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 2015

HIGHLIGHTS

- Revenue for the first half of 2015 decreased by 43.8% to HK$1.8 billion during the period, when compared to HK$3.2 billion in the same period of 2014.
- The Group recorded a gross profit of HK$61.5 million for the first half of 2015, when compared to the gross loss of HK$136.9 million in the same period of 2014.
- The gross profit incurred during the period was due to less volatility in the global metal prices during the period.
- The Group recorded a loss attributable to the owners of the Company of HK$949.6 million when compared to the loss attributable to the owners of the Company of HK$896.0 million in the same period of 2014.
- The loss attributable to the owners of the Company is largely attributable to the losses derived from the fair value changes of the derivative financial instruments of HK$315.8 million and the derivative components of the Company's convertible bonds of HK$559.9 million. The loss derived from the fair value change of the derivative components of the Company's convertible bonds is a non-cash accounting treatment solely for compliance with HKFRSs and will not have an impact on the operating cash flow of the Group.
- The Company has successfully issued new ordinary shares in the first half of 2015 and total proceeds from the subscriptions amounted to approximately HK$4.1 billion, which has significantly improved the financial position of the Group from the same period in 2014.
- The Group sold over 242,000 tonnes of mixed metal scrap during the interim period, representing a decrease of 18.5% when compared to 297,000 tonnes in the same period of 2014.
- The Board does not recommend the payment of dividend for the six months ended 30 June 2015 (2014: Nil).

CHAIRMAN'S STATEMENT

On behalf of the Board (the "Board") of Directors (the "Director(s)") 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 2015.

The Group incurred a loss of HK$949.6 million attributable to owners of the Company for the first half of 2015. During the period, despite a reduction in sales from HK$3.2 billion in the same period of 2014 to HK$1.8 billion, representing a reduction of 43.8%, the Group recorded a gross profit of HK$61.5 million when compared to the gross loss of HK$136.9 million in the same period of 2014, this was mainly due to the weakness in global commodity prices with less volatility seen during the first half of 2015.

During the period, the Group recorded a loss attributable to the owners of the Company of HK$949.6 million, when compared to the loss attributable to the owners of the Company of HK$896.0 million recorded in the same period of 2014. Loss on the fair value changes of the derivative financial instruments of HK$315.8 million was recognised in the first half of 2015, when compared to that of HK$616.6 million for the same period in 2014. However, as disclosed by the Company's announcement dated 11 August 2015, there was an accounting loss of approximately HK$559.9 million derived from the change in the fair value of the derivative components of the convertible bonds issued by the Company due to a non-cash accounting treatment solely for the purpose of complying with Hong Kong Financial Reporting Standards ("HKFRSs") as a result of the significant increase in the share price of the Company during the period.

With the overall decreasing global metal prices throughout the period, the Group faced various challenges to achieve its procurement volume to meet its processing needs through its well established overseas procurement network. The Group sold in aggregate over 242,000 tonnes of its processed products within its three business segments throughout the period. This represented a decrease of 18.5% when compared to 297,000 tonnes in the same period of 2014.

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$0.809 in the first half of 2015 (2014: Loss per share HK$0.857).

With a strong presence in Hong Kong established since 2012, 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 continue to be confident that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

As for the establishment of the new processing facilities in the Development Zone in Yantai City, the People's Republic of China (the "PRC"), we have completed the first stage of the development and are now progressively operational.

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 operation facilities and at the same time looking for opportunities to improve the performance of the Group.

Following the subscriptions of the Company's shares as described in the Company's announcement dated 27 March 2015 and the completions of such share subscriptions on 30 April 2015 and 29 May 2015, the financial position of the Group has significantly improved from the same period in 2014. We intend to apply the proceeds from such share subscriptions to finance any potential acquisitions of businesses or assets in order to further strengthen the Group's principal business of metal recycling. In this connection, the Company is actively looking for suitable acquisition opportunities within the scrap metal recycling and related sector in mature overseas as well as domestic markets.

As indicated in the Company's announcements dated 1 December 2014 and 29 May 2015 in relation to the proposed establishment of a renewable oil investment company in the PRC and the proposed acquisition of 80% equity interest in Yantai Liheng Environmental Protection Technology Co., Ltd.* (煙台立衡環保科技有限公司), which owns certain production facilities located in Yantai, the PRC, pursuant to the two letters of intent entered into by Chiho-Tiande Investments Limited, a wholly-owned subsidiary of the Company, on 1 December 2014, we are currently at the stage of finalising the definitive agreements for these proposed transactions with the counterparties.

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 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 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 2015, together with the comparative figures for the corresponding period in 2014. 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 of the Company with no disagreement.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	NOTES	Six months ended 30 June 2015 HK$'000 (Unaudited)	2014 HK$'000 (Unaudited)
Revenue	3	**1,779,975**	3,204,362
Cost of sales		**(1,718,466)**	(3,341,297)
Gross profit (loss)		**61,509**	(136,935)
Other income		**42,809**	24,843
Other gains and losses	4	**(902,000)**	(640,516)
Distribution and selling expenses		**(4,826)**	(13,245)
General and administrative expenses		**(67,916)**	(57,985)
Finance costs		**(75,618)**	(80,696)
Share of profit of an associate		**308**	–
Loss before tax		**(945,734)**	(904,534)
Income tax expense	5	**(1,070)**	(2,180)
Loss for the period	6	**(946,804)**	(906,714)
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		**(954)**	(13,590)
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 (loss) gain on available-for-sale investment		**(2,995)**	918
		(2,995)	1,417
Other comprehensive expense for the period		**(3,949)**	(12,173)
Total comprehensive expense for the period		**(950,753)**	(918,887)
Loss for the period attributable to:			
Owners of the Company		**(949,641)**	(896,030)
Non-controlling interests		**2,837**	(10,684)
		(946,804)	(906,714)
Total comprehensive expense for the period attributable to:			
Owners of the Company		**(953,555)**	(908,901)
Non-controlling interests		**2,802**	(9,986)
		(950,753)	(918,887)
		HK$	*HK$*
Loss per share			
– basic	8	**(0.809)**	(0.857)
– diluted	8	**(0.809)**	(0.857)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	NOTES	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**549,042**	508,265
Prepaid lease payments		**416,262**	421,461
Investment properties		**21,653**	22,351
Investment in an associate		**2,917**	2,609
Available-for-sales investment		**68,805**	–
Deposits paid for acquisition of property, plant and equipment		**26,784**	19,033
Deferred tax assets		**872**	8,189
		1,086,335	981,908
CURRENT ASSETS			
Inventories		**1,031,540**	1,107,789
Trade, bills and other receivables	*9*	**343,177**	431,443
Prepaid lease payments		**10,623**	10,620
Derivative financial instruments		**81,397**	391,476
Tax recoverable		**10,178**	10,382
Pledged bank deposits		**128,562**	182,559
Margin deposits		**68,859**	253,292
Bank balances and cash		**3,996,627**	271,556
		5,670,963	2,659,117
CURRENT LIABILITIES			
Trade and other payables	*10*	**360,121**	412,209
Derivative financial instruments		**120,370**	402,932
Tax payable		**2,887**	3,771
Loan from a director		**62,021**	–
Bank borrowings		**931,726**	1,324,831
Debt component of convertible bonds		**154,977**	816,421
Embedded derivative components of convertible bonds		**121,155**	–
		1,753,257	2,960,164
NET CURRENT ASSETS (LIABILITIES)		**3,917,706**	(301,047)
TOTAL ASSETS LESS CURRENT LIABILITIES		**5,004,041**	680,861

	NOTES	At 30 June 2015 HK$'000 (Unaudited)	At 31 December 2014 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital		**15,870**	10,494
Share premium and reserves		**4,709,684**	713,556
Equity attributable to owners of the Company		**4,725,554**	724,050
Non-controlling interests		**(77,892)**	(80,694)
TOTAL EQUITY		**4,647,662**	643,356
NON-CURRENT LIABILITIES			
Debt component of convertible bonds		**183,316**	–
Embedded derivative components of convertible bonds		**142,910**	–
Deferred tax liabilities		**30,153**	37,505
		356,379	37,505
		5,004,041	680,861

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 "Listing Rules").

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014. In addition, the Group has applied the following accounting policy for substantial modification of convertible bonds during the current interim period:

Derecognition of financial instruments

When the contractual terms of convertible bonds are modified such that the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original convertible bonds and the recognition of new convertible bonds. The difference between the carrying amounts of convertible bonds derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

3. SEGMENT INFORMATION

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

Six months ended 30 June 2015

	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	1,053,024	256,476	88,024	54,472	16,277	109,573	13,549	139,627	48,953	–	1,779,975
Inter-segment sales	12,282	8,332	68,229	–	299	–	–	505,092	–	(594,234)	–
Total segment revenue	1,065,306	264,808	156,253	54,472	16,576	109,573	13,549	644,719	48,953	(594,234)	1,779,975
Segment profit (loss)	35,293	4,417	10,398	(2,929)	675	6,205	5,292	7,637	(940)	(4,539)	61,509
Other income											42,809
Other gains and losses											(902,000)
Distribution and selling expenses											(4,826)
General and administrative expenses											(67,916)
Finance costs											(75,618)
Share of profit of an associate											308
Loss before tax											(945,734)
Income tax expense											(1,070)
Loss for the period											(946,804)

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)

Information on segment assets and segment liabilities of the Group are not reviewed by the chief operating decision maker ("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 is presented.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June 2015 HK$'000	2014 HK$'000
(Loss) gain on fair value change of:		
– derivative financial instruments *(note)*		
realised loss	**(276,813)**	(489,108)
unrealised loss	**(38,973)**	(127,535)
– the derivative components of convertible bonds	**(559,913)**	8,139
– warrants	**–**	760
Loss on derecognition of convertible bonds	**(1,210)**	–
Impairment loss recognised on trade and other receivables	**–**	(832)
Recovery of doubtful debts	**2,525**	–
Net foreign exchange loss	**(35,953)**	(29,280)
Gain on disposal of property, plant and equipment	**3,641**	1,033
Reclassified to profit or loss on disposal of available-for-sale investment	**–**	(499)
Others	**4,696**	(3,194)
	(902,000)	(640,516)

note: The amount arose from aluminium, copper, lead, zinc, steel rebar and nickel future contracts, provisional pricing arrangements embedded in sales contracts and foreign currency forward contracts.

5. INCOME TAX EXPENSE

	Six months ended 30 June 2015 HK$'000	2014 HK$'000
Current tax:		
Hong Kong	**–**	69
The People's Republic of China (the "PRC") Enterprises Income Tax ("EIT")	**867**	620
Netherlands	**244**	240
	1,111	929
(Over)underprovision in prior periods:		
Hong Kong	**–**	331
PRC EIT	**(15)**	1
	1,096	1,261
Deferred tax (credit) expense	**(26)**	919
	1,070	2,180

PRC

The Group's subsidiaries are subject to PRC EIT at the rate of 25%.

Hong Kong

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

Other jurisdictions

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

6. LOSS FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	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	**1,718,466**	3,341,297
Depreciation of investment properties	**698**	933
Depreciation of property, plant and equipment	**16,373**	17,792
Share-based payment expense	**428**	2,642
Amortisation of prepaid lease payments	**5,304**	5,302
Interest income	**(4,341)**	(3,337)

7. DIVIDENDS

No dividends were paid, declared or proposed during the current and previous interim periods. The directors of the Company have determined that no dividend will be paid in respect of the current and previous interim periods.

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	
	2015	2014
	HK\$'000	*HK\$'000*
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	**949,641**	896,030
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,174,102,839**	1,045,383,003

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

9. TRADE, BILLS 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 the trade customers with good credit quality upon the approval of management.

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

	At 30 June 2015	At 31 December 2014
	HK$'000	*HK$'000*
Trade receivables:		
0-30 days	**40,943**	62,366
31-60 days	**239**	–
61-90 days	**1,636**	5,572
91-180 days	**17,490**	17,413
Over 180 days	**58,593**	56,546
	118,901	141,897
Bills receivables:		
0-30 days	**–**	127
Other receivables		
Deposits and prepayments	**21,543**	29,140
Deposits paid for purchase of raw materials *(note)*	**164,034**	221,534
VAT recoverable	**30,332**	28,485
Others	**8,367**	10,260
	224,276	289,419
	343,177	431,443

note: As at 31 December 2014, it comprised an amount of HK$4,294,000 paid to Sims Metal Management Dragon Holdings Limited ("Sims"), a former shareholder with significant influence over the Company, which disposed its entire shareholding in the Company to unrelated third parties on 5 March 2015 and has become an independent third party to the Group since then.

10. TRADE AND OTHER PAYABLES

	At **30 June** **2015** ***HK$'000***	At 31 December 2014 *HK$'000*
Trade payables		
Sims	–	71,077
Third parties	**110,793**	106,924
	110,793	178,001
Other payables		
Other payables and accruals	**179,998**	160,839
Provision for pending legal litigations	**51,484**	51,464
Interest payable	**4,096**	6,253
Receipts in advance from customers	**13,750**	15,652
	249,328	234,208
	360,121	412,209

The following is an analysis of trade payables by age, presented based on the invoice date.

	At **30 June** **2015** ***HK$'000***	At 31 December 2014 *HK$'000*
Trade payables:		
0-30 days	**85,775**	113,241
31-60 days	**6,154**	56,525
61-90 days	**2,316**	253
91-180 days	**8,460**	92
Over 180 days	**8,088**	7,890
	110,793	178,001

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

With the prolonged downward bias global metal market seen in the last 5 years, the management continued to face exceptional challenges as the metal prices are at their lowest levels since the financial crisis in 2008, resulting in a disappointing performance for the first half of 2015. With the likelihood of U.S. interest rate turning upwards in the coming months and the economic uncertainty overclouding Europe, volatility in the global metal market is expected to continue in the coming months. However, the management remains to be cautiously optimistic about the Group's performance in the coming months.

In 2015, the Group continued to face challenges arising from the difficult business environment, including the generally low global metal prices and the anticipated, slower economic growth in the PRC. During the period, despite a reduction in sales from HK$3.2 billion in the same period of 2014 to HK$1.8 billion, representing a reduction of 43.8%, the Group recorded a gross profit of HK$61.5 million when compared to the gross loss of HK$136.9 million in the same period of 2014, which was mainly due to the weakness in global commodity prices with less volatility seen during the first half of 2015.

During the period, the Group recorded a loss attributable to the owners of the Company of HK$949.6 million, when compared to the loss attributable to the owners of the Company of HK$896.0 million recorded in the same period of 2014. Loss on fair value changes of derivative financial instruments of HK$315.8 million was recognised in the first half of 2015, when compared to that of HK$616.6 million for the same period in 2014. However, there was an accounting loss of approximately HK$559.9 million derived from the change in the fair value of the derivative components of the convertible bonds issued by the Company, due to the significant increase in the share price of the Company during the period. Nevertheless, given that the loss derived from the fair value change of the derivative components of the Company's convertible bonds is a non-cash accounting treatment solely for compliance with HKFRSs, it will not have an impact on the operating cash flow of the Group. As announced by the Company in its announcement and circular dated 5 March 2015 and 11 April 2015 respectively, the convertible bonds issued by the Company in the aggregate principal amount of HK$815,800,000 was extended for a further two years to 1 March 2017, subject to the modifications set out in the said announcement and circular. The extension was approved by the shareholders of the Company on 27 April 2015.

With a number of unforeseeable circumstances impacting the global supply of scrap materials, the Group continued to experience a reduced scrap materials purchase. During the period, mixed metal scrap supply remained at a low level same as the same period of 2014. The Group sold in aggregate over 242,000 tonnes of processed products within its three business segments throughout the period. This represented a decrease of 18.5% when compared to 297,000 tonnes in the same period of 2014.

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 (the "Legal Proceedings") in the PRC between Shanghai Chiho-Tiande Resource Recycling Co., Ltd.* (上海齊合天地再生資源有限公司) ("Shanghai JV"), an indirect 51%-owned subsidiary of the Company, and Shanghai Science and Technology Co., Ltd.* (上海民營科技實業發展公司) ("SST") in relation to certain housing and land lease contracts, further to the disclosures made by the Company in its announcements dated 14 December 2012, 15 January 2014, 22 January 2014 as well as its interim report for the six months ended 30 June 2014 and its annual report for the year ended 31 December 2014, the Second Intermediate People's Court of Shanghai made the judgment on 19 June 2015 upholding the following orders made by Baoshan People's Court in Shanghai on 12 January 2015:

1. Shanghai JV (as lessee) shall pay the outstanding rents of RMB9,141,360 and management fees of RMB200,000 to SST (as lessor);

2. SST shall pay to Shanghai JV a sum of RMB9,998,408.40 for the economic loss incurred by Shanghai JV; and

3. the remaining requests in the claim filed by SST and in the counterclaim filed by Shanghai JV are dismissed.

As advised by the Company's PRC legal counsel, Shanghai JV may, by 19 December 2015, apply to Shanghai High People's Court for re-trial and seek for other possible legal relief. The management is considering various options for this Legal Proceedings.

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 further development of the Legal Proceedings as and when appropriate.

Basic loss per share attributable to owners of the Company amounted to HK$0.809 in the first half of 2015 (2014: Loss per share HK$0.857).

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

With a strong presence in Hong Kong established since 2012, 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 continue to be confident that the Hong Kong facility will eventually become an important contributor to the overall performance of the Group.

As for the establishment of the new processing facilities in the Development Zone in Yantai City, the PRC, we have completed the first stage of the development and are now progressively operational.

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 operation facilities and at the same time looking for opportunities to improve the performance of the Group.

Following the subscriptions of the Company's shares as described in the Company's announcement dated 27 March 2015 and the completions of such share subscriptions on 30 April 2015 and 29 May 2015, the financial position of the Group has significantly improved from the same period in 2014. We intend to apply the proceeds from such share subscriptions to finance any potential acquisitions of businesses or assets in order to further strengthen the Group's principal business of metal recycling. In this connection, the Company is actively looking for suitable acquisition opportunities within the scrap metal recycling and related sector in mature overseas as well as domestic markets.

As indicated in the Company's announcements dated 1 December 2014 and 29 May 2015 in relation to the proposed establishment of a renewable oil investment company in the PRC and the proposed acquisition of 80% equity interest in Yantai Liheng Environmental Protection Technology Co., Ltd.* (煙台立衡環保科技有限公司), which owns certain production facilities located in Yantai, the PRC, pursuant to the two letters of intent entered into by Chiho-Tiande Investments Limited, a wholly-owned subsidiary of the Company, on 1 December 2014, we are currently at the stage of finalising the definitive agreements for these proposed transactions with the counterparties.

On 19 June 2015, the Company, Itochu Corporation ("Itochu"), Itochu Metals Corporation ("Itochu Metals") and Suzuki Shokai Co., Ltd. (as referred to in the Company's announcement dated 19 June 2015 as Suzuki Shokai Inc.) ("Suzuki Shokai") entered into a memorandum of understanding in relation to the proposed acquisition of the entire equity interest in Dalian New Green Recycle & Resources Corporation* (大連新綠再生資源加工有限公司) and the proposed formation of a joint venture with Itochu Metals (or another wholly-owned subsidiary of Itochu) and Suzuki Shokai (or a wholly-owned subsidiary of Suzuki Shokai) for engaging in the trading of recycle materials with a focus on the Chinese and Japanese markets, details of which were disclosed by the Company in its announcement dated 19 June 2015. The parties are at the stage of finalising the definitive agreements. The Company will make further announcement as and when appropriate in compliance with the requirements under the Listing Rules.

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.

Our Taizhou facilities continued to qualify as one of the designated processing units for imported metal scraps recycling and utilisation in Zhejiang Province under the Environmental Protection Department of Zhejiang Province (浙江省環境保護廳). Our production processes do not consume large volumes of electricity and water and therefore produce very small volume of waste materials. We consider that we have adopted sufficient environmental protection measures and controls against air, water, solid and noise pollutions produced during the course of our production processes.

Prospects

With the successful share subscriptions made in the first half of 2015 resulting in a total proceed of HK$4.1 billion received, the Group is in an extremely well placed financial position to develop its metal recycling business not just within the PRC and perhaps globally, together with 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 in 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.

The management will continue to make efforts to capitalise on its business development in achieving satisfactory returns to the shareholders of the Company.

FINANCIAL REVIEW

Revenue

During the period, revenue decreased by approximately HK$1.4 billion, or 43.8%, from HK$3.2 billion in the same period of 2014 to HK$1.8 billion. 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$1.6 billion, or 48.5%, from HK$3.3 billion in the same period of 2014 to HK$1.7 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 profit/loss and gross profit/loss margin

Gross profit of approximately HK$61.5 million was recorded when compared to gross loss of HK$136.9 million in the same period of 2014. The gross margin increased from -4.3% (gross loss margin) in the same period of 2014 to 3.5% (gross profit margin) in this period. The gross profit was due to less volatility in the global metal prices during the period.

Distribution and selling expenses

Distribution and selling expenses decreased by approximately HK$8.4 million or 63.6%, from HK$13.2 million in the same period of 2014 to HK$4.8 million in this period. This was mainly due to the decrease in selling activities in Hong Kong and PRC.

General and administrative expenses

General and administrative expenses increased by approximately HK$9.9 million or 17.1%, from HK$58.0 million in the same period of 2014 to HK$67.9 million in this period. This was mainly due to the increase in staff costs, rental expenses as well as trade related contributions.

Other income

Other income increased by approximately HK$18.0 million, or 72.6%, from HK$24.8 million in the same period of 2014 to HK$42.8 million in this period. This was mainly due to the additional government grants received during the period.

Other gains and losses

Other losses increased by approximately HK$261.5 million, or 40.8% from HK$640.5 million in the same period of 2014 to HK$902.0 million in this period. This was mainly due to the loss on the fair value change of derivative components of convertible bonds during the period arising from a non-cash accounting treatment for the purpose of complying with HKFRSs.

Finance costs

Finance costs decreased by approximately HK$5.1 million, or 6.3%, from HK$80.7 million in the same period of 2014 to HK$75.6 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$946.8 million, when compared to a net loss of HK$906.7 million in the same period of 2014. Despite an improvement in operating performance from a gross loss margin in the same period last year to a gross profit margin in this period, the overall increase in net loss was mainly due to losses on fair value changes of derivative financial instruments, which the Group is required to make under the "mark-to-market" accounting principle, and the derivative components of the convertible bonds, due to a non-cash accounting treatment solely for the purpose of complying with HKFRSs.

Key Financial Ratios

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

	At 30 June 2015	At 31 December 2014
Liquidity Ratios		
Current ratio	**3.23**	0.90
Quick ratio	**2.65**	0.52
Gearing ratio (%)	**19.7**	58.8

	Six months ended 30 June	
	2015	2014
Inventory turnover days	**113**	108
Debtor's turnover days	**13**	11
Creditor's turnover days	**15**	10

Liquidity and Financial Resources and Capital Structure

The net current assets which included cash and various bank and margin deposits amounted to HK$4,194.0 million as at 30 June 2015 (31 December 2014: HK$707.4 million). Total bank borrowings were HK$0.9 billion as at 30 June 2015 (31 December 2014: HK$1.3 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 2015 was 19.7% (31 December 2014: 58.8%) which is calculated based on the total borrowings over total assets. The decrease was mainly due to total proceeds of approximately HK$4.1 billion received from the subscriptions of new shares, the decrease of principal amount of convertible bonds of HK$435.6 million following the exercise of such convertible bonds and the issue of conversion shares in relation thereto, and the decrease in bank borrowings. Details of the completion of the subscriptions of new shares and issue of conversion shares were disclosed in the announcements of the Company dated 30 April 2015, 29 May 2015, 10 June 2015 and 15 June 2015.

Debtor's turnover days and creditor's turnover days increased from 11 days and 10 days for the same period of 2014 to 13 days and 15 days for this period respectively.

Inventory turnover days increased from 108 days for the same period of 2014 to 113 days for this period.

Capital Commitments and Contingent Liabilities

As at 30 June 2015, the Group had pledged certain buildings, land use rights and bank deposits with an aggregate carrying value of approximately HK$555.0 million (31 December 2014: approximately HK$577.9 million) to secure bank borrowings.

As at 30 June 2015, 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 Group's condensed consolidated financial statements amounted to HK$243.1 million (31 December 2014: HK$257.2 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 risks 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.

On 26 March 2015, the Board resolved to adopt a new set of policy regarding dealings in metal futures contracts in order to better reflect and restate the Group's current business requirements with regard to dealings in metal futures contracts, details of which were disclosed in the Company's announcement made on the same date and the full policy is available from the Company's website, www.chiho-tiande.com.

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 contract exchange 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 instruments. 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 its trade debtors to minimise potential impairment losses.

With regard to 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 2015, the Group had a workforce of 458 employees. In addition, the Group engaged approximately 2,474 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. The Board believes that maintaining good relationship 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 continue to make 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 for the six months ended 30 June 2015, 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:

During the period from 1 January 2015 to 29 April 2015, 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 because Mr. Fang Ankong was the Chairman and Chief Executive Officer of the Company. On 29 April 2015, Mr. Tu Jianhua was appointed as the Executive Director and Chairman of the Board, and Mr. Fang Ankong was re-designated as the Vice Chairman of the Board and remains as Chief Executive Officer of the Company since then.

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 set out in Appendix 10 to the Listing Rules 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 2015 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 2015.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2015. Accordingly, no closure of the Register of Members of the Company is proposed.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT 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 2015 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
Tu Jianhua
Chairman

Hong Kong, 21 August 2015

* *For identification purposes only*

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

Executive Directors:	Tu Jianhua, Fang Ankong, Gu Liyong
Independent Non-Executive Directors:	Loke Yu, Zhang Jingdong, Zhu Dajian