)**	(88,208)
Profit for the year		**39,351**	116,251
Other comprehensive (expense) income			
Exchange difference arising on translation to presentation currency		**(8,029)**	51,433
Reclassification adjustment relating disposal of available-for-sale investment		**429**	–
Fair value loss on available-for-sale investment		**(805)**	(6,653)
Cumulative impairment loss reclassified to profit or loss on available-for-sale investment		**7,029**	–
Total comprehensive income for the year		**37,975**	161,031
Profit for the year attributable to:			
Owners of the Company		**88,591**	152,087
Non-controlling interests		**(49,240)**	(35,836)
		39,351	116,251
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		**87,422**	195,930
Non-controlling interests		**(49,447)**	(34,899)
		37,975	161,031
		HK$	*HK$*
Earnings per share			
– basic	9	**0.08**	0.15
– diluted	9	**0.08**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**298,463**	319,967
Prepaid lease payments		**346,547**	185,968
Investment properties		**30,808**	–
Available-for-sale investment		**15,470**	19,060
Deposits paid for acquisition of property, plant and equipment		**2,063**	22,070
Deferred tax assets		**12,621**	23,594
		705,972	570,659
CURRENT ASSETS			
Inventories		**2,982,599**	3,219,271
Trade and other receivables	*10*	**786,074**	813,397
Bills receivables	*11*	**7,054**	33,676
Amount due from a substantial shareholder		**23,636**	–
Prepaid lease payments		**8,687**	5,244
Investments designated at fair value through profit or loss		**24,677**	–
Derivative financial instruments		**55,438**	37,021
Tax recoverable		**9,484**	44,330
Pledged bank deposits		**105,765**	127,004
Restricted bank deposits		**44,656**	71,158
Bank balances and cash		**447,937**	392,762
		4,496,007	4,743,863
CURRENT LIABILITIES			
Trade and other payables	*12*	**265,439**	519,552
Amount due to a substantial shareholder		**42,917**	–
Derivative financial instruments		**21,520**	39,765
Tax payable		**14,640**	9,100
Bank borrowings		**1,949,673**	2,651,697
		2,294,189	3,220,114
NET CURRENT ASSETS		**2,201,818**	1,523,749
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,907,790**	2,094,408

	2012	2011
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**10,435**	10,419
Share premium and reserves	**2,104,570**	2,036,203
Equity attributable to owners of the Company	**2,115,005**	2,046,622
Non-controlling interests	**(41,463)**	17,398
TOTAL EQUITY	**2,073,542**	2,064,020
NON-CURRENT LIABILITIES		
Convertible bonds	**708,547**	–
Embedded derivative components of convertible bonds	**85,290**	–
Warrants	**8,046**	–
Deferred tax liabilities	**32,365**	30,388
	834,248	30,388
	2,907,790	2,094,408

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 PRC.

The functional currency of the Company 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 (the "Listing Rules") 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 or receivable for the sales of metal scrap, net of sales related taxes, during the year.

Operating and reportable segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to segments and to assess their performance. The executive directors of the Company are identified as the CODM and they regularly review the internal report on gross profit derived 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.

For the year ended 31 December 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	4,982,451	1,295,304	249,440	266,777	80,209	305,697	227,651	795,173	–	8,202,702
Inter-segment sales	202,604	26,592	275,576	23	10,730	14,334	–	4,038,016	(4,567,875)	–
Total segment revenue	5,185,055	1,321,896	525,016	266,800	90,939	320,031	227,651	4,833,189	(4,567,875)	8,202,702
Segment profit	71,061	(12,899)	11,660	3,987	(2,682)	5,314	2,030	100,137	(7,192)	171,416
Other income										21,453
Other gains and losses										272,760
Distribution and selling expenses										(33,456)
Administrative expenses										(155,294)
Other expense										(32,156)
Finance costs										(172,689)
Profit before tax										72,034
Income tax expense										(32,683)
Profit for the year										39,351
Inventory allowance included in segment profit	(18,946)	(13,418)	(690)	(8)	(42)	–	(7,514)	–	–	(40,618)

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
Inventory allowance included in segment profit	(46,731)	(27,688)	(1,387)	(527)	(3,066)	–	(18,158)	–	–	(97,557)

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 expense, 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 90.3% of external revenues of the Group during the year ended 31 December 2012 (2011: 95.0%) are attributable to customers established in the PRC, the place of domicile of the Group's major operating entities. The remaining revenue is immaterial for separate disclosure of its 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 2012 and 2011.

4. COST OF SALES

Included in cost of sales is the following inventory allowance:

	2012	2011
	HK$'000	*HK$'000*
Inventory allowance	**40,618**	97,557

Management assesses whether the carrying value of inventories exceed their net realisable value at the end of the 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 2012, because the market prices of the commodities were lower than the respective purchase prices of certain inventories held, an inventory allowance of approximately HK$40,618,000 (2011: HK$97,557,000) was recognised.

5. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
– bank borrowings wholly repayable within five years	**106,329**	97,242
– discounted trade receivable with recourse	**414**	513
– bank overdraft	**694**	–
Effective interest expense on convertible bonds	**65,252**	–
	172,689	97,755

6. PROFIT BEFORE TAX

	2012	2011
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**6,759**	14,625
Other staff costs	**209,716**	205,789
Retirement benefit scheme contributions, excluding those of directors	**2,723**	3,009
Share-based payments, excluding those of directors	**15,787**	11,378
Total staff costs	**234,985**	234,801
Cost of inventories recognised as an expense	**8,031,286**	9,362,935
Depreciation of investment properties	**1,244**	–
Depreciation of property, plant and equipment	**69,254**	24,250
Amortisation of prepaid lease payments	**7,995**	909
Auditor's remuneration	**2,300**	2,650

7. INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprises Income Tax ("EIT")	**22,556**	93,454
Hong Kong	**791**	13,388
Other jurisdiction	**127**	129
	23,474	106,971
(Over)underprovision in prior years:		
PRC EIT	**1,050**	142
Hong Kong	**(4,745)**	–
Deferred tax	**12,904**	(18,905)
	32,683	88,208

PRC

The Group's PRC subsidiaries were subject to PRC EIT 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 HK2.12 cents in respect of the year ended 31 December 2012 (2011: final dividend of HK3.7 cents in respect of the year ended 31 December 2011) per share amounting to approximately HK$22,122,000 in total (2011: HK$38,549,000) has been proposed by the directors and is subject to approval by the shareholders in the forthcoming annual 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:

	2012	2011
	HK$'000	*HK$'000*
Earnings:		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	**88,591**	152,087
Effect of diluted potential ordinary shares:		
– Interest on convertible bonds	**65,252**	–
– Gain on change in fair value of the derivative components of convertible bonds	**(57,481)**	–
Profit for the year attributable to owners of the Company for the purposes of diluted earnings per share	**96,362**	152,087
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,043,069,463**	1,035,912,789
Effect of diluted potential ordinary shares:		
– Convertible bonds	**113,615,982**	–
– Share options	**3,818,367**	1,349,778
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,160,503,812**	1,037,262,567

The computation of diluted earnings per share does not assume the exercise of the Company's warrants and certain share options granted under the Post-IPO Share Option Scheme because the exercise prices of these warrants and share options were higher than the average market price of the Company's shares between the date of their issuance and the end of the reporting period.

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. The aged analysis of the Group's trade receivables at the end of the reporting period, net of allowance for doubtful debts, was prepared based on the invoice date, which approximate to the date of revenue recognition are as follows:

	2012	2011
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**129,614**	207,462
31 – 60 days	**30,097**	1,336
61 – 90 days	**685**	36,332
91 – 180 days	**36,683**	54,425
Over 180 days	**3,015**	3,011
	200,094	302,566
Other receivables:		
Deposits and prepayments	**48,343**	99,388
Deposits paid for purchase of raw materials	**264,432**	186,063
VAT recoverable	**264,473**	217,248
Others	**8,732**	8,132
	585,980	510,831
	786,074	813,397

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 which also approximate to the date of revenue recognition are as follows:

	2012	2011
	HK$'000	*HK$'000*
0 – 30 days	**4,834**	617
31 – 60 days	**370**	16,268
61 – 90 days	**1,850**	15,369
91 – 180 days	**–**	1,422
	7,054	33,676

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:

	2012	2011
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**72,718**	206,179
31 – 60 days	**17,836**	129,432
61 – 90 days	**–**	1,996
91 – 180 days	**1,061**	3,091
Over 180 days	**16,355**	6,853
	107,970	347,551
Other payables:		
Other payables and accruals	**142,063**	124,399
Interest payables	**6,877**	14,989
Receipts in advance from customers	**8,529**	32,613
	157,469	172,001
	265,439	519,552

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Facing a volatile global metal market, 2012 was full of challenges to the Group. During the year, the Group's revenue decreased from HK$9.8 billion in 2011 to HK$8.2 billion, representing a decrease of 16.4%. The decrease in gross margin to 2.1% recorded during the year was due to an adverse impact of the continued volatile with downward focus global metal prices throughout the year and "mark-to-market" basis for provision for inventories. The downward volatility in commodity prices had a negative impact on gross margin of the Group in 2012. As for the net profit, the Group recorded a net profit attributable to the owners of the Company of HK$88.6 million, representing a net margin of 1.1% when compared to the net profit attributable to the owners of the Company of HK$152.1 million recorded in 2011. This represented an overall reduction of net profit of 41.7%.

Despite the relatively volatile world metal market with downward price trend experienced in 2012, the Group continued to maintain its procurement volume to cater for its processing needs through its well established overseas procurement network. During the year, the Group sold in aggregate over 723,600 tonnes of processed products within its three business segments. This represented a decrease of 14% when compared to 843,400 tonnes in 2011.

During the year, the Group continued to follow its usual practices of consistently buying mixed metal scrap and selling its recycled products in accordance with its processing ability so as to mitigate the short-term impact of price volatility on the overall performance of the Group.

Basic earnings per share attributable to owners of the Company amounted to HK$0.08, representing a decrease of 46.7% when compared with HK$0.15 in 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 imports 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 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 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 270 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.

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With regard to the investment to establish new processing facilities in the Development Zone in Yantai City, PRC, we are now in the planning and construction stage of the development and expect the first stage of the facilities to begin partially operational in the second half of 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 ranked 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 did not consume large volumes of electricity and water and therefore produced 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 growing signs of economic recovery in various regions and especially the China growth momentum appears to be picking up. This is particularly apparent in the new leadership's decision to speed up urbanisation as an opportunity to boost investment in infrastructure and housing. We also believe that 2013 being the first year of the new leadership transition, the central government should have an incentive to maintain a high growth economy. As a result, 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 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 65,000 to 75,000 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 making efforts to capitalise on such direction in achieving satisfactory returns to the Shareholders.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately HK$1.6 billion, or 16.4%, from HK$9.8 billion in 2011 to HK$8.2 billion in the year. 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$1.3 billion, or 14.2%, from HK$9.4 billion in 2011 to HK$8.0 billion in the year. The decrease is in line with the decrease in revenue and primarily due to a decrease in sales volume and reduction in the average purchase prices of raw materials.

Gross profit and gross profit margin

Our gross profit for the year was HK$171.4 million as compared to a gross profit of HK$452.6 million for 2011. We recorded a gross profit margin of 4.6% last year as compared to gross profit margin in the year of 2.1%.

The decrease in gross margin to 2.1% recorded during the year was due to an adverse impact of the continued volatile with downward focus global metal prices throughout the year and "mark-to-market" basis for provision for inventories.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK$2.2 million, or 7.0%, from HK$31.3 million in 2011 to HK$33.5 million in the year. This was mainly due to increase in selling activities in Hong Kong during the year.

Administrative and other expenses

Total administrative and other expenses increased by approximately HK$44.0 million, or 30.7%, from HK$143.5 million in 2011 to HK$187.5 million in the year. This was mainly due to expansion in Hong Kong facility and various one-off expenses incurred by our Shanghai facility during the year.

Other income

Other income decreased by approximately HK$0.8 million, or 3.6%, from HK$22.3 million in 2011 to HK$21.5 million in the year. This was mainly due to decrease in interest income during the year.

Other gains and losses

Other gains increased by approximately HK$270.7 million from HK$2.1 million in 2011 to HK$272.8 million in the year. This was mainly due to a significant increase in fair value gains from commodity derivatives, derivative component of convertible bonds and warrants when compared to previous year.

Finance costs

Finance costs increased by approximately HK$74.9 million, or 76.6%, from HK$97.8 million in 2011 to HK$172.7 million in the year. This was mainly due to the interest expenses from the issuance of the convertible bonds together with the accounting adjustments on its imputed interests during the year.

Profit for the year attributable to owners of the Company

As a result of the factors mentioned above, the net profit for the year attributable to owners of the Company decreased by HK$63.5 million, or 41.7% from HK$152.1 million in 2011 to HK$88.6 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 2012	At 31 December 2011
Current ratio	**1.96**	1.47
Quick ratio	**0.66**	0.47
Gearing ratio (%)	**51.1**	49.9

	Year ended 31 December	
	2012	2011
Inventory turnover days	**141**	108
Debtor's turnover days	**11**	8
Creditor's turnover days	**10**	9

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits totalling HK$598.4 million (2011: HK$590.9 million). Total borrowings were HK$2.7 billion (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 United States dollars and Renminbi.

The gearing ratio of the Group as at 31 December 2012 was 51.1% (2011: 49.9%).

Debtor's turnover days and creditor's turnover days both increased from 8 days and 9 days for the year ended 31 December 2011 to 11 days and 10 days for the year ended 31 December 2012 respectively.

Inventory turnover days increased from 108 days for the year ended 31 December 2011 to 141 days for the year ended 31 December 2012.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2012, we had pledged certain buildings, prepaid lease payments, investment properties, trade receivables and bank deposits with an aggregate carrying value of approximately HK$367.6 million (2011: HK$295.5 million) to secure bank borrowings.

As at 31 December 2012, we had capital commitments in respect of acquisition of property, plant and equipment, and prepaid lease payments but not provided for in the consolidated financial statements amounted to approximately HK$12.0 million (2011: HK$185.9 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 minimise 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.

With regard to foreign currency risk management, we continued borrowing in United States dollars borrowings by securing Renminbi deposits in order to take advantage of the favourable exchange rate. We will continue following this strategy so long as the trend of foreign exchange movement justifies it and will consider other alternative measures including hedging exchange rate exposure when appropriate.

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 minimise 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 minimise 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.

EMPLOYEES

As at 31 December 2012, we had a workforce of 638 employees. In addition, we engaged approximately 3,700 separation and selection workers through local recognised labour service 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 2012, 30,900,000 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 timely and equal access to information. To strive for effective communication and transparency of the Company, the personnel in charge have frequent contacts with the shareholders and investors through various channels such as interview, presentation, internet, telephone and email.

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

We will continue to establish communication opportunities 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 2012 of HK2.12 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, 23 May 2013 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, 21 May 2013 to Thursday, 23 May 2013, 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 20 May 2013.

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

The Register of Members of the Company will be closed from Wednesday, 29 May 2013 to Thursday, 30 May 2013, both dates inclusive, during which period no transfer of shares will be registered. The ex-dividend date will be Monday, 27 May 2013. 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 28 May 2013.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the non-executive Director and 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 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2012, the Company has complied with all the applicable code provisions of the Code on Corporate Governance Practices, which was effective until 31 March 2012 and the Corporate Governance Code and Corporate Governance Report, which was effective from 1 April 2012, contained in Appendix 14 to the Listing Rules with exceptions as explained below:

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.

In respect of code provision A.6.7, the Independent Non-Executive Directors and other Non-Executive Directors should attend the general meetings and develop a balance undertaking of views of shareholders. Due to other pre-arranged business commitments by Mr. Michael Charles Lion, Mr. Li Xikui and Ms. Zhang Jingdong, they were not present at the extraordinary general meeting of the Company held on 18 December 2012. Mr. Li Xikui and Ms. Zhang Jingdong were also not present at the annual general meeting and two extraordinary general meetings of the Company held on 27 February 2012 and 24 May 2012 due to other overseas commitments.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Specific enquiries have been made to all directors, who have confirmed that, during the financial year ended 31 December 2012, they were in compliance with provisions of the Model Code.

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

During the financial year ended 31 December 2012, the Company repurchased 1,970,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$7,865,000. 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$*	*HK$*
September 2012	1,802,000	4.09	3.87	7,215,000
October 2012	168,000	3.90	3.84	650,000
	1,970,000			7,865,000

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 2012 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, 21 March 2013

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