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 2014

HIGHLIGHTS

- Revenue for the first half of 2014 decreased by approximately 15.8% to HK$3.2 billion, when compared to HK$3.8 billion in the same period of 2013.
- The Group recorded a gross loss of HK$136.9 million for the first half of 2014, when compared to the gross loss of HK$98.4 million in the same period of 2013.
- The gross loss incurred during the period was due to the adverse impact of the prolonged volatility and the sharp downward movement of the global metal prices in the first quarter of 2014.
- The Group recorded a loss attributable to the owners of the Company of HK$896.0 million when compared to the loss attributable to the owners of the Company of HK$748.9 million in the same period of 2013.
- The loss attributable to the owners of the Company is largely attributable to the loss derived from derivative financial instruments of HK$616.6 million.
- The Group sold over 297,000 tonnes of mixed metal scrap during the interim period, representing a decrease of approximately 12.4% when compared to 339,000 tonnes in the same period of 2013.
- The Board does not recommend the payment of dividend for the period ended 30 June 2014 (2013: Nil).

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 2014.

The Group had a disappointing result for the first half of 2014 with a loss of HK$896.0 million attributable to owners of the Company. During the period, the Group recorded a reduction in sales from HK$3.8 billion in the same period of 2013 to HK$3.2 billion, representing a reduction of approximately 15.8%. The Group recorded a gross loss of HK$136.9 million during the period, which was due to the adverse impact of the prolonged volatility and the sharp downward movement of the global metal prices in the first quarter of 2014. The prolonged volatility and the sharp downward movement of commodity prices had a significant negative impact on the gross margin of the Group in the period. During the period, the Group recorded a loss attributable to the owners of the Company of HK$896.0 million, when compared to the loss attributable to the owners of the Company of HK$748.9 million recorded in the same period of 2013. Loss derived from derivative financial instruments of HK$616.6 million was recognised in the first half of 2014, which was reduced from HK$626.9 million for the six months ended 30 June 2013 by approximately HK$10.3 million.

Despite the sharp downward movement in the first quarter and the overall volatile global metal market throughout the period, the Group continued to maintain and balance its procurement volume to cater for its processing needs through its well established overseas procurement network. The Group sold in aggregate over 297,000 tonnes of its processed products within its three business segments throughout the period. This represented a decrease of approximately 12.4% when compared to 339,000 tonnes in the same period of 2013.

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 attributable to owners of the Company amounted to HK$0.857 in the first half of 2014 (2013: Loss per share HK$0.718).

Following the establishment of our Hong Kong operations in 2012, the Group's Hong Kong operations together with the Hong Kong joint venture company have 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 and maintain our view that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

As for the investment in establishing new processing facilities in the Development Zone in Yantai City, the People's Republic of China (the "PRC"), we are now close to completing the first stage of the development and the new processing facilities were partially operational during the period.

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 and Hong Kong. We will continue to be on the lookout for any potential opportunity, especially the activities within the scrap metal resources supply chain.

With the continued strong 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 become an important source and an integral part of the metal resources supply chain of the PRC in the future.

Given that the 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.

INTERIM RESULTS

The Board presents the unaudited condensed consolidated results of the Group for the six months ended 30 June 2014, together with the comparative figures for the corresponding period in 2013. 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 2014

	NOTES	Six months ended 30 June 2014 HK$'000 (Unaudited)	2013 HK$'000 (Unaudited)
Revenue	3	**3,204,362**	3,825,686
Cost of sales		**(3,341,297)**	(3,924,090)
Gross loss		**(136,935)**	(98,404)
Other income		**24,843**	18,112
Other gains and losses	4	**(640,516)**	(541,627)
Distribution and selling expenses		**(13,245)**	(11,903)
General and administrative expenses		**(57,985)**	(76,856)
Finance costs		**(80,696)**	(86,763)
Loss before tax		**(904,534)**	(797,441)
Income tax (expense) credit	5	**(2,180)**	24,255
Loss for the period	6	**(906,714)**	(773,186)
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation to the Group's presentation currency		**(13,590)**	27,377
Items that may be reclassified subsequently to profit or loss:			
Reclassification to profit or loss on disposal of available-for-sale investment		**499**	–
Fair value gain (loss) on available-for-sale investment		**918**	(3,938)
		1,417	(3,938)
Other comprehensive (expense) income for the period		**(12,173)**	23,439
Total comprehensive expense for the period		**(918,887)**	(749,747)
Loss for the period attributable to:			
Owners of the Company		**(896,030)**	(748,940)
Non-controlling interests		**(10,684)**	(24,246)
		(906,714)	(773,186)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(908,901)**	(724,481)
Non-controlling interests		**(9,986)**	(25,266)
		(918,887)	(749,747)
		HK$	*HK$*
Loss per share			
– basic	8	**(0.857)**	(0.718)
– diluted	8	**(0.857)**	(0.718)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	At 30 June 2014 HK$'000 (Unaudited)	At 31 December 2013 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**377,991**	331,530
Prepaid lease payments		**424,992**	433,069
Investment properties		**23,049**	28,942
Available-for-sales investment		**–**	14,053
Deposits paid for acquisition of property, plant and equipment		**48,452**	40,332
Deferred tax assets		**518**	5,997
		875,002	853,923
CURRENT ASSETS			
Inventories		**1,428,480**	2,570,273
Trade and other receivables	*9*	**463,927**	744,477
Bills receivables	*10*	**1,296**	6,614
Prepaid lease payments		**10,582**	10,642
Derivative financial instruments		**17,175**	132,688
Tax recoverable		**10,276**	10,334
Pledged bank deposits		**180,944**	141,841
Margin deposits		**346,000**	175,405
Bank balances and cash		**411,178**	271,095
		2,869,858	4,063,369
Asset classified as held for sale	*12*	**4,960**	–
		2,874,818	4,063,369
CURRENT LIABILITIES			
Trade and other payables	*11*	**432,254**	407,005
Derivative financial instruments		**144,880**	33,303
Tax payable		**3,468**	2,268
Bank borrowings		**1,546,624**	1,958,680
Convertible bonds		**787,100**	–
Embedded derivative components of convertible bonds		**5,214**	–
Warrants		**571**	–
		2,920,111	2,401,256
NET CURRENT (LIABILITLES) ASSETS		**(45,293)**	1,662,113
TOTAL ASSETS LESS CURRENT LIABILITIES		**829,709**	2,516,036

	NOTES	At 30 June 2014 HK$'000 (Unaudited)	At 31 December 2013 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**10,478**	10,446
Share premium and reserves		**866,193**	1,763,914
Equity attributable to owners of the Company		**876,671**	1,774,360
Non-controlling interests		**(77,657)**	(67,671)
TOTAL EQUITY		**799,014**	1,706,689
NON-CURRENT LIABILITIES			
Convertible bonds		–	759,406
Embedded derivative components of convertible bonds		–	13,353
Warrants		–	1,331
Deferred tax liabilities		**30,695**	35,257
		30,695	809,347
		829,709	2,516,036

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").

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group incurred a loss of HK$906,714,000 for the six months ended 30 June 2014 and the Group's current liabilities exceeded its current assets by HK$45,293,000 as at 30 June 2014. The directors of the Company, having taken into consideration of the following circumstances and taking into account the past track record of renewing the revolving borrowing facilities, the directors of the Company expect that the Group will be able to renew the revolving borrowing facilities, are of the opinion that the Group has sufficient working capital for its present requirements in the next twelve months:

(a) the proceeds of HK$34,560,000 from the disposal of an investment property, details of which are set out in Note 12 of this announcement; and

(b) the Group's unutilised borrowing facilities of approximately HK$1,268,000,000 at 30 June 2014.

Based on the aforesaid factors, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due for the foreseeable future. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

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.

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 cathodes. 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 cathode).

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 2014

	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 cathode	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	2,116,257	382,675	78,175	89,460	24,347	132,781	10,101	255,989	114,577	–	3,204,362
Inter-segment sales	64,878	18,235	98,509	–	1,675	–	–	1,104,595	–	(1,287,892)	–
Total segment revenue	2,181,135	400,910	176,684	89,460	26,022	132,781	10,101	1,360,584	114,577	(1,287,892)	3,204,362
Segment (loss) profit	(123,432)	(16,343)	(10,215)	(4,790)	(3,321)	6,056	(4,124)	34,323	(11,585)	(3,504)	(136,935)
Other income											24,843
Other gains and losses											(640,516)
Distribution and selling expenses											(13,245)
General and administrative expenses											(57,985)
Finance costs											(80,696)
Loss before tax											(904,534)
Income tax expense											(2,180)
Loss for the period											(906,714)

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 cathode	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 (loss) profit	(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)
Income tax credit											24,255
Loss for the period											(773,186)

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 reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
(Loss) gain on fair value change of:		
– derivative financial instruments *(note)*		
realised loss	**(489,108)**	(314,285)
unrealised loss	**(127,535)**	(312,659)
– the derivative component of convertible bonds	**8,139**	48,880
– warrants	**760**	4,539
Impairment loss recognised on trade and other receivables	**(832)**	(846)
Net foreign exchange (loss) gain	**(29,280)**	51,293
Gain (loss) on disposal of property, plant and equipment	**1,033**	(25)
Reclassified to profit or loss on disposal of available-for-sale investment	**(499)**	–
Gain on fair value change of investments at fair value through profit or loss	**–**	34
Others	**(3,194)**	(18,558)
	(640,516)	(541,627)

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 EXPENSE (CREDIT)

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Current tax:		
Hong Kong	**69**	95
PRC Enterprises Income Tax ("EIT")	**620**	–
Netherlands	**240**	186
	929	281
Underprovision in prior periods:		
Hong Kong	**331**	–
PRC EIT	**1**	34
	1,261	315
Deferred tax expense (credit)	**919**	(24,570)
	2,180	(24,255)

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging (crediting) the following items:		
Cost of inventories recognised as an expense	**3,341,297**	3,924,090
Depreciation of investment properties	**933**	933
Depreciation of property, plant and equipment	**17,792**	16,924
Share-based payment expense	**2,642**	6,794
Amortisation of prepaid lease payments	**5,302**	4,361
Interest income	**(3,337)**	(3,024)

7. DIVIDEND

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period:		
2012 final dividend paid – HK2.12 cents per share	**–**	22,143

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (1.1.2013 to 30.6.2013: Nil).

8. LOSS PER SHARE

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

	Six months ended 30 June	
	2014	2013
	HK$'000	*HK$'000*
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**896,030**	748,940
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,045,383,003**	1,043,782,344

In current and prior periods, the potential ordinary shares attributable to the Company's outstanding convertible bonds, warrants and share options had anti-dilutive effect as the assumed conversion and exercise would result in a decrease in loss per share.

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 to the date of revenue recognition, net of allowance for doubtful debts, is as follows:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
Trade receivables:		
0 – 30 days	**34,332**	129,659
31 – 60 days	**23,012**	11,486
61 – 90 days	**12,159**	24,300
91 – 180 days	**21,085**	58,580
Over 180 days	**31,357**	57,702
	121,945	281,727
Other receivables:		
Deposits and prepayments	**36,004**	37,300
Deposits paid for purchase of raw materials *(note)*	**211,513**	214,734
VAT recoverable	**86,866**	206,762
Others	**7,599**	3,954
	341,982	462,750
	463,927	744,477

note: Included an amount of HK$255,000 (2013: HK$36,442,000) paid to Sims Metal Management Dragon Holdings Limited ("Sims"), a substantial shareholder with significant influence over the Company.

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 which approximate to the date of revenue recognition, is as follows:

	At 30 June 2014	At 31 December 2013
	HK$'000	*HK$'000*
0 – 30 days	**1,296**	6,614

11. TRADE AND OTHER PAYABLES

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Trade payables		
Sims	**84,894**	78,721
Third parties	**79,899**	130,820
	164,793	209,541
Other payables:		
Other payables and accruals	**193,203**	112,068
Provision for pending legal litigations	**51,147**	51,638
Interest payable	**5,631**	5,409
Receipts in advance from customers	**17,480**	28,349
	267,461	197,464
	432,254	407,005

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

	At 30 June 2014 HK$'000	At 31 December 2013 HK$'000
Trade payables:		
0 – 30 days	**139,428**	177,776
31 – 60 days	**13,427**	26,376
61 – 90 days	**2,029**	–
91 – 180 days	**55**	4,391
Over 180 days	**9,854**	998
	164,793	209,541

12. ASSET CLASSIFIED AS HELD FOR SALE

On 19 June 2014, the Group entered into a sale and purchase agreement with an independent third party for the disposal of an investment property at a consideration of HK$34,560,000 with a gain on disposal of HK$29,400,000 after deducting the transaction cost of HK$200,000. The investment property is classified as an asset classified as held for sale and separately presented in the condensed consolidated statement of financial position at 30 June 2014. The Group received deposit of HK$3,456,000 which is classified as other payables in the condensed consolidated statement of financial position as at 30 June 2014. The disposal was completed subsequent to 30 June 2014 and the consideration was settled in full upon completion.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

As the significant volatility in the global metal market persists in 2014, the management continued to face exceptional challenges resulting in a disappointing result for the first half of 2014. Coupled with the sharp downward movement of the global metal prices in the first quarter of 2014, the overall result of the Group for the six months ended 30 June 2014 remained in a loss position. Recent releases of various world economic data have revealed improvement and with a modest stabilising bias on the world economy. As new incidents have emerged, including the turmoil in Ukraine and the Middle-East, the economic embargo between the West and Russia, the global metal market continued to fluctuate. Thus, the management remains to be cautiously optimistic about the Group's performance in the coming months.

During 2014, the Group continued to face challenges arising from the difficult business environment, including the highly volatile global metal market and the expected slowing economic growth in the PRC. During the period, the Group's revenue decreased from HK$3.8 billion in the same period of 2013 to HK$3.2 billion, representing a decrease of approximately15.8%. The gross loss of HK$136.9 million recorded during the six months ended 30 June 2014 was due to the adverse impact of the prolonged volatility and the sharp downward movement of the global metal prices in the first quarter of 2014. The prolonged volatility and the sharp downward movement of commodity prices had a significant negative impact on the gross margin of the Group in the period. During the period, the Group recorded a loss attributable to the owners of the Company of HK$896.0 million, when compared to the loss attributable to the owners of the Company of HK$748.9 million recorded in the same period of 2013. Loss derived from derivative financial instruments of HK$616.6 million was recognised in the first half of 2014, which was reduced from HK$626.9 million for the six months ended 30 June 2013 by approximately HK$10.3 million.

With a number of unforeseeable circumstances impacting the global supply of scrap materials, the Group continued to experience a reduction of scrap materials purchased. During the period, the reduction in mixed metal scrap supply was more than 20% when compared with the same period last year. The Group sold in aggregate over 297,000 tonnes of processed products within its three business segments throughout the period. This represented a decrease of approximately 12.4% when compared to 339,000 tonnes in the same period of 2013.

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.

With regard to the legal proceedings in the PRC involving Shanghai Chiho-Tiande Resource Recycling Co., Limited (the "Shanghai JV"), both the Shanghai JV and Shanghai Science and Technology Co., Ltd. ("SST") have applied to the Second Intermediate People's Court of Shanghai for an appeal against the judgment, which was made by the Baoshan People's Court on 25 December 2013 and disclosed in the announcement dated 15 January 2014.

On 18 March 2014 and 28 April 2014, the hearings of the appeal was held in the Second Intermediate People's Court in Shanghai District, the court case was still in progress at the end of the reporting period.

The Board takes the view that the legal proceedings will not have any material adverse effect on the business, operations or financial results of the Group. The Company will keep its shareholders and the investors informed of the development of the legal proceedings as and when appropriate.

Basic loss per share attributable to owners of the Company amounted to HK$0.857 in the first half of 2014 (2013: Loss per share HK$0.718).

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 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 the suppliers over the years.

Corporate and Business Development

Following the establishment of our Hong Kong operations in 2012, the Group's Hong Kong operations together with the Hong Kong joint venture company have 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 and maintain our view that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

As for the investment in establishing new processing facilities in the Development Zone in Yantai City, PRC, we are now close to completing the first stage of the development and the new processing facilities were partially operational during the period.

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 and Hong Kong. We will continue to be on the lookout for any potential opportunity, especially the activities within the scrap metal resources supply chain.

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.

With the changes in the evaluation process by the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳) in 2013, our Taizhou facilities have once again passed the evaluation process as designated processing units for imported metal scraps recycling and utilisation 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, solid and noise pollution produced during the course of our production process.

Prospects

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

Given that the 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 line with our expansion strategy and the current market conditions, the Group is aiming to procure 50,000 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 capitalise on such direction in achieving satisfactory returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

During the period, revenue decreased by approximately HK$0.6 billion, or 15.8%, from HK$3.8 billion in the same period of 2013 to HK$3.2 billion in this period. The decrease was mainly attributable to a decrease in the sales volume and a decrease in the average selling prices of our recycled metal products and foundry products.

Cost of sales

Cost of sales decreased by approximately HK$0.6 billion, or 15.4%, from HK$3.9 billion in the same period of 2013 to HK$3.3 billion in this period. The decrease is in line with the decrease in revenue and is primarily due to a decrease in the sales volume and reduction in the average purchase prices of raw materials.

Gross loss and gross loss margin

Gross loss of approximately HK$136.9 million was recorded when compared to that of HK$98.4 million in the same period of 2013. The gross loss margin increased from 2.6% in the same period of 2013 to a gross loss margin of 4.3% in this period. The gross loss was due to the adverse impact of the prolonged volatility and the sharp downward movement of the global metal prices in the first quarter of 2014.

Distribution and selling expenses

Distribution and selling expenses increased by approximately HK$1.3 million or 10.9%, from HK$11.9 million in the same period of 2013 to HK$13.2 million in this period. This was mainly due to an increase in the selling activities in Hong Kong.

General and administrative expenses

General and administrative expenses decreased by approximately HK$18.9 million or 24.6%, from HK$76.9 million in the same period of 2013 to HK$58.0 million in this period. This was mainly due to the absence of any further provision made for the legal dispute between the Shanghai JV and SST, the decrease in the provision of staff bonus and share option expenses during the period.

Other income

Other income increased by approximately HK$6.7 million, or 37.0%, from HK$18.1 million in the same period of 2013 to HK$24.8 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$640.5 million were recorded in this period, when compared to the losses of approximately HK$541.6 million in the same period of 2013. This was mainly due to a fair value loss of derivative financial instruments and exchange loss due to the depreciation of Renminbi during the period.

Finance costs

Finance costs decreased by approximately HK$6.1 million, or 7.0%, from HK$86.8 million in the same period of 2013 to HK$80.7 million in this period. This was mainly due to a decrease in the bank interest expenses as the overall bank borrowings decreased during the period.

Loss for the period

As a result of the factors discussed above, the Company incurred a net loss for the period of approximately HK$906.7 million, when compared to a net loss of HK$773.2 million in the same period of 2013. The decrease was mainly due to the adverse impact of the prolonged volatility and the sharp downward movement of the global metal prices and the loss derived from derivative financial instruments.

Key Financial Ratios

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

	At 30 June 2014	At 31 December 2013
Liquidity Ratios		
Current ratio	**0.98**	1.69
Quick ratio	**0.50**	0.62
Gearing ratio (%)	**62.2**	55.3

	Six months ended 30 June	
	2014	2013
Inventory turnover days	**108**	129
Debtor's turnover days	**11**	10
Creditor's turnover days	**10**	8

Liquidity and Financial Resources and Capital Structure

The net current assets which included cash and various bank deposits amounted to HK$0.9 billion (31 December 2013: HK$0.6 billion). Total bank borrowings were HK$1.5 billion (31 December 2013: HK$2.0 billion), and those were mainly used to finance the purchases of mixed metal scrap from overseas. Such borrowings were mainly denominated in US Dollar and Renminbi.

The gearing ratio of the Group as at 30 June 2014 was 62.2% (31 December 2013: 55.3%). The increase was mainly due to decrease in inventory level during the period, which partially offset by the decrease in bank borrowings.

Debtor's turnover days and creditor's turnover days increased from 10 days and 8 days for the same period of 2013 to 11 days and 10 days for this period, respectively.

Inventory turnover days decreased from 129 days for the same period of 2013 to 108 days for this period.

Capital Commitments and Contingent Liabilities

As at 30 June 2014, the Group had pledged certain buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$424.2 million (31 December 2013: approximately HK$447.6 million) to secure bank borrowings.

As at 30 June 2014, the capital commitments of the Group in respect of acquisition of leasehold interests for land and buildings and other property, plant and equipment, which were not provided in the condensed consolidated financial statements amounted to HK$127.6 million (31 December 2013: HK$82.2 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 minimise the adverse effects of these risks on its financial performance.

The Company established the Pricing Committee and adopted a hedging policy (the "Hedging Policy") since June 2010 which aimed to enhance the Group's risk management of commodity price fluctuations, whereby the Company may, from time to time, buy and sell commodity futures 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. In addition, as part of its treasury management, the Group purchases and sells metal futures (i) to fund its operations, (ii) to maintain/increase its inventory at an appropriate cost, and (iii) to reduce its inventory at an appropriate cost.

As part of its foreign currency hedging strategy, the Group has bought US Dollar forward contracts since the second half of 2009 primarily to mitigate our exposure to the 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 relatively low interest rates currently, 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 minimise 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 minimise potential impairment losses.

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

Employees

As at 30 June 2014, the Group had a workforce of 555 employees. In addition, the Group engaged approximately 3,100 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 the 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 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 2014, the Company has complied with all the applicable code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "Code") 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 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.

During the year ended 31 December 2013, the Company identified certain practices which were not in full compliance with the Hedging Policy of the Group. In view of this, the Board has taken remedial actions and commissioned an independent professional to review the internal control system and corporate governance of the Group and a report was submitted to the Board in March 2014.

The Group has reinforced its internal control mechanism based on the recommendations provided by the independent professional, such reinforcements included enhancing the monitoring mechanism and conducting more detailed analysis in order to improve the risk management system of the Group. Most of the reinforcements were implemented during the first half of 2014 and it is expected that all recommendations made by the independent professional will be addressed in the second half of 2014.

The Company will review its corporate governance practices on a continual basis.

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 (the "Model Code") as its own code of conduct regarding 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 2014 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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014. Accordingly, no closure of the 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 2014 containing all the information required by the Listing Rules will be dispatched 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 2014

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