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 2013

HIGHLIGHTS

- Revenue for the first half of 2013 increased by 6.8% to HK$3.8 billion, when compared to HK$3.6 billion in the same period of 2012
- The Group recorded a gross loss of HK$98.4 million for the first half of 2013, when compared to the gross profit of HK$132.1 million in the same period of 2012
- The gross loss incurred during the period was due to (i) the inventory allowance of HK$98.3 million, which the Group is required to make under the "mark-to-market" accounting principle and (ii) the continuous decrease in commodity prices in the first half of 2013
- The Group recorded a net loss attributable to the owners of the Company of HK$748.9 million when compared to the net profit attributable to the owners of the Company of HK$45.0 million in the same period of 2012
- The net loss attributable to the owners of the Company is largely attributable to the loss on fair value changes of derivative financial instruments of HK$626.9 million, which the Group is required to make under the "mark-to-market" accounting principle and the increase in administrative, distribution and selling expenses and the interest expenses relating to the issuance of the convertible bonds of the Company
- The Group sold over 339,000 tonnes of mixed metal scrap during the interim period, representing an increase of 10.4% when compared to 307,000 tonnes in the same period of 2012

- In June 2013, an indirect wholly-owned subsidiary of the Company entered into an agreement for purchase of the leasehold interest of the premises adjacent to the existing Hong Kong facility of the Group for the purchase price of HK$200 million. The purchase is subject to the approval of the Hong Kong Science and Technology Park Corporation, the lessor of the premises. Details of such investment are set out in the Company's announcement dated 20 June 2013.

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 2013 (the "period").

The Group continued to face challenges arising from difficult business environment, including highly volatile global metal market, anticipated slowing economic growth in the People's Republic of China (the "PRC") and the uncertain impact created from the rein in the stimulus program by the United States. During the first six months of this year, the Group recorded an increase in sales from HK$3.6 billion in the same period of 2012 to HK$3.8 billion, representing an increase of 6.8% over the same period of 2012. The gross loss of HK$98.4 million recorded during the period was due to the continuous decrease in commodity prices in the first half of 2013 and the inventory allowance made under the "mark-to-market" accounting principle. During the period, the net loss attributable to the owners of the Company was HK$748.9 million as compared to the net profit of HK$45.0 million in the same period of 2012. Such loss was mainly due to the loss on fair value changes of derivative financial instruments which the Group is required to make under the "mark-to-market" accounting principle. The Company will reduce its positions on futures contracts as soon as reasonably practicable in order to reduce the exposure in futures market in the second half of 2013.

With a number of unforeseen circumstances impacting global supply of scrap materials, the Group experienced a reduction of scrap materials purchased. During the period, the reduction in supply was seen in the region of 10% to 15% when compared with the same period last year. In the first six months of this year, the Group sold in aggregate over 339,000 tonnes of its processed products within its three business segments, representing an increase of 10.4% when compared to 307,000 tonnes in the same period of 2012.

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

Basic loss per share amounted to HK$0.718 in 2013 (2012: Earnings per share HK$0.043).

Although the construction of the processing facilities in Yantai is still in progress, the Group has carried out a limited amount of trading activities within the facilities in order to make full use of the facilities during the period. We aim to commence processing operations in stages towards the end of this year.

As part of our expansion program to increase our processing capacity and to explore the possibility of diversifying our processing capability within the scrap metal related supply chain, the Group has recently announced that it has conditionally acquired the industrial land adjacent to its existing facilities in Yuen Long, Hong Kong. Subject to obtaining approval from Hong Kong Science and Technology Parks Corporation, the acquisition is expected to be completed in the second half of this year. Details of such investment are set out in the Company's announcement dated 20 June 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, Yantai and Hong Kong. We will continue to be on the lookout for any potential opportunity.

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

Given that the metal recycling industry contributes significantly to the protection of the environment and 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 2013, together with the comparative figures for the corresponding period in 2012. 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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	NOTES	Six months ended 30 June 2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Revenue	3	**3,825,686**	3,583,213
Cost of sales		**(3,924,090)**	(3,451,154)
Gross (loss) profit		**(98,404)**	132,059
Other income		**18,112**	5,534
Other gains and losses	4	**(541,627)**	63,245
Distribution and selling expenses		**(11,903)**	(4,397)
General and administrative expenses		**(76,856)**	(64,613)
Finance costs		**(86,763)**	(83,911)
(Loss) profit before tax		**(797,441)**	47,917
Income tax credit (expense)	5	**24,255**	(19,885)
(Loss) profit for the period	6	**(773,186)**	28,032
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Exchange difference arising on translation to the Group's presentation currency		**27,377**	(16,645)
Items that may be subsequently reclassified to profit or loss:			
Reclassification adjustment relating to disposal of available-for-sale investment		**–**	429
Fair value loss on available-for-sale investment		**(3,938)**	(3,605)
		(3,938)	(3,176)
Other comprehensive income (expense) for the period		**23,439**	(19,821)
Total comprehensive (expense) income for the period		**(749,747)**	8,211
(Loss) profit for the period attributable to:			
Owners of the Company		**(748,940)**	44,966
Non-controlling interests		**(24,246)**	(16,934)
		(773,186)	28,032
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(724,481)**	25,140
Non-controlling interests		**(25,266)**	(16,929)
		(749,747)	8,211
		HK$	*HK$*
(Loss) earnings per share			
– basic	8	**(0.718)**	0.043
– diluted	8	**(0.718)**	0.037

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**311,395**	298,463
Prepaid lease payments		**345,781**	346,547
Investment properties		**29,875**	30,808
Available-for-sales investment		**11,532**	15,470
Deposits paid for leasehold interests and acquisition of property, plant and equipment		**26,006**	2,063
Deferred tax assets		**34,666**	12,621
		759,255	705,972
CURRENT ASSETS			
Inventories		**2,626,332**	2,982,599
Trade and other receivables	*9*	**683,347**	786,074
Bills receivables	*10*	**13,809**	7,054
Amount due from a substantial shareholder		**18,774**	23,636
Prepaid lease payments		**8,765**	8,687
Investments at fair value through profit or loss ("FVTPL")		**–**	24,677
Derivative financial instruments		**52,651**	55,438
Tax recoverable		**14,434**	9,484
Pledged bank deposits		**78,749**	105,765
Restricted bank deposits		**436,011**	44,656
Bank balances and cash		**490,564**	447,937
		4,423,436	4,496,007
CURRENT LIABILITIES			
Trade and other payables	*11*	**377,158**	265,439
Amount due to a substantial shareholder		**56,548**	42,917
Derivative financial instruments		**367,209**	21,520
Tax payable		**1,073**	14,640
Bank borrowings		**2,267,697**	1,949,673
		3,069,685	2,294,189
NET CURRENT ASSETS		**1,353,751**	2,201,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,113,006**	2,907,790

	NOTES	At 30 June 2013 HK$'000 (Unaudited)	At 31 December 2012 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**10,448**	10,435
Share premium and reserves		**1,366,698**	2,104,570
Equity attributable to owners of the Company		**1,377,146**	2,115,005
Non-controlling interests		**(66,729)**	(41,463)
TOTAL EQUITY		**1,310,417**	2,073,542
NON-CURRENT LIABILITIES			
Convertible bonds		**733,251**	708,547
Embedded derivative components of convertible bonds		**36,410**	85,290
Warrants		**3,507**	8,046
Deferred tax liabilities		**29,421**	32,365
		802,589	834,248
		2,113,006	2,907,790

NOTES:

1. BASIS OF PREPARATION

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

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/loss 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 and copper anode. 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 (including sales of other metal scrap without processing and copper anode).

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 2013

	Metal recycling business					Foundry business		Wholesales business			
	Copper scrap	Steel scrap	Aluminium scrap	Iron scrap	Other metal scrap	Aluminium-alloy ingots	Copper rod and wire	Other metal scrap without processing	Copper anode	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE											
External sales	1,986,549	468,593	125,434	90,883	33,294	175,828	9,282	507,225	428,598	–	3,825,686
Inter-segment sales	186,477	16,032	124,474	–	2,498	–	–	1,822,554	5,918	(2,157,953)	–
Total segment revenue	2,173,026	484,625	249,908	90,883	35,792	175,828	9,282	2,329,779	434,516	(2,157,953)	3,825,686
Segment profit (loss)	(101,585)	(5,352)	4,897	749	(988)	4,603	(10,818)	17,447	(17,919)	10,562	(98,404)
Other income											18,112
Other gains and losses											(541,627)
Distribution and selling expenses											(11,903)
General and administrative expenses											(76,856)
Finance costs											(86,763)
Loss before tax											(797,441)

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 (loss)	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

Segment (loss) profit represents the gross (loss) 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 CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
(Loss) gain on fair value change of:		
– derivative financial instruments *(note)*		
realised (loss) gain	**(314,285)**	83,429
unrealised loss	**(312,659)**	(33,918)
– the derivative component of convertible bonds	**48,880**	29,024
– warrants	**4,539**	2,701
Recovery of bad debts	**–**	11
Impairment loss recognised on trade and other receivables	**(846)**	–
Net foreign exchange gain (loss)	**51,293**	(15,233)
Loss on disposal of property, plant and equipment	**(25)**	(2,340)
Loss on disposal of available-for-sale investment	**–**	(429)
Gain on fair value change of investments at FVTPL	**34**	–
Others	**(18,558)**	–
	(541,627)	63,245

Note: The amount arose from fair value change in aluminium, copper, zinc, steel rebar and nickel futures contracts, provisional pricing arrangements embedded in sales contracts and foreign currency forward contracts.

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**95**	506
PRC Enterprises Income Tax ("EIT")	**–**	253
Netherlands	**186**	–
	281	759
Under (over) provision in prior periods:		
Hong Kong	**–**	(1,521)
PRC EIT	**34**	1,618
	315	856
Deferred tax (credit) expense	**(24,570)**	19,029
	(24,255)	19,885

6. (LOSS) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
(Loss) profit for the period has been arrived at after charging (crediting) the following items:		
Cost of inventories recognised as an expense	**3,924,090**	3,451,154
Depreciation of investment properties	**933**	311
Depreciation of property, plant and equipment	**16,924**	19,505
Share-based payment expense	**6,794**	9,032
Amortisation of prepaid lease payments	**4,361**	3,662
Interest income	**(3,024)**	(3,041)

7. DIVIDENDS

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
2012 final dividend paid – HK2.12 cents per share	**22,143**	–
2011 final dividend paid – HK3.7 cents per share	**–**	38,612

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
(Loss) Earnings:		
(Loss) Profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(748,940)**	44,966
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)
(Loss) Profit for the period attributable to owners of the Company for the purpose of diluted (loss) earnings per share	**(748,940)**	41,548
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**1,043,782,344**	1,042,340,970
Effect of dilutive potential ordinary shares:		
– Convertible bonds	**–**	91,142,491
– Share options	**–**	4,302,542
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**1,043,782,344**	1,137,786,003

In current period, the potential ordinary shares attributable to the Company's outstanding convertible bonds, warrants and certain share options has anti-dilutive effect on current interim period as the conversion would result in a decrease in loss per share.

In prior period, the computation of diluted (loss) 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 both periods.

9. 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.

An analysis of the Group's trade receivables by age at the end of the reporting period, presented based on the invoice dates which approximated the date of revenue recognition, net of allowance for doubtful debts, is as follows:

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**129,287**	129,614
31 – 60 days	**12,193**	30,097
61 – 90 days	**14,269**	685
91 – 180 days	**39,458**	36,683
Over 180 days	**13,092**	3,015
	208,299	200,094
Other receivables:		
Deposits and prepayments	**57,576**	48,343
Deposits paid for purchase of raw materials	**207,982**	264,432
VAT recoverable	**201,819**	264,473
Others	**7,671**	8,732
	475,048	585,980
	683,347	786,074

10. BILLS RECEIVABLES

An analysis of the Group's bills receivables by age at the end of the reporting period, presented based on the invoice dates (also approximate to the date of revenue recognition), is as follows:

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
0 – 30 days	**13,809**	4,834
31 – 60 days	**–**	370
61 – 90 days	**–**	1,850
	13,809	7,054

11. TRADE AND OTHER PAYABLES

An analysis of the Group's trade payables by age at the end of the reporting period, presented based on the invoice date:

	At 30 June 2013	At 31 December 2012
	HK$'000	*HK$'000*
Trade payables:		
0 – 30 days	**105,194**	72,718
31 – 60 days	**18,872**	17,836
61 – 90 days	**2,364**	–
91 – 180 days	**255**	1,061
Over 180 days	**10,402**	16,355
	137,087	107,970
Other payables:		
Other payables and accruals	**154,255**	121,615
Provision for pending legal litigations	**46,764**	20,448
Interest payable	**8,358**	6,877
Receipts in advance from customers	**30,694**	8,529
	240,071	157,469
	377,158	265,439

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The level of market volatility seen in the first half of this year had created exceptional challenges to the management of the Company resulting in a disappointing result for the six months ended 30 June 2013. With various major economic data released in recent weeks and the level of metal market volatility seen in the last few weeks, the global metal market appears to be less volatile with a modest upward bias. As a result, the management is cautiously optimistic about the Group's performance in the second half of this year.

The Group continued to face challenges arising from difficult business environment including highly volatile global metal market, anticipated slow economic growth in the PRC and the uncertain impact created from the rein in the stimulus program by the United States. During the first six months of this year, the Group recorded an increase in sales from HK$3.6 billion in the same period of 2012 to HK$3.8 billion, representing an increase of 6.8% over the same period of 2012. The gross loss of HK$98.4 million recorded during the period was due to the continuous decrease in commodity prices in the first half of 2013 and the "mark-to-market" basis for inventory allowance. During the period, the net loss attributable to the owners of the Company was HK$748.9 million as compared to the net profit of HK$45.0 million in the same period of 2012. Such loss was mainly due to the loss on fair value changes of derivative financial instruments which the Group is required to make under the "mark-to-market" accounting principle. The Company will reduce its positions on futures contracts as soon as reasonably practicable in order to reduce the exposure in futures market in the second half of 2013.

With a number of unforeseen circumstances impacting global supply of scrap materials, the Group experienced a reduction of scrap materials purchased. During the period, the reduction in supply was seen in the region of 10% to 15% when compared with the same period last year. In the first six months of this year, the Group sold in aggregate over 339,000 tonnes of its processed products within its three business segments, representing an increase of 10.4% when compared to 307,000 tonnes in the same period of 2012.

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

Basic loss per share amounted to HK$0.718 in 2013 (2012: Earnings per share HK$0.043).

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 its mixed metal scrap and has, 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

As part of our on-going business developments, in June 2013, an indirect wholly-owned subsidiary of the Company entered into an agreement for purchase of the leasehold interest of the premises adjacent to the existing Hong Kong facility of the Group for the purchase price of HK$200 million. The purchase is subject to the approval of the Hong Kong Science and Technology Park Corporation, the lessor of the premises. Details of such investment are set out in the Company's announcement dated 20 June 2013.

Although the construction of processing facilities in Yantai is still in progress, the Group has carried out a limited amount of trading activities within the facilities in order to make full use of the facilities during the period. We aim to commence processing operations in stages towards the end of this year.

With regard to the legal proceedings in the PRC involving Shanghai Chiho-Tiande Resource Recycling Co., Limited ("the Shanghai JV"), the PRC court has directed that detailed assessments be conducted by independent third parties to evaluate the amounts claimed by our Shanghai subsidiary before it continues to hear the case. Such assessments are being conducted at the moment and further update will be made when available.

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, Yantai and Hong Kong. We will continue to be on the lookout for any potential opportunity.

Social Responsibilities

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

According to the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳), our Taizhou facilities continue to 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 amount 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 the continued emphasis of support from the PRC Government to develop the recycling industry, we are confident that the metal recycling industry in the PRC will continue to grow and will become an important source and an integral part of the metal resource supply chain of the PRC in the future.

Given that the metal recycling industry contributes significantly to the protection of the environment and 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 still 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 of the Company.

FINANCIAL REVIEW

Revenue

During the period, revenue increased by approximately HK$0.2 billion, or 6.8%, from HK$3.6 billion in the same period of 2012 to HK$3.8 billion in this period. The increase was mainly contributed by an increase in sales volume, which offset the decrease in the average selling prices for our recycled metal products and foundry products.

Cost of sales

Cost of sales increased by approximately HK$473 million, or 13.7%, from HK$3,451 million in the same period of 2012 to HK$3,924 million in this period. Cost of sales increased primarily due to the increase in sales volume and the increase in inventory allowance from 31 December 2012 of HK$40.6 million to 30 June 2013 of HK$138.9 million based on the "mark-to-market" accounting principle.

Gross loss/profit and gross loss/profit margin

Gross loss of approximately HK$98.4 million was recorded when compared to gross profit of HK$132.1 million in the same period of 2012. The gross loss was due to (i) the inventory allowance of HK$98.3 million, which the Group is required to make under the "mark-to-market" accounting principle and (ii) the continuous decrease in commodity prices in this period.

The overall gross profit margin decreased from 3.7% in the same period of 2012 to a gross loss margin of 2.6% in this period. The decrease was mainly due to an adverse impact of the dramatic fall in global metal prices.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK$7.5 million or 170.5%, from HK$4.4 million in the same period of 2012 to HK$11.9 million in this period. This was mainly due to increase in selling activities in Hong Kong.

General and administrative expenses

General and administrative expenses increased by approximately HK$12.3 million or 19.0%, from HK$64.6 million in the same period of 2012 to HK$76.9 million in this period. This was mainly due to the expansion in the operations in Hong Kong and Yantai during the period and the additional provision made for the legal dispute between our Shanghai JV and 上海民營科技實業發展公司.

Other income

Other income increased by approximately HK$12.6 million, or 229%, from HK$5.5 million in the same period of 2012 to HK$18.1 million in this period. This was mainly due to the government grants received during the period.

Other gains and losses

Other losses of approximately HK$541.6 million recorded in this period, when compared to a gain of approximately HK$63.2 million in the same period of 2012. This was mainly due to loss on fair value changes of derivative financial instruments when compared to previous period.

Finance costs

Finance costs increased by approximately HK$2.9 million, or 3.5%, from HK$83.9 million in the same period of 2012 to HK$86.8 million in this period. 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 period.

Loss/Profit for the period and net loss/profit margin

As a result of the factors discussed above, the Company incurred a net loss for the period of approximately HK$773.2 million, when compared to a net profit of HK$28.0 million in the same period of 2012. The decrease was mainly due to an adverse impact of the dramatic fall in global metal prices and the loss on fair value changes of derivative financial instruments which the Group is required to make under the "mark-to-market" accounting principle.

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 2013	At 31 December 2012
Liquidity Ratios		
Current ratio	**1.44**	1.96
Quick ratio	**0.59**	0.66
Gearing ratio (%)	**57.9**	51.1

	Six months ended 30 June	
	2013	2012
Inventory turnover days	**129**	191
Debtor's turnover days	**10**	14
Creditor's turnover days	**6**	19

Liquidity and Financial Resources and Capital Structure

Included in net current assets were cash and various bank deposits totaling HK$1.0 billion (31 December 2012: HK$0.6 billion). Total bank borrowings were HK$2.3 billion (31 December 2012: HK$1.9 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 2013 was 57.9% (31 December 2012: 51.1%). The increase was mainly due to the increase in bank borrowings and decrease in inventory level during the period.

Debtor's turnover days and creditor's turnover days both decreased from 14 days and 19 days for the same period of 2012 to 10 days and 6 days for this period, respectively.

Inventory turnover days decreased from 191 days for the same period of 2012 to 129 days for this period.

Capital Commitments and Contingent Liabilities

As at 30 June 2013, the Group had pledged certain buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$433.5 million (31 December 2012: approximately HK$367.6 million) to secure bank borrowings.

As at 30 June 2013, the Group had capital commitments in respect of acquisition of leasehold interests for land and buildings and other property, plant and equipment but not provided in the condensed consolidated financial statements amounted to HK$317.4 million (31 December 2012: HK$12.0 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, whereby the Company may, from time to time, purchase commodities financial instruments with a view to mitigating commodity price risk by seeking to lock in the Group's profits, securing the Group's profit margin and protecting the sales price of the Group's products. For the purposes of fulfilling its hedging policy objectives and not for speculation purposes, the Group buys and sells futures contracts in organised markets with reference to the prevailing market conditions.

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 2013, the Group had a workforce of 624 employees. In addition, the Group engaged approximately 3,800 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 CORPORATE GOVERNANCE CODE

Throughout the period ended 30 June 2013, the Company has complied with all the applicable code provisions of the Corporate Governance Code 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.

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 he/she has complied with the required standards set out in the Model Code during the six months ended 30 June 2013 in relation to his/her securities dealings, if any.

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

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

During the six months ended 30 June 2013, the Company repurchased 406,000 ordinary shares on the Stock Exchange at an aggregate consideration of HK$1,323,905.27. The repurchase was effected by the Directors for the enhancement of shareholders' value. Details of the repurchase are as follows:

Date of repurchase	Total number of the ordinary shares repurchased	Highest price paid per share	Lower price paid per share	Aggregate consideration
		HK$	*HK$*	*HK$*
24 June 2013	406,000	3.28	3.20	1,323,905.27

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 period.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013. Accordingly, no closure of Register of Members of the Company is proposed.

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

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chiho-tiande.com). The interim report of the Company for the six months ended 30 June 2013 containing all the information required by the Listing Rules will be despatched to the Company's shareholders and posted on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates, bankers, lawyers and auditors for their support throughout the period.

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

Hong Kong, 15 August 2013

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