**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult an independent person authorised for the purposes of the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on the acquisition of shares and other securities if you are taking advice in the United Kingdom or from another appropriately authorised financial adviser if you are taking advice in a territory outside the United Kingdom.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.**

**The Company (as defined on page 6 of this document) and the Directors (as set out in the table on page 3 of this document) accept responsibility both individually and collectively for the information contained in this document including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.**

This document, which is an admission document drawn up in accordance with the AIM Rules for Companies, does not constitute a prospectus within the meaning of section 85 of FSMA and has not been prepared in accordance with the Prospectus Rules. This document has not been approved by the Financial Conduct Authority ("FCA"), the UK Listing Authority or by any other authority which could be a competent authority for the purposes of the Prospectus Rules.

Application has been made for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM, a market operated by the London Stock Exchange. It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 20 June 2014. The Ordinary Shares are not dealt in, or on, any other recognised investment exchange and no other such applications have been made.

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# Zibao Metals Recycling Holdings PLC

*(incorporated in England and Wales with registered number 8724168)*

## Placing of 16,250,000 new Ordinary Shares at £0.08 per share and Admission to trading on AIM

### *Nominated Adviser and Broker*

## ZAI Corporate Finance Limited

---

### Enlarged Share Capital following Admission to trading on AIM

*Issued and fully paid*

| | *Number* | *Amount* |
|---|---|---|
| Ordinary Shares of £0.01 each | 97,250,000 | £972,500 |

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ZAI Corporate Finance Ltd, which is regulated by the FCA and is a member of the London Stock Exchange, is acting as nominated adviser and broker exclusively for the Company in connection with the Placing and Admission and is not acting for anyone else and will not be responsible to anyone other than the Company for providing the protections afforded to clients of ZAI Corporate Finance Ltd in relation to the Placing and Admission. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by ZAI Corporate Finance Ltd as to any of the contents of this document for which the Directors and the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). ZAI Corporate Finance Ltd will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company. ZAI Corporate Finance Ltd has not authorised the contents of, or any part of, this document, and no liability whatsoever is accepted by ZAI Corporate Finance Ltd for the accuracy of any information or opinions contained in this document or for the omission of any material information.

**Your attention is drawn to Part III of this document, which sets out certain risk factors relating to any investment in Ordinary Shares. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part III of this document.**

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction in which such offer or solicitation is unlawful and in particular should not be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions), Australia, the Republic of South Africa, Canada, the Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States of America, Australia, the Republic of South Africa, Canada, the Republic of Ireland or Japan.

## CONTENTS

## DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors** | Wenjie ("Joe") Zhou, *Executive Director and Chairman*<br>Jianfeng ("Eddy") Li, *Chief Executive Officer and Executive Director*<br>Chor Wei ("Alan") Ong, *Executive Finance Director*<br>Chin Phang Kwok, *Independent Non-Executive Director*<br>Peter George Greenhalgh, *Independent Non-Executive Director*<br>Ajay Kumar Rajpal, *Independent Non-Executive Director* |
| **Registered Office** | 5-7 Cranwood Street<br>London<br>EC1V 9EE |
| **Company Secretary** | International Registrars Limited<br>5-7 Cranwood Street<br>London<br>EC1V 9EE |
| **Nominated Adviser and Joint Broker** | ZAI Corporate Finance Limited<br>1 Hobhouse Court<br>Suffolk Street<br>London<br>SW1Y 4HH |
| **Solicitors to the Company *as to English law*** | Thomas Eggar LLP<br>14 New Street<br>London<br>EC2M 4HE |
| **Legal Advisers to the Company *as to Hong Kong law*** | Vincent T.K. Cheung, Yap & Co.<br>11/F, Central Building<br>1-3 Pedder Street<br>Central, Hong Kong |
| **Legal Advisers to the Company *as to BVI law*** | Maples and Calder<br>53rd Floor<br>The Center<br>99 Queen's Road<br>Central, Hong Kong |
| **Solicitors to the Nominated Adviser** | Stephenson Harwood LLP<br>1 Finsbury Circus<br>London<br>EC2M 7SH |
| **Reporting Accountants and Auditors** | Jeffreys Henry LLP<br>5-7 Cranwood Street<br>London<br>EC1V 9EE |
| **Registrar and Receiving Agents** | Neville Registrar Limited<br>Neville House<br>18 Laurel Lane<br>Halesowen<br>B63 3DA |

| | |
|---|---|
| **Joint Broker** | Infast Brokerage Ltd<br>18th Floor<br>No.8 Lyndhurst Terrace<br>Central<br>Hong Kong |
| **Financial PR** | Newgate Threadneedle<br>5th Floor<br>33 King William Street<br>London<br>EC4R 9AS |
| **Company's website** | www.zibaometals.com |

## ADMISSION STATISTICS

| | | |
|---|---|---|
| Placing Price per Ordinary Share | £0.08 | |
| Gross proceeds raised by the Placing | £1.3 million | |
| Number of Ordinary Shares in issue prior to the Placing | 81,000,000 | 83% |
| Number of Placing Shares being issued pursuant to the Placing on behalf of the Company | 16,250,000 | 17% |
| Number of Ordinary Shares in issue immediately following the Placing and Admission | 97,250,000 | 100% |
| Market capitalisation of the Company following the Placing at the Placing Price | £7.78 million | |
| Estimated net proceeds receivable by the Company pursuant to the Placing after expenses (excluding VAT) | £0.76 million | |
| International Security Identification Number (ISIN) | GB00BGP6NY91 | |
| SEDOL number | BGP6NY9 | |
| AIM symbol | ZBO | |

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Publication of this document | 20 June 2014 |
| Admission effective and dealings in the Ordinary Shares commence on AIM | 8.00 a.m. on 20 June 2014 |
| Placing Shares credited to CREST accounts | 8.00 a.m. on 20 June 2014 |
| Where applicable, share certificates in respect of Placing Shares to be despatched by | 20 June 2014 |

**EXCHANGE RATES**

| | |
|---|---|
| The following exchange rate has been used in this document where appropriate for illustrative purposes only | £1 = RMB 10.5<br>£1 = HKD 13.0 |

## DEFINITIONS

The following definitions apply throughout this Document unless the context requires otherwise:

| | |
|---|---|
| "£" or "Sterling" | pounds sterling, the lawful currency of the United Kingdom |
| "Act" | the UK Companies Act 2006 (as amended) |
| "Add Profit" | Add Profit Corporation, a company incorporated in BVI under company number 1781581 that is wholly owned by Joe Zhou |
| "Admission" | admission of the issued and to be issued Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules |
| "Admission Document" or "Document" | this document, drawn up in accordance with the AIM Rules |
| "AIM" | AIM, a market operated by the London Stock Exchange |
| "AIM Rules" | the rules and guidance for AIM Companies and/or AIM Nominated Advisers (as the context requires) published by the London Stock Exchange governing admission to, and the operation of, AIM |
| "AIM Rules for Companies" | the rules for guidance which set out the obligations and responsibilities in relation to companies whose shares are admitted to trading on AIM entitled "AIM Rules for Companies" published by the London Stock Exchange amended from time to time |
| "AIM Rules for Nominated Advisers" | the rules and guidance which set out the eligibility, obligations and certain disciplinary matters in relation to nominated advisers and entitled "AIM Rules for Nominated Advisers" published by the London Stock Exchange as amended from time to time |
| "Articles" | the articles of association of the Company, as further described in paragraph 6 of Part VI of this document |
| "Board" or "Directors" | the current directors of the Company, whose names are set out on page 3 of this Document or any duly authorised committee thereof |
| "Brokers" | ZAI |
| "Business Day" | any day on which the London Stock Exchange is open for the transaction of business |
| "BVI" | the British Virgin Islands |
| "certificated" or "in certificated form" | the description of a share or security which is in certificated form (that is, not in CREST) |
| "China" or "the PRC" | the People's Republic of China, for the purposes of this document, excluding Hong Kong, Macau and Taiwan |
| "City Code" | the City Code on Takeovers and Mergers of the UK |
| "Company" or "Zibao" | Zibao Metals Recycling Holdings Plc, a company incorporated in England and Wales with company registration number 8724168 |
| "Controlling Shareholders" | Zoe Zhou, Sino Jump and Add Profit |

| | |
|---|---|
| "Corporate Governance Code" | the UK Corporate Governance Code issued by the Financial Reporting Council |
| "CREST" | the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form |
| "CREST Regulations" | the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended by The Companies Act 2006 (Consequential Amendments) (Uncertificated Securities) Order 2009 (SI 2009/1889)) |
| "DTR 5" | provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) of the UK FCA Handbook |
| "Enlarged Share Capital" | the issued share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the Placing Shares |
| "EU" | the European Union |
| "Euroclear" | Euroclear UK & Ireland Limited, the operator of CREST |
| "Existing Ordinary Shares" | the Ordinary Shares in issue immediately prior to Admission and the Placing |
| "Fine Luck" | Fine Luck Trading Limited, a company incorporated in Hong Kong under company number 0894673 and a wholly-owned subsidiary of Masterpiece Enterprises |
| "FCA" | the Financial Conduct Authority of the UK |
| "FSMA" | the Financial Services and Markets Act 2000 of the UK, as amended from time to time |
| "Group" or "Zibao Group" | the Company and its subsidiary undertakings as described in this document |
| "Global Metal" | Global Metal Enterprises Limited a company incorporated in BVI under company number 1416367 with limited liability and a wholly-owned subsidiary Masterpiece Enterprises |
| "HMRC" | HM Revenue & Customs, a department of the UK Government responsible for the collection of taxes |
| "Hong Kong" | the Hong Kong Special Administrative Region of the People's Republic of China |
| "HK$" or "Hong Kong Dollar" | Hong Kong Dollar, the lawful currency from time to time of Hong Kong |
| "IFRS" | International Financial Reporting Standards issued by the International Accounting Standards Board |
| "Incoterms" | International Commercial Terms published by the International Chamber of Commerce setting out the rules for common commercial terms for the trade of goods |
| "Lock-in Agreement" | the deed dated 16 June 2014 between each of the Controlling Shareholders, the Company and ZAI as detailed in paragraph 12.4 of Part VI of this document |

| | |
|---|---|
| "London Stock Exchange" | London Stock Exchange plc |
| "Macau" | Macau Special Administrative Region of the PRC |
| "Macau Agent" | Ming Fai Trading Company, a company incorporated in Macau |
| "Masterpiece Enterprises" | Masterpiece Enterprises Limited, a company incorporated in BVI under company number 1414213 and a wholly-owned subsidiary of the Company |
| "MPE Group" | Masterpiece Enterprises Limited and its wholly owned subsidiaries, Fine Luck, Global Metal and Zibao Metals |
| "Official List" | the Official List of the UKLA |
| "Ordinary Shares" | ordinary shares of £0.01 each in the capital of the Company |
| "Placees" | subscribers for Placing Shares pursuant to the Placing Agreement |
| "Placing" | the conditional placing by ZAI on behalf of the Company of the Placing Shares at the Placing Price pursuant to the terms and conditions of the Placing Agreement, as described in this document |
| "Placing Agreement" | the conditional agreement dated 16 June 2014 between the Company, ZAI and the Directors relating to the Placing, a summary of the principal terms and conditions of which is set out in paragraph 12.1 of Part VI of this document |
| "Placing Price" | 8p per Placing Share |
| "Placing Shares" | the 16,250,000 new Ordinary Shares to be issued by the Company pursuant to the Placing |
| "Prospectus Rules" | the prospectus rules made by the FCA under Part VI of FSMA |
| "QCA Code" | the Corporate Governance Guidelines for Small and Mid-Size Quoted Companies 2013 as published and updated from time to time by the Quoted Companies Alliance |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Registrar" and "Receiving Agent" | Neville Registrars Ltd, a company incorporated in England and Wales under company number 4770411, the Company's Registrar and Receiving Agent |
| "Regulatory Information Service" | a regulatory information service that is on the approved list of service providers maintained by the FCA |
| "Relationship Agreement" | the agreement between the Company, ZAI and Joe Zhou, further details of which are set out in paragraph 12.7 of Part VI of this document |
| "Shareholder" | any person who is registered as a holder of one or more Ordinary Shares from time to time |
| "Share Options" | the options granted by the Company to certain of the Directors in respect of an aggregate of 525,000 Ordinary Shares at the Placing Price for a period of 3 years after Admission. Further details of the options are contained in paragraph 9.1 of Part VI of this document |

| | |
|---|---|
| “Sino Jump” | Sino Jump Global Inc, a company incorporated in BVI under company number 1796758 that is wholly owned by Joe Zhou |
| “Subsidiary”, “subsidiary undertaking”, “associate undertaking” and “undertaking” | have the meanings respectively ascribed to them by the Act |
| “Takeover Panel” | the UK Panel on Takeovers and Mergers |
| “UK” or “United Kingdom” | the United Kingdom of Great Britain and Northern Ireland |
| “UKLA” or “UK Listing Authority” | the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA |
| “uncertificated” or “in uncertificated form” | recorded on the relevant register of the share or security as being held in uncertificated form in CREST and title to which may be transferred by means of CREST |
| “USA” or “US” | the United States of America |
| “US$” or “US Dollar” | the lawful currency from time to time of the USA |
| “Warrants” | warrants granted by the Company to ZAI in respect of up to 2,917,500 Ordinary Shares at an exercise price per share equal to the Placing Price for a period of five years after Admission. Further details of the warrants are contained in paragraph 12.3 of Part VI of this document |
| “ZAI” | ZAI Corporate Finance Ltd, a company incorporated in England and Wales under Company number 06814163, the Company’s nominated adviser and broker |
| “Zibao Metals” | Zibao Metals Company Limited, a company incorporated in Hong Kong under company number 1089493 and a wholly-owned subsidiary of Masterpiece Enterprises |
| “8i Capital” | 8i Capital Pte Limited, a company registered in the BVI under company number 1736852 |

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These relate to the Company’s future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “seek”, “target”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts I, II, III, V and VI of this document. The forward-looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

## PART I

## KEY INFORMATION

The Group is a Hong Kong based trader of non-ferrous metals which it sources from a global panel of suppliers and sells to customers in the PRC.

The Group was founded in its current form in 2009 by Joe Zhou. Joe has worked in the metal recycling industry since 1994, when he graduated from the University of New South Wales. After graduation, Joe started work sourcing suppliers for his family's metal recycling trading businesses. In 2009, Joe refocused the activities of the Group to concentrate on suppliers and customers that were not connected to him or his family.

Both Joe and his family continue to be interested in a number of metal recycling businesses which are separate from the Group. The Directors consider that this gives a strong advantage to the business both in terms of providing market knowledge and in terms of developing enduring relationships with customers and suppliers.

The Group results for the three years ended 31 March 2013 are summarised below.

| | *Year ended 31 March* | | |
|---|---|---|---|
| | *2013* | *2012* | *2011* |
| | *HK$ million* | *HK$ million* | *HK$ million* |
| Sales | 436.3 | 403.4 | 135.9 |
| Gross Profit | 20.8 | 20.4 | 6.6 |
| Overhead | (4.1) | (4.5) | (2.6) |
| Operating Profit | 16.7 | 15.9 | 4.0 |
| Taxation | (2.0) | (2.3) | (0.8) |
| Net Income | 14.7 | 13.6 | 3.2 |

The Group endeavours to trade on a back to back basis matching individual purchases and sales and seeks to avoid taking an open position in the metals in which it trades. Generally it aims to make a 5 per cent. margin on sales. The level of turnover will be affected by the inherent volatility in metal prices generally. Most of the Group's purchases and sales are denominated in US Dollars and therefore currency risks are limited.

To date the financing of working capital has been provided by funding from Joe Zhou and the Directors have identified cash constraints as a limiting factor on the future growth of the business. They believe that the Placing, which is expected to raise £0.76 million net of expenses will mitigate this constraint for the immediate future.

In addition the Directors plan to use the Company's ability to offer cash and equity to fund the acquisition of upstream suppliers to secure an expanded source of supply for the Group.

The Board has good experience of the quoted sector and of metal trading. It comprises three executive directors and three non-executive directors, two of whom are based in the UK.

## PART II

## INFORMATION ON THE GROUP

### Information on the Company

### 1. Introduction

The Group is a Hong Kong based trader in non-ferrous metals, principally aluminium and copper, which it sources from a panel of suppliers around the world and sells to a narrow base of customers in China.

The Company is raising £0.7 million, net of expenses through the Placing, to support its working capital and also, in due course, to facilitate potential "upstream" acquisitions to secure stronger sources of supply and an enhanced margin.

### 2. History of the Group

Joe Zhou, the founder and principal shareholder of the Group, was born in the Nanhai district of Foshan, a city of some 7 million people in the Guangdong Province of the PRC. Foshan is the third largest manufacturing base in the Pearl River Delta and has close links to Hong Kong, which is situated at the mouth of the Pearl River.

Following economic reforms in 1979, China's economy enjoyed a sustained period of rapid growth and during the 1990's Joe Zhou's family started to develop interests in the metal recycling industry, which continue to this day. In 1988 Joe Zhou went to Australia to complete his education and in 1994 he graduated with an economics degree from the University of New South Wales. Following the completion of his education, Joe Zhou started a trading business in Australia and in 1998 began sourcing reliable suppliers of metal for processing in the family's Chinese plants.

Based on the contacts that he had made over the years, Joe Zhou realised that there was an opportunity in the market to set up a business sourcing recovered scrap for both family and non-family businesses and in 2006 he set up the business that is carried on by the Group. In 2009, a decision was taken to focus the Group's activities on customers which were not connected to Joe Zou's immediate family.

Until November 2012, the Group also operated a stock yard in Hong Kong holding scrap metal for resale. However, the operation was closed in November 2012 because of high operational costs and the Group no longer takes positions in the metal in which it deals.

The Company was incorporated on 9 October 2013 as a private limited company in England and Wales in order to become the holding company of the Group for the purpose of Admission. On 10 March 2014, the shareholders of Masterpiece Enterprises (which is the holding company of the MPE Group), transferred all of its issued shares to the Company in exchange for the issue of 80,999,900 new Ordinary Shares. As a result, the Company has a total of 81,000,000 Ordinary Shares in issue and fully paid, and is the holding company of all of the subsidiaries comprising the Group. Following the acquisition, the Company was converted into a public limited company on 28 March 2014. This is discussed further in paragraph 2.1 Part VI of this Document.

### 3. Trading Structure

The Group's head office is in Kowloon. The Company has four subsidiaries: Masterpiece Enterprises, Zibao Metals, Fine Luck, and Global Metal.

Zibao Metals provides management services including finance and accounting and purchasing support to the Group. It previously also operated a stock yard in Hong Kong which closed in 2012.

Masterpiece Enterprises, following its acquisition by the Company, acts as the intermediate holding company that holds the shares of the other Group subsidiaries.

Fine Luck is responsible for sales and has been since August 2012. Prior to this, sales were handled through Global Metal, but it was considered by the Board that in order to facilitate trading and financing, it would be preferable for the Group's sales to be made through a Hong Kong registered company.

Global Metal is now a dormant company.

The Macau Agent provides the Group with sales, purchase and administrative support services and maintains an office in Macau and an office in the PRC to provide these services. Further details of the arrangement are set out in paragraph 12.13 of Part VI of this document.

## 4. The Business Model, Suppliers and Customers

China's rapid economic growth has turned it into a major consumer of both aluminium and copper. The Group imports "unprocessed" aluminium scrap (also known as "Zorba") which has already gone through a process of shredding, but still requires sorting and cleaning before it can be smelted, and copper wiring, which still requires stripping from its casing before refining. These final stages of production are labour intensive and typically the Group's customers will carry out this treatment before selling to refiners.

In the three year ended 31 March 2013, copper has accounted for between 46 per cent. and 71 per cent. of the Group's sales with the balance coming from aluminium.

The Group trades on a back-to-back basis matching individual purchases and sales. It does not seek to hold open positions in the metals that it trades. Typically, the Group will seek to apply a 5 per cent. markup on its trades taking account of transportation and insurance cost.

The Group purchases goods from suppliers, who are commonly scrap merchants or metal trading groups, on the basis of weight and metal content. The majority of goods are shipped by containers direct to the destination in the PRC. On delivery of goods into the PRC port, a CCIC certificate is issued to release the shipment from customs. The CCIC certificate documents compliance with Chinese import regulations but does not specify the detailed quantity or quality of the shipment. Accordingly payment to suppliers is normally made for the goods, sight unseen and before delivery to the customer's yard, usually with a deposit paid on shipping and with the balance payable as the goods near the port of delivery. The Group bills its own customers when it receives the bill of lading, after final payment to the supplier. The Group extends 30 days credit to its own customers. Thus typically on a US$50,000 purchase, the Group may require finance for a deposit of US$15,000 for the period of shipping – say 30 days and then an additional US$35,000 for a further 30 days until payment is received from the customer. Since July 2013 the Group has, on occasion, started to request deposits from its own customers. These deposits are payable on billing and would have the effect of reducing the net credit extended in the example above to approximately US$35,000.

More than 90 per cent. of the Group's purchases and sales are conducted in US$ and therefore exposure to currency risk on individual trades is minimal.

Because the Group and its customers are dependent upon the integrity and reliability of the suppliers in terms of quality and delivery, strong relationships are essential to the development of the business. These extend both up and down the supply chain. This is especially the case in China where credit referencing is unreliable and the Group is dependent upon its relationships with its customers and its local knowledge of those customers and of the metal recycling market in the PRC.

### *Licenses*

The Group holds a renewable AQSIQ license that is granted by the competent regulatory authority in the PRC enabling the Group to ship recovered scrap metal to customers in the PRC. The license does not grant any specific exclusivity or priority, but it is required in order to conduct trading of this kind. The license takes account of, *inter alia*, the trading record of the Group in conducting the business of shipping recovered scrap metal to customers in the PRC. This license was renewed with effect from 1 January 2014 until 31 December 2016, and is renewable thereafter.

***Suppliers***

The Group operates with a panel of some 50 suppliers each of which is vetted by the Group's employees before being approved as a trading partner. Because of the nature of these relationships disputes over quality and delivery are rare and where they occur, are typically resolved by negotiation between the parties.

The goods are sourced globally, as is shown by the table below:

| | *Percentage of sales* | | |
|---|---|---|---|
| *Source* | *FY2011* | *FY2012* | *FY2013* |
| Asia | 8% | 15% | 34% |
| Australia | 0% | 8% | 13% |
| Europe | 45% | 45% | 23% |
| North America | 46% | 29% | 25% |
| Others | 2% | 3% | 5% |

Goods shown as "sourced" from Asia are mainly supplied through the office of international companies based in Hong Kong which may in turn source them from other areas including US, Europe and Australia. The level of trade with individual suppliers varies significantly from year to year. No one supplier accounted for more than 5 per cent. of sales in all of the three years ended 31 March 2013 and no supplier has represented more than 10 per cent. of sales in any two of the three years in that period.

***Customers***

The Group's customers are also concerned to ensure the quality of the supply chain and therefore trade with a small panel of suppliers, of which the Group is one. The Group has five principal customers one of which accounted for 20-30 per cent. of turnover in each of the three years ended 31 March 2013 and the other each of the four accounted for 10-20 per cent. of turnover. Four of these are based in Nanhai Foshan, where Joe Zhou was born and where his family are still engaged in the metal recycling business, and the other customer is based near the city of Tianjin in Northern China. Although the Group only started trading in its current form in 2009, the relationships on which the business is based have in most cases been developed through personal and family business contacts that predate this.

***Family Interests***

Both Joe Zhou and members of his family have significant interests in other companies operating in the Chinese metal recycling industry. The operations of the companies in which Joe Zhou is interested do not compete with the businesses of the Group. The family interests largely comprise interests in processing yards in China and particularly in the Nanhai Foshan area. These interests are extensive and the Directors believe that they give the Group access to both market intelligence and potentially productive business generating contacts. Eddy Li, the Company's chief executive, also shares in some of these interests and has separate interests of his own.

Joe Zhou's brother-in-law was, until February 2010, a director and shareholder of one of the Group's customers which accounted for approximately 25 per cent. of turnover in the three years ended 31 March 2013 and is a non-executive director of another customer, which in the same period accounted for 14 per cent. of the Group's sales. In the opinion of the Directors these relationships serve to strengthen the ties between the Group and these customers.

Additionally in 2013 the Group acquired 5 per cent. of its metal supplies from a company in which Joe Zhou's father is a director.

The Group does not seek to trade directly with other businesses in which there is a family interest and where it does, as set out in the Relationship Agreement, such trades are subject to approval by two independent non-executive directors and reported separately in the monthly Board information pack.

## 5. Key Strengths of the Group

The Directors consider the key strength of the Group to be:

- Wide and established relationships with overseas suppliers

- Long and established relationships with customers
- Established family interests in the metal recycling sector
- Long experience of management in the metal recycling industry
- Licences to operate in the PRC and know how regarding the PRC rules and regulations for the metal recycling industry

## 6. Future Development of the Business

The Directors have identified the difficulty of securing reliable suppliers and the limited availability of cash for the funding of working capital as two of the main constraints on the development of the business. The Placing will start to address the constraints on cash and the Directors hope to use the Company's shares, following Admission to AIM, as a possible form of consideration or further cash finance for the acquisition of upstream suppliers.

## 7. Financial information

The Group's results for the three years to 31 March 2013 and its interim results to 30 September 2013 are respectively set out in Part IV – B and Part IV – D of this document.

The Group results for the three years ended 31 March 2013 are summarised below. These exclude the results of the discontinued stock yard in Hong Kong.

| | *Year ended 31 March* | | |
|---|---|---|---|
| | *2013* | *2012* | *2011* |
| | *HK$ million* | *HK$ million* | *HK$ million* |
| Sales | 436.3 | 403.4 | 135.9 |
| Gross Profit | 20.8 | 20.4 | 6.6 |
| Overhead | (4.1) | (4.5) | (2.6) |
| Operating Profit | 16.7 | 15.9 | 4.0 |
| Taxation | (2.0) | (2.3) | (0.8) |
| Net Income | 14.7 | 13.6 | 3.2 |

In 2009, the Group started to focus on customers not connected to Joe Zhou's immediate family and in the year to 31 March 2011 was still crystalising its current business model. Accordingly turnover and profits in year ended 31 March 2011 were lower than in subsequent years.

Although ahead of those for the year ended 31 March 2012 turnover and gross profit in the year to 31 March 2013 were negatively affected by falling commodity prices.

The Company has been advised that the international trading activities of its subsidiaries are not subject to Hong Kong taxation, as the key commercial trading decisions are made by staff who are travelling outside the territory or by the Macau Agent. Although the Group itself does not maintain any trading establishment in Macau the Directors consider it appropriate to provide for tax on profits and accordingly provision has been made at the effective tax rate in Macau which is 12 per cent.. The effective tax rate in Hong Kong is 16.5 per cent. and the Group has tax losses carried forward in Hong Kong of HK$9.4 million. These losses arise in part from the discontinued stock yard operations.

The Group's sales are subject to material fluctuation from month to month.

Trading for the interim period ended 30 September 2013 showed stable results compared to the same period in 2012. Revenues were HK$208.7 million (HK$208.5 million) while operating profits dropped slightly to HK$7.4 million (from HK$8.0 million). Due primarily to the reduction in losses from discontinued operations, net profit for the period remained steady at HK$6.2 million (HK$6.2 million).

The Group's net assets as at 31 March 2013 may be summarised as follows:

| | HK$ *in million* | HK$ *in million* |
|---|---|---|
| Fixed Assets | | 0.2 |
| Inventories | 21.8 | |
| Trade Receivables | 5.9 | |
| Prepayment, deposits and other receivables | 7.2 | |
| | 34.9 | |
| Trade payables | 14.7 | |
| Accrued liabilities and other payables | 4.3 | |
| | 19.0 | 15.9 |
| Cash | 5.2 | |
| Loan from Shareholders | (10.0) | |
| Loan from Directors | (0.6) | (5.4) |
| Tax Provision | | (5.5) |
| Net Assets | | 5.2 |

Inventories comprise goods in transit to customers.

The business has been financed by a long term, interest free and unsecured loan of HKD$10 million provided by Joe Zhou in 2010. This was capitalised on 30 January 2014 by the issue of 999 Ordinary Shares of US$1 in Masterpiece Enterprises. The Directors' other working capital loans were repaid in July 2013. This repayment was financed through a HK$15 million loan facility from Long Green International Limited. This loan is repayable on 31 March 2016 and further details of this facility are set out in paragraph 12.11 of Part VI of this document.

The tax provision has been calculated by applying a 12 per cent. tax rate to the Group's profits. The Directors have been advised that this provision may not ultimately be payable.

## 8. Market Opportunity and Strategy

Aluminium and copper rank second and third in terms of world consumption of metals after iron.

World primary consumption of primary aluminium produced from ore is estimated to be approximately 50mt pa of which China is estimated to account for about 23mt pa to 24mt pa. Estimates of China's secondary production from scrap vary but it is thought to lie between 4 and 5mt pa. If recycled metal is treated and sorted properly there are few applications where it cannot be used in place of primary metal produced from ore.

Aluminium production is estimated to account for 1 per cent. of the world's greenhouse gases but recycled scrap takes only 5 per cent. of the energy to produce and releases only 5 per cent. of greenhouse gases compared with an equivalent weight of aluminium from primary production. The global aluminium recycling industry is believed to have quadrupled since 1980 and 75 per cent. of all aluminium ever produced is estimated still to be in use.

The principal uses of aluminium include: transport, where vehicle manufacturers continue to substitute aluminium for other metals because of its low weight and strength; construction, where the strength and anti-corrosive properties of aluminium allow a high degree of pre-fabrication; and packaging where the metal's low weight and anti corrosive properties are valued.

The world's refined copper consumption in 2012 is estimated to have been 20.5mt. In 2011, China's production of refined copper is estimated to have been 5.8mt of which 35 per cent. was believed to have been from recycled metal. This is in line with the country's 11th five-year plan, 2006-2010, which encouraged an increase in recycled metal usage to 35 per cent. and which saw the removal of certain import restrictions and a reduction in import duties on copper.

Environmental legislation in the USA has made the reprocessing of metals more costly there and many copper processors have closed. The USA and major European countries together exported about 3.6mt of copper scrap in 2012. By comparison China is estimated to have imported 4.5 mt (gross weight) of copper scrap in the same period.

The principal uses of copper are in wiring and cabling in buildings and in electronics. The Chinese 12th five-year plan, for 2013 -2018, calls for an expansion of the electricity grid, which is expected to further raise demand for copper in that period.

## 9. Competition

The market is very large and the Group's trading relationships are not exclusive. It enjoys strong relationships with its customers but there are other suppliers also with good relationships. However, the importance of the Group's relationships and of its local knowledge are, in the opinion of the Directors, key factors in preventing other parties from establishing new accounts with the Group's customers.

## 10. Current Trading and Prospects

As set out in Part IV – D of this document, the Company's turnover for the six months ended at 30 September 2013 was broadly in line with the comparable period for the previous year and costs were also comparable. With the additional working capital financing provided by the Placing, the Directors view the future with confidence.

## 11. Details of Directors, Senior Management and Employees

### 11.1 Board composition

The board of the Company consists of three executive Directors and three non-executive Directors.

***Wenjie ("Joe") Zhou, CPA,*** *Chairman and executive Director, aged 45*

Joe Zhou is the chairman and executive Director of the Company. He is responsible for the strategic planning, development of strategic supplier and customer relationships and finance of the Group.

Joe Zhou is also the non-executive chairman of the Singapore listed Net Pacific Financial Holdings Limited. With over 15 years of experience in the industry of recycling of ferrous and non-ferrous metals, Joe Zhou holds non-executive directorships in various companies involved in the metal recycling business, including Wuzhou Junbao Metals Company Limited, Guixi Huibao Metals Company Limited, Foshan Zibao Metals Company Limited; Ningbo Global Recycling Resources Company Limited, Global Metals Limited and Global Metals America Limited Inc.

In addition, he also invests in property developments and investments in China and Australia, private equity funds in China, fund management and metal recycling related businesses. He graduated from University of New South Wales, Australia with a Bachelor of Economics (major in Accounting and Economics). He is a Certified Practising Accountant (of Australia).

***Jianfeng ("Eddy") Li,*** *Chief executive officer and executive Director, aged 38*

Eddy is the chief executive officer and executive Director of the Company. He is responsible for the overall management, sales and purchases for the Group.

Eddy Li has over 14 years of experience in the industry of recycling of ferrous and non-ferrous metals, and holds non-executive directorships in Foshan Beifang Guangdian Metals Company Limited, Wuzhou Junbao Metals Company Limited and Guixi Huibao Metals Company Limited, all of which are involved in the metal recycling business.

He holds a Bachelor of Engineering Degree (major in Architecture) Guangdong University of Technology.

***Chor Wei Ong ("Alan Ong"), ACA, CPA,*** *executive Finance Director, aged 44*

Alan Ong is the Company's Finance Director and is responsible for overseeing the finance function within the Group. Alan is contracted to provide the amount of time necessary for him to properly discharge his duties as Finance Director, which can be estimated at approximately one day per week. Alan Ong is currently also a non-executive director of Joyas International Holdings Limited and an executive director of Net Pacific Financial Holdings Limited, both of which are listed in Singapore. He is also currently an independent non-executive director of Man Wah Holdings Limited and O-Net Communications (Group) Limited, both of which are listed in Hong Kong. He is also a non-executive director of Hong Wai (Asia) Holdings Company Limited, a company listed in Hong Kong. He has over 20 years of experience in finance and accounting. He holds a Bachelor of Laws degree from the London School of Economics and Political Science and a distance learning Master degree in Business Administration jointly awarded by the University of Wales and the University of Manchester. Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

***Chin Phang Kwok,*** *Independent non-executive Director, aged 47*

Chin Phang Kwok is a non-executive Director of the Company. Mr. Kwok is a non-executive director of Joyas International Holdings Limited and an executive director of Net Pacific Financial Holdings Limited, both of which are listed in Singapore. He worked for Nomura Singapore Limited from 1994 to 2008 and has more than 15 years of experience in the investment banking industry. He has extensive experience in capital markets, corporate advisory and mergers and acquisitions. He graduated from King's College, University of London, with a Bachelor of Engineering Degree (First Class Honours) in Electrical and Electronic Engineering.

***Peter George Greenhalgh,*** *Independent non-executive Director, aged 73*

Peter Greenhalgh is a financial consultant. Between 1956 and 1990 he worked for Barclays Bank DCO/International in a variety of positions, mainly overseas, and which latterly included Regional Inspector for the Far East, based in Hong Kong. Between 1990 and 2000 he worked for Henry Ansbacher, a merchant bank, in audit and compliance roles, including that of compliance director. Since leaving Ansbacher he has worked for Hoodless Brennan & Partners Plc (a stockbroker) as projects director and Chancery Lane Finance Limited as managing director.

***Ajay Kumar Rajpal,*** *Independent non-executive Director, aged 44*

Ajay Rajpal is a Chartered Accountant and a member of the Institute of Chartered Accountants in England and Wales. Mr. Rajpal has a background in cross-border mergers and acquisitions, financial management and corporate recovery. Mr. Rajpal qualified with Arthur Andersen, and has worked for Smith Industries plc, as well as a number of other international firms.

### 11.2 Employees and Management Contracts

The Group has 9 employees based in its head office in Hong Kong, excluding the Directors. In addition, the Macau management contracts provides the service of 10 personnel in the PRC and Macau.

## 12. Reasons for Admission and Use of Proceeds

The Directors believe that the Placing and Admission will provide the Company with the working capital necessary to continue the expansion of the Group. In addition, it will enhance the status of the Company and provide a potential source of financing for the acquisition of other companies and businesses.

## 13. Working Capital

The Directors, having made due and careful enquiry and taking into account the proceeds of the Placing and existing cash resources available to the Group, are of the opinion that the Group will have sufficient working capital available to it for its present requirements, being for at least 12 months from Admission.

## 14. Dividend Policy

The Company will consider the payment of dividend based on the working capital needs of the Company and its expansion plan. Past distributions may not necessarily indicate the level of future payment.

## 15. Placing and Admission

On Admission the Company will have 97,250,000 Ordinary Shares in issue and a market capitalisation of approximately £7.78 million. The Placing comprises the issue of 16,250,000 Placing Shares by the Company to raise (gross) £1.3 million. ZAI has agreed, pursuant to the Placing Agreement and conditional, *inter alia*, on Admission, to use its reasonable endeavours to place the Placing Shares with institutional and other investors. The Placing which is not being underwritten, is conditional, *inter alia*, upon:

- Admission having become effective in accordance with the AIM Rules for Companies by no later than 8.00 a.m. on 20 June 2014 (or by such later date as the Company and ZAI may agree in writing but not later than 30 June 2014);
- the performance by the Company of its obligations under the Placing Agreement; and
- the satisfaction or, where appropriate, the waiver of certain other conditions set out in the Placing Agreement, including *inter alia* completion of the Placing.

The Placing Shares rank *pari passu* in all respects with the Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the Placing Shares have been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. Application has been made to the London Stock Exchange for the Ordinary Shares to be admitted to trading on AIM. Admission is expected to become effective and dealings in the issued Ordinary Shares are expected to commence on 20 June 2014.

Further details of the Placing Agreement are set out in paragraph 12.1 of Part VI of this Document.

## 16. Taxation

The attention of investors is drawn to the information regarding taxation which is set out in Part V of this Document. These details are, however, intended only as a general guide to the current taxation law position in the United Kingdom for certain types of investor. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the United Kingdom are strongly advised to consult their professional advisers.

## 17. Admission and CREST

It is expected that Admission will take place and that dealings on AIM will commence on 20 June 2014.

All of the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

The Company has applied for the Ordinary Shares to be admitted to CREST. CREST is a paperless settlement system which allows for the transfer of shares electronically in uncertificated form. The Articles of the Company allow the holding and transfer of Ordinary Shares under the CREST system and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, on the date of Admission. However, CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees have asked to hold their Ordinary Shares in uncertificated form they will have their CREST accounts credited on the day of Admission. Where Placees have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched by first-class post within seven days of the date of Admission.

## 18. Lock-In Arrangements

Each of the Controlling Shareholders has given undertakings not to sell, charge or grant any interests over the 78,082,500 Ordinary Shares held by them (subject to certain exemptions) during the 12-month period commencing on Admission. In addition, they have undertaken to make any disposal through the Company's brokers for a 12-month period thereafter so as to maintain an orderly market in the Shares. Further details of the lock-in arrangements are set out in paragraph 12.4 of Part VI of this document.

## 19. Corporate Governance and Board Practices

The Combined Code published by the Financial Conduct Authority does not apply to the Company. Nor is the Company required to comply with the QCA. However, the Directors recognise the importance of sound corporate governance and intend to comply with the QCA Guidelines as far as practicable and to the extent appropriate given the Company's size, assets, liabilities and other relevant information.

### *Board*

The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets and corporate actions.

### *Committees*

The Directors have established an audit committee and a remuneration committee with formally delegated rules and responsibilities.

*Remuneration Committee*

The Remuneration Committee consists of Chin Phang Kwok and Ajay Rajpal. Chin Phang Kwok has been appointed chairman. The Remuneration Committee monitors the performance of each of the Company's executive Directors and senior executives to ensure they are rewarded fairly for their contribution. The recommendations of the Remuneration Committee are presented to a meeting of the full Board. The remuneration and terms and conditions of appointment of the non-executive directors are set by the Board as a whole.

*Audit Committee*

The Audit Committee consists of Peter Greenhalgh and Ajay Rajpal. Ajay Rajpal has been appointed chairman. The Audit Committee is responsible for ensuring that the Combined Code is implemented in respect to matters relating to the Company's external audit. In addition, the Committee also discusses the scope of the audit before its commencement and it receives reports from the external auditors. The Committee also recommends the appointment of, and will review the fees of, the external auditors. The Audit Committee meets the external auditors and meets internally at least twice per year. It also meets on an ad hoc basis as required.

*Internal Controls*

The Board acknowledges its overall responsibility for ensuring that the Company has a system of internal controls in place that is appropriate. However, Shareholders should be mindful that any system can only provide reasonable, not absolute assurance against material misstatement or loss and is designed to manage but not eliminate the risk of failure to achieve business objectives. The key procedures are:

- a corporate governance policy with clearly defined rules relating to the delegation of authority;
- preparation of annual budgets for the business, reviewed by the executive management and subject to Board approval; and
- monthly management accounts and key performance dates which are compared with budget.

## 20. Relationship Agreement

Immediately following Admission, Joe Zhou and the other Controlling Shareholders will be entitled to exercise or control the exercise of voting rights in respect of 80 per cent. of the Enlarged Share Capital and will have the ability to exercise a controlling influence on the business of the Company and may cause or take actions that are not in, or may conflict with, the best interests of the Group or its Shareholders as a whole. Accordingly, the Company, ZAI and Joe Zhou have entered into a Relationship Agreement which regulates the relationship between Joe Zhou and the Company and ensures that the Company is capable of carrying on its business independently of Joe Zhou. The principal terms of the Relationship Agreement are summarised in paragraph 12.7 of Part VI of this document.

## 21. Share dealing code

The Company has adopted a share dealing code for Directors' dealings. The Directors will comply with Rule 21 of the AIM Rules for Companies relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

## 22. The City Code

On Admission, Joe Zhou and the other Controlling Shareholders, who are treated as acting in concert for this purpose will be interested in 78,082,500 Ordinary Shares, representing 80 per cent. of the Enlarged Share Capital of the Company. The City Code on Takeovers and Mergers requires that any shareholder who alone or in concert with other members of a concert party acquires shares which carry more than 30 per cent. of the voting rights of a company subject to the City Code, or increases their holding if they are already interested in between 30 per cent. and 50 per cent. of the voting rights of such a company, must make a bid for the remaining shares they do not own. The Company is subject to the City Code. As Joe Zhou will be interested in more than 50 per cent. of the voting rights of the Company at Admission, he will therefore be able to acquire further shares in the Company without incurring any obligation to make a mandatory bid under the City Code. However, if for any reason his interest falls below 50 per cent. in the future, then he will be subject to the restrictions outlined above.

## 23. Further information

Your attention is drawn to Part III of this document which contains risk factors relating to any investment in the Group and to Part IV of this document which contains financial information on the Company, as well as further additional information in Parts V and VI of this document.

# PART III

# RISK FACTORS

An investment in Ordinary Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares. The Board considers the following risk factors to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

An investment in Ordinary Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of FSMA who specialises in advising on investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

## 1. General Risks

***Investment risks***

An investment in Ordinary Shares is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment, or other investors who have been professionally advised with regard to the investment, and who have sufficient resources to be able to bear any losses that may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complimentary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Ordinary Shares unless they already have a diversified investment portfolio.

Prospective investors should be aware that the value of an investment in the Company may go down as well as up and investors may therefore not recover their original investment.

In addition, the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's investments, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes, general economic and political conditions and interest and inflation rate variations.

The value of the Ordinary Shares may therefore fluctuate and not reflect their underlying asset value. In addition, the level of dividends to be paid on the Ordinary Shares, if any, is not guaranteed and may fluctuate.

***Liquidity and possible price volatility of the Ordinary Shares***

Prior to the Placing, there has been no public market for the Ordinary Shares. The Placing Price has been agreed between ZAI and the Company and may not be indicative of the market price for the Ordinary Shares following Admission.

The trading price of the Ordinary Shares may be subject to significant volatility in response to, among other factors:

- investor perceptions of the Group and the Group's business plans;
- variations in the Group's operating results;

- changes in senior management personnel; and
- general economic and other factors.

An active trading market for the Ordinary Shares may not develop and the trading price for Ordinary Shares may fluctuate significantly. In addition, there can be no assurance that an active trading market for the Ordinary Shares will develop, or, if it does develop, that it will be sustained following Admission, or that the market price of the Ordinary Shares will not decline below the Placing Price.

Stock markets have from time to time experienced severe price and volume fluctuations, a recurrence of which, could adversely affect the market price of Ordinary Shares, regardless of the Group's performance.

The declaration, payment and amount of any future dividends of the Company is subject to the discretion of the Directors, and will depend upon, among other things, the Company's earnings, financial position, cash requirements and availability of profits, as well as the provisions of relevant laws or generally accepted accounting principles.

***Securities traded on AIM***

The Ordinary Shares will be quoted on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares quoted on AIM may carry a higher risk than an investment quoted on the Official List. Admission of the Ordinary Shares to trading on AIM should not be taken as implying that there will be a liquid market in the Ordinary Shares. It may be more difficult for an investor to realise his investment in the Company than in a company whose shares are quoted on the Official List. Shares held on AIM are perceived to involve higher risk.

***Management of growth***

The ability of the Group to implement its strategy requires effective planning and management control systems. The Group's growth plans may place a significant strain on the Group's management and operational, financial and personnel resources. Therefore, the Group's future growth and prospects will depend on its ability to manage this growth.

The Company's objectives may not be fulfilled. The value of an investment in the Company is dependent upon the Company achieving the aims set out in this document. The Group may not achieve the level of success that the Board expects, which could adversely affect the value of any investment in Ordinary Shares.

***Availability of profits for distribution***

Any future dividends will be proposed by the Board from time to time under the authority granted to them in the Articles. The amount of future dividends proposed by the Directors (if any) will depend on the Group's earnings and financial position, results of operations, capital needs, plans for expansion, distributable reserves and such other factors as the Directors may deem appropriate. The failure by the Company to pay dividends in future may adversely affect the value of Ordinary Shares.

***Taxation***

The taxation implications of investing in the Company are dealt with in Part V of this document. The tax rules and their interpretation relating to an investment in the Company may change during the life of the Company. The levels of, and relief from, taxation may change. Any tax relief referred to in this document are those currently available and their application depends on the individual circumstances of investors. The information given in this document relates only to UK investors and investors in other jurisdictions must seek their own tax advice.

Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the assets held by the Company or the Group, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax return of Shareholders.

## 2. Risks Relating to the Industry

### *Fluctuation on the commodity prices*

The Company derives its profits by making a fixed margin return on products traded largely in US dollar and the value of which is also subject to variation in commodity prices. Its operating costs are largely denominated in HKD and RMB and therefore, fluctuations in the value of commodity prices or exchange rates may have a disproportionate effect on profit.

### *The industry is cyclical*

The activity levels of the metal recycling industry are affected by larger economic cycles. Increases or decreases in the general level of trade will affect the profitability of the Group.

### *Political sensitivity*

The export of aluminium and copper for reprocessing has on occasion been treated as an economically sensitive issue for the countries from which such export takes place and historically has been subject to government and regulatory controls in certain jurisdictions (including the UK and the US). Were such controls to be instated by any of the countries from which the Group sources its supplies, this could have a material adverse effect on the Group's business.

### *Insurance risk*

The value of goods traded is high relative to the Company's profits. If a shipment is lost or delayed at sea the Company may be obliged to recover any loss from insurers or other contracting parties. Any delay in recovery will adversely affect the Group's working capital and limit its ability to trade.

### *Competition risk*

The metal recycling industry in China is highly fragmented with market players scattered throughout the country. Any increase in or consolidation of competition in the market may result in pressure on the Group's profit margin and business prospects.

## 3. Risks Relating to China

### *Changes in existing regulations and policies applicable to the industry*

The Group's operations are subject to regulations and policies set by the PRC government. These regulations and policies affect many aspects of its operations. The business could be materially and adversely affected by future changes in regulations and policies of the PRC government applicable to the industry.

### *Reliance on the Chinese market*

In the past three years, most of the Group's turnover was derived from China. It is anticipated that the turnover will continue to be generated mainly from the Chinese market in the near future. Accordingly, the Group's operating results and financial position are largely subject to the economic, political, social and legal developments in China as well as changes in the demand for its products in China. There is no assurance that such developments in China as well as such changes in the demand for the Group's products, will not adversely affect its performance and profitability.

### *The PRC legal system has inherent uncertainties that could limit the legal protections available to the Group*

The PRC legal system is based on written statutes and their interpretation by the Supreme People's Court or other relevant authorities. Prior court decisions may be cited for reference but have limited precedential value. Since 1979, the PRC has been developing a comprehensive system of commercial laws. However, because these are relatively new and because of the limited number of published cases and their limited precedential value, the enforcement of the law and regulation is subject to some uncertainty.

## 4. Group's Business

***Failure to maintain the qualifications, permits or licences required for the Group's business***

In order to trade in China, the Group requires a AQSIQ licence. The current licence was renewed on 1 January 2014 and expires on 31 December 2016. If the licence were not then to be renewed, the Group would be unable to trade in its current format.

***Loss of a major customer could affect the business***

The Group has five significant customers and the loss of any one of these could materially affect the Group's results. The Company has no entered into any long term trading agreements with its customers and is therefore dependent on the quality of its trading relationships to maintain its customer base.

***The Group is dependent on key management***

The Group is dependent on key management and their relationships with customers and clients. There is no assurance that the Group will be able to retain key management or to recruit and retain competent personnel for the future development of the Group.

***Future development of the Group assumes corporate acquisitions***

There are many risks attaching to corporate acquisitions including: the possibility that sizable expenditures may be incurred in relation to proposed transactions that do not complete, the availability or otherwise of funds to complete acquisitions; leverage and funding risks arising from debt taken on to complete acquisitions; dilution of shareholder interest arising from equity issued to complete acquisitions; the possibility that businesses acquired will not perform as well as expected when they are acquired and the acquisition process and or subsequent management and integration of an acquired business will divert management attention to the detriment of the Group's existing activities.

***The interests of Joe Zhou may differ from those of the Company***

Joe Zhou and his family have extensive interests in the metal recycling business including in customers and suppliers of the Group. It is possible that conflicts may arise between the Company and Joe Zhou and notwithstanding the Relationship Agreement any conflict within the Board in relation to such conflicts, could have a detrimental effect on the Group's profits and prospects.

## PART IV

## FINANCIAL INFORMATION

### SECTION A – ACCOUNTANT'S REPORT ON THE COMPANY

JEFFREYS HENRY LLP

Chartered Accountants

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Business Advisors
Tax Specialists
Financial Services
Corporate Recovery
Accounting Outsourcing
Corporate Finance

The Directors
Zibao Metals Recycling Holdings Plc
Unit 2713, 27/F
113 Argyle Street
Mongkok, Kowloon
Hong Kong

and

The Directors
ZAI Corporate Finance Limited
1 Hobhouse Court
Suffolk Street
London SW1Y 4HH

16 June 2014

Dear Sirs

**Zibao Metals Recycling Holdings Plc ("Zibao" or "Company") and subsidiaries (together "Group") placing and admission to AIM**

### Introduction

We report on the financial information set out in this Part IV – A on pages 27 to 31. This financial information has been prepared for inclusion in the AIM admission document (the "Admission Document") of Zibao Metals Recycling Holdings Plc dated 16 June 2014, on the basis of the accounting policies set out in paragraph 1 of the financial information.

### Responsibilities

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

**Basis of Preparation**

The financial information has been based on audited financial statements for the period from incorporation on 9 October 2013 to 10 March 2014 to which no adjustments were considered necessary.

The Directors of Zibao are responsible for preparing the financial information on the basis of preparation set out in paragraph 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Zibao as at 10 March 2014 of its results, cash flows and changes in equity for the period then ended in accordance with the basis of preparation and the applicable reporting framework set out in paragraph 1 of the financial information.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

The financial information included herein comprises:

- a statement of accounting policies;
- income statement, balance sheet, statement of changes in equity, cash flow statement;
- notes to the income statement and the balance sheet.

Yours faithfully

Jeffreys Henry LLP

**JEFFREYS HENRY LLP**

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**Principal Activities**

Zibao Metals Recycling Holdings Plc is a public company incorporated in England but domiciled in Hong Kong. The registered address is at Finsgate, 5-7 Cranwood Street, London EC1V 9EE and the principal place of business is Unit 13, 27/F, 113 Argyle Street, Mongkok, Kowloon, Hong Kong. The principal activity of Zibao is that of a holding company.

### 1.1 Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with International Financial Reporting Standards ("IFRS"). The financial statements are presented in Hong Kong dollars ("HKD").

The preparation of financial statements in conformity with IFRS requires management to exercise its judgment in the process of applying Zibao's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgment or complexity, are disclosed in this Note.

### 1.2 Fixed asset investments

Subsidiaries are all entities over which Zibao has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Zibao controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to Zibao. They are de-consolidated from the date that control ceases.

### 1.3 Income Tax

Zibao adopts the liability method of tax effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that Zibao will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### 1.4 Impairment of Assets

At each reporting date, Zibao reviews carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, Zibao estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### 1.5 Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within Zibao.

#### *Key estimate – impairment*

Zibao assesses impairment at each reporting date by evaluating conditions specific to Zibao that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Fair value assessments and value-in-use calculations performed in assessing recoverable amount incorporate a number of key estimates.

### 1.6 Equity

Share capital is the amount subscribed for shares at their nominal value.

Share premium represents the excess of the amount subscribed for the share capital over the nominal value of the respective shares net of share issue expenses.

### 1.7 Currency translation

#### *Functional and presentation currency*

The individual financial statements of each entity are presented in Hong Kong Dollars which is the presentational currency of Zibao.

#### *Transactions and balances*

Transactions in a currency other than the presentational currency are recorded at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss.

## 2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the period 9 October 2013 to 10 March 2014**

| | *Notes* | *HKD000* |
|---|---|---|
| **Continuing operations** | | |
| Other expenses from ordinary activities | | – |
| **Profit before income tax** | | – |
| Income tax expense | | – |
| Profit for the period | | – |
| **Profit attributable to:** | | |
| Owners of shareholders | | – |
| **Earnings per share expressed in cents per share** | | – |

## 3. STATEMENT OF FINANCIAL POSITION

**As at 10 March 2014**

| | *Notes* | *HKD000* |
|---|---|---|
| **Assets** | | |
| ***Non-current assets*** | | |
| Investment in subsidiary undertaking | 6.1 | 30,046 |
| **Total assets** | | 30,046 |
| **Equity attributable to the owners of the parent** | | |
| Issued capital | 6.2 | 10,530 |
| Merger relief reserve | 6.2 | 19,516 |
| **Total equity** | | 30,046 |
| **Liabilities** | | |
| ***Current liabilities*** | | |
| Trade and other payables | | – |
| **Total equity and liabilities** | | 30,046 |

## 4. STATEMENT OF CHANGES IN EQUITY

**For the period 9 October 2013 to 10 March 2014**

| | *Share capital HKD000* | *Merger relief reserve HKD000* | *Total HKD000* |
|---|---|---|---|
| **Balance at 9 October 2013** | – | – | – |
| Shares issued for the period | 10,530 | 19,516 | 30,046 |
| **Balance at November 2013** | 10,530 | 19,516 | 30,046 |

## 5. STATEMENT OF CASH FLOWS

**For the period 9 October 2013 to 10 March 2014**

| | *HKD000* |
|---|---|
| **Cash flows from operating activities** | |
| Cash generated from operations | – |
| **Cash flows from financing activities** | |
| Proceeds from issuing shares | – |
| **Net cash generated from financing activities** | – |
| **Increase in cash and cash equivalents** | – |
| **Cash and cash equivalents at beginning of period** | – |
| **Cash and cash equivalents at end of period** | – |

## 6. NOTES TO THE FINANCIAL INFORMATION

### 6.1 Fixed Asset Investments

| | *As at 10 March 2014 HKD000* |
|---|---|
| **Cost** | |
| Addition | 30,046 |
| At 10 March 2014 | 30,046 |
| **Carrying amount** | |
| At 10 March 2014 | 30,046 |

The investment represents a 100 per cent. interest in Masterpiece Enterprises Limited, a company incorporated in the British Virgin Islands and whose activity is that of a parent company for a group trading in scrap metals. This interest was acquired on 10 March 2014 by way of a share for share exchange.

### 6.2 Called up share capital

| *Allotted, issued and fully paid* | *Class* | *Nominal Value* | *As at 10 March 2014 Share capital HKD000* | *As at 10 March 2014 Merger relief reserve HKD000* |
|---|---|---|---|---|
| 81,000,000 | Ordinary | £0.01 | 10,530 | 19,516 |

On 8 October 2013, the date of Incorporation, Zibao allotted 1 ordinary share of £1 each.

On 28 February 2014 each £1 ordinary capital was sub-divided into 100 ordinary shares of 1p each.

On 10 March 2014, Zibao allotted 80,999,900 ordinary shares of 1p each in exchange for 1,000 ordinary shares of US$1 of Masterpiece Enterprises Limited.

On 16 June 2014, Zibao granted to ZAI warrants to subscribe for 2,917,500 Ordinary shares at an issue price of 8p at any time in the period to 16 June 2019.

On 16 June 2014 Zibao granted options on 525,000 ordinary shares to certain directors. The options are exercisable at 8p per share after the first anniversary of Admission, provided that the director remains in office until then.

### 6.3 Contingent liabilities

There are no contingent liabilities outstanding.

### 6.4 Ultimate controlling party

The ultimate controlling party is Joe Zhou.

### 6.5 Post balance sheet events

Subsequent to the period end Zibao issued ordinary Shares at a placing price of 8p per ordinary share raising a total of HKD 16.9 million before expenses.

### 6.6 Auditors

The auditors in the period were Jeffreys Henry LLP.

SECTION B – ACCOUNTANT'S REPORT ON MASTERPIECE

JH
JEFFREYS HENRY LLP

Chartered Accountants

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Registered Auditors
Business Advisors
Tax Specialists
Financial Services
Corporate Recovery
Accounting Outsourcing
Corporate Finance

The Directors
Zibao Metals Recycling Holdings Plc
Unit 2713, 27F
113 Argyle Street
Mongkok, Kowloon
Hong Kong

and

The Directors
ZAI Corporate Finance Limited
1 Hobhouse Court
Suffolk Street
London SW1Y 4HH

16 June 2014

Dear Sirs

**Masterpiece Enterprises Limited ("Masterpiece" or "MPE Group")**

**Introduction**

We report on the financial information set out in this Part IV – B on pages 34 to 53. This financial information has been prepared for inclusion in the AIM admission document (the "Admission Document") of Zibao Metals Recycling Holdings Plc dated 16 June 2014, on the basis of the accounting policies set out in paragraph 1 of the financial information.

**Responsibilities**

This report is required by Paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules for Companies, consenting to its inclusion in this Admission Document.

**Basis of Preparation**

The financial information has been based on audited financial statements for the years ended 31 March 2013, 2012 and 2011 to which adjustments were made to disclose the closure of the Hong Kong operations as discontinued activities.

The Directors of the Group are responsible for preparing the financial information on the basis of preparation set out in paragraph 1 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the MPE Group as at 31 March 2013, 2012 and 2011 and of its profits, financial position, cash flows and changes in equity for the years ended 31 March 2013, 2012 and 2011 in accordance with the basis of preparation and the applicable reporting framework set out in paragraph 1 of the financial information.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

The financial information included herein comprises:

- a statement of accounting policies;
- income statement, balance sheet, statement of changes in equity, cash flow statement;
- notes to the income statement and the balance sheet.

Yours faithfully

Jeffreys Henry LLP

**JEFFREYS HENRY LLP**

## NOTES TO THE FINANCIAL STATEMENTS

### 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 General Information

Masterpiece Enterprises Limited is a limited company incorporated in British Virgin Islands but domiciled in Hong Kong. The registered address is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands, and the principal place of business is Unit 2713, 27F, 113 Argyle Street, Mongkok, Kowloon, Hong Kong.

The principal activity of Masterpiece Enterprises Limited is that of a holding company. The principal activities of its subsidiaries are the trading of scrap materials.

### 1.2 Going Concern

In preparing the consolidated financial information, the director of Masterpiece has given consideration to the future liquidity of the MPE Group. The director is of the opinion that the Group will be able to finance its future working capital and financial requirements given that the Group has obtained new working capital from investors and expects to generate sufficient cash flows from its operations in the foreseeable future.

Accordingly, the directors are of the opinion that it is appropriate to prepare the consolidated financial statements for the year ended 31 March 2013 on a going concern basis.

### 1.3 Application of International Financial Reporting Standards

The consolidated financial statements of the MPE Group have been prepared in accordance with International Financial Reporting Standards (the "IFRSs"). The MPE Group has applied the following new and revised standards, amendments and interpretations ("new and revised IFRSs") which are effective for annual periods beginning from 1 April 2010.

At the date of authorisation of this financial information, the following standards and interpretations were in issue but not yet effective.

| | | *Effective date for financial periods beginning on or after* |
|---|---|---|
| Amendments to IAS 1 | Presentation of Items of Other Comprehensive Income | 1 July 2012 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2013 |
| IFRS 11 | Joint Arrangements | 1 January 2013 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2013 |
| IFRS 13 | Fair Value Measurement | 1 January 2013 |
| IAS 19 | Employee Benefits (revised in 2011) | 1 January 2013 |
| IAS 27 | Separate Financial Statements (revised in 2011) | 1 January 2013 |
| IAS 28 | Investments in Associates and Joint Ventures (revised in 2011) | 1 January 2013 |
| IFRIC 20 | Stripping Costs in the Production Phase of a Surface Mine | 1 January 2013 |
| Amendments to IFRS 1 | Government Loans | 1 January 2013 |
| Amendments to IFRS 7 | Disclosures – Offsetting Financial Assets and Financial Liabilities | 1 January 2013 |

| | | |
|---|---|---|
| Amendments to IFRS 10, IFRS 11 and IFRS 12 | Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance | 1 January 2013 |
| Amendments to IAS 32 | Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to IFRS 10 | Investment Entities | 1 January 2014 |
| IFRS 9 (November 2009) | Financial Instruments | 1 January 2015 |
| IFRS 9 (October 2010) | Financial Instruments | 1 January 2015 |

The application of the other new and revised IFRSs will have no material impact on the results and financial position of the MPE Group.

### 1.4 Significant accounting policies

(a) ***Basis of preparation***

The consolidated financial statements have been prepared in accordance with IFRSs, which is a collective term referred to all applicable individual International Accounting Standards ("IASs") and Interpretations ("Ints").

The consolidated financial statements have been prepared under the historical cost convention as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Although these estimates are based on Management's experience and knowledge of current events and actions, actual results may ultimately differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.5.

The principal accounting policies are set out below.

(b) ***Basis of consolidation***

The consolidated financial statements incorporate the financial statements of Masterpiece and entities controlled by Masterpiece (its subsidiaries). Control is achieved where Masterpiece has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the MPE Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

*Changes in the MPE Group's ownership interests in existing subsidiaries*

Changes in the MPE Group's ownership interests in subsidiaries that do not result in the MPE Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the MPE Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of Masterpiece.

When the MPE Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

*Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the MPE Group, liabilities incurred by the MPE Group to the former owners of the acquiree and the equity interests issued by the MPE Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;

– liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the MPE Group are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

(c) ***Property, plant and equipment***

Property, plant and equipment are stated at historical cost less subsequent accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the MPE Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to write off their cost over their estimated useful lives at the following annual rates:

| | |
|---|---|
| Furniture, fixtures and equipment | 20% |
| Leasehold improvements | 20% |
| Plant and machinery | 20% |
| Computer equipment | 30% |

Useful lives and depreciation method are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss in the year in which the asset is derecognised.

(d) ***Impairment of tangible assets***

At the end of each reporting period, the MPE Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the MPE Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating unit for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(e) ***Inventories***

This note refers to the discontinued activities. Inventories are carried at the lower of cost and net realisable value. Cost is determined using specific identification or first-in, first-out method as appropriate, and in the case of work in progress and finished goods, comprises the cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

When the inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the year in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as an expense in the year in which the reversal occurs.

(f) ***Financial instruments***

Financial assets and financial liabilities are recognised on the statement of financial position when an entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

(i) *Financial assets*

The MPE Group's accounting policies for financial assets are set out below.

Management determine the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluate this designation at every reporting date.

All financial assets are recognised when, and only when, the MPE Group becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables (including trade receivables, prepayments, deposits and other receivables, cash and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. At each reporting date subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Financial liabilities and equity*

Financial liabilities and equity are recognised on the MPE Group's statement of financial position when the MPE Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the MPE Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the MPE Group after deducting all of its liabilities.

The MPE Group's financial liabilities include amounts due to a director, trade payables, accrued liabilities and other payables are initially measured at fair value, net of transaction costs.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the statement of comprehensive income.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

(iii) *Trade and other receivables*

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be material. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

(iv) *Trade and other payables*

Liabilities for trade and other payables which are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would not be material, in which case they are stated at cost.

(g) ***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for the sales of goods and the use by others of the MPE Group's assets yielding interest, net of rebates and discounts.

Revenue on sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has been passed.

Interest income from a financial asset, is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

(h) ***Cost of Sales***

Cost of Sales consists of all costs of purchase, and other directly incurred costs.

Cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable by the MPE Group from the taxing authorities), if any, and transport, handling and other costs directly attributable to the acquisition of goods. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

(i) ***Taxation***

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The MPE Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the MPE Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the MPE Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current or deferred tax for the year is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(j) ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the MPE Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(k) ***Provisions and contingencies***

Provisions are recognised when the MPE Group has a present obligation as a result of a past event, and it is probable that the MPE Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date, and are discounted to present value where the effect is material. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of comprehensive income.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(l) ***Foreign currencies***

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical costs in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, assets and liabilities of the MPE Group's foreign operations are translated into the presentation currency of the MPE Group (i.e. Hong Kong Dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which cases, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

(m) ***Operating leases***

Where the MPE Group has the use of assets held under operating leases, payment made under the leases are charged to profit or loss over the accounting periods covered by the lease term except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(n) ***Employee benefits***

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the MPE Group of non-monetary benefits are accrued in the period in which employees of the MPE Group render the associated services. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The MPE Group participates in the mandatory provident fund for its employees in Hong Kong. Contributions to the funds by the MPE Group and the employees are calculated as a percentage of the employees' basic salaries. The retirement benefit cost charged to the statement of comprehensive income represents contributions payable by the MPE Group to the fund. The MPE Group's contributions to the fund are expensed as incurred and the MPE Group's voluntary contributions are reduced by contributions forfeited by those employees who leave the fund prior to vesting fully in the contributions. The assets of the fund are held separately from those of the MPE Group in an independently administered fund.

(iii) Several employees of the MPE Group have completed the required number of years of services to the MPE Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The MPE Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

Provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material outflow of resources from the Group.

(o) ***Related parties***

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entities").

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity; or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(p) ***Segmental reporting***

The MPE Group only operates in a single business and geographical segment. Accordingly no segmental information for business segment or geographical segment is required.

## 1.5 Critical accounting estimates and judgments

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### *Critical accounting estimates and assumptions*

In the application of the MPE Group's accounting policies, which are described above, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

*Inventory valuation – discontinued activities*

Inventory is valued at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of competitors' actions in response to severe industry cycles. The MPE Group reviews its inventories in order to identify slow-moving merchandise and uses markdowns to clear merchandise. Inventory value is reduced when the decision to markdown below cost is made.

*Impairment of receivables*

The MPE Group's management reviews receivables on a regular basis to determine if any provision for impairment is necessary. The policy for the impairment of receivables of the MPE Group is based on, where appropriate, the evaluation of collectability and ageing analysis of the receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these outstandings, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the MPE Group were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

*Income Taxes*

The MPE Group is subject to income taxes in Hong Kong and Macau. Significant judgement is required in determining the provision for income taxes and the timing of payment of the related tax. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The MPE Group recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provision in the period in which such determination is made.

*Depreciation and amortisation*

The MPE Group depreciates property, plant and equipment and amortises the leasehold land and land use rights on a straight-line method over the estimated useful lives. The estimated useful lives reflect the directors' estimate of the periods that the MPE Group intends to derive future economic benefits from the use of the MPE Group's property, plant and equipment and the leasehold land and land use rights.

## 2. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| | *Notes* | *2013 HKD000* | *2012 HKD000* | *2011 HKD000* |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | 6.4 | 436,342 | 403,417 | 135,943 |
| Cost of sales | | (415,521) | (382,995) | (129,353) |
| Gross profit | | 20,821 | 20,422 | 6,590 |
| Selling and distribution expenses | | (819) | (578) | (190) |
| Administrative expenses | | (3,324) | (3,872) | (2,442) |
| **Operating profit** | 6.5 | 16,678 | 15,972 | 3,958 |
| Income tax expense | 6.7 | (2,028) | (2,314) | (807) |
| Profit for the year from continuing operations | | 14,650 | 13,658 | 3,151 |
| **Discontinued operations** | | | | |
| Profit/(loss) for the year from discontinued operations | 6.9 | (536) | (1,769) | 222 |
| Other comprehensive income for the year | | – | – | – |
| **Total comprehensive income for the year** | | 14,114 | 11,889 | 3,373 |
| Profit and total comprehensive income for the year attributable to the owners of Masterpiece | | 14,114 | 11,889 | 3,373 |
| **Earnings per share** | | | | |
| From continuing and discontinued operations | | | | |
| Basic and diluted | 6.10 | 14,114 | 11,889 | 3,373 |
| From continuing operations | | | | |
| Basic and diluted | 6.10 | 14,650 | 13,658 | 3,151 |

## 3. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | 2013 HKD000 | 2012 HKD000 | 2011 HKD000 |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Property, plant and equipment | 6.11 | 226 | 414 | 364 |
| | | 226 | 414 | 364 |
| **Current Assets** | | | | |
| Inventories | 6.13 | 21,830 | 30,101 | 21,643 |
| Trade receivables | 6.14 | 5,884 | 17,362 | 8,328 |
| Prepayments, deposits and other receivables | 6.15 | 7,249 | 2,918 | 6,412 |
| Pledged deposits | | 100 | – | – |
| Cash and cash equivalents | | 5,150 | 5,007 | 6,492 |
| | | 40,213 | 55,388 | 42,875 |
| **Total Assets** | | 40,439 | 55,802 | 43,239 |
| **Equity and liabilities** | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital | 6.20 | – | – | – |
| Reserves | | 5,291 | 4,177 | 1,288 |
| **Total Equity** | | 5,291 | 4,177 | 1,288 |
| **Non-current liabilities** | | | | |
| Long term loan from shareholders | 6.21 | 10,000 | 10,000 | 10,000 |
| | | 10,000 | 10,000 | 10,000 |
| **Current liabilities** | | | | |
| Trade payables | 6.16 | 14,732 | 10,743 | 6,320 |
| Accrued liabilities and other payables | 6.17 | 4,321 | 302 | 275 |
| Amount due to director | 6.18 | 603 | 27,116 | 24,206 |
| Tax payable | 6.19 | 5,492 | 3,464 | 1,150 |
| | | 25,148 | 41,625 | 31,951 |
| **Total liabilities** | | 35,148 | 51,625 | 41,951 |
| **Total equity and liabilities** | | 40,439 | 55,802 | 43,239 |

## 4. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Notes | Share capital HKD000 | Retained Earnings HKD000 | Total HKD000 |
|---|---|---|---|---|
| As at 31 March 2011 | | – | 1,288 | 1,288 |
| Total comprehensive income for the year | | – | 11,889 | 1,889 |
| Dividend paid to equity holders of Masterpiece | 6.8 | – | (9,000) | (9,000) |
| As at 31 March 2012 | | – | 4,177 | 4,177 |
| Total comprehensive income for the year | | – | 14,114 | 14,114 |
| Dividend paid to equity holders of Masterpiece | 6.8 | – | (13,000) | (13,000) |
| As at 31 March 2013 | | – | 5,291 | 5,291 |

Share capital is the amount subscribed for shares at nominal value.

Retained earnings represent the cumulative profits of the MPE Group attributable to owners of Masterpiece.

## 5. CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Notes | 2013 HKD000 | 2012 HKD000 | 2011 HKD000 |
|---|---|---|---|---|
| Cash flows from operating activities | | | | |
| Cash used in operations | 6.24 | 13,301 | 7,822 | 2,751 |
| Cash flows from investing activities | | | | |
| Interest Received | | – | – | – |
| Addition of property, plant and equipment | | (110) | (327) | (207) |
| Sales of property, plant and equipment | | 52 | 20 | 1 |
| Net cash from/(used in) investing activities | | (58) | (307) | (206) |
| Cash flows from financing activities | | | | |
| Dividend paid | | (13,000) | (9,000) | – |
| Repayment of bank loans | | – | – | – |
| Net cash from financing activities | | (13,000) | (9,000) | – |
| Net increase/(decrease) in cash and cash equivalents | | 243 | (1,485) | 2,545 |
| Cash and cash equivalents at beginning of the year | | 5,007 | 6,492 | 3,947 |
| Cash and cash equivalents at the end of the year | | 5,250 | 5,007 | 6,492 |
| Represented by: | | | | |
| Bank balances and cash | | 5,150 | 5,007 | 6,492 |
| Pledged deposits | | 100 | – | – |
| | | 5,250 | 5,007 | 6,492 |

## 6. NOTES TO THE FINANCIAL INFORMATION

### 6.1 Financial risk management

***Financial instruments by category***

The carrying amounts of each of the categories of the MPE Group's financial assets and liabilities as at the end of the reporting period are as follows:

| | *Year ended 31 March 2013 HKD'000* | *Year ended 31 March 2012 HKD'000* | *Year ended 31 March 2011 HKD'000* |
|---|---|---|---|
| Financial assets: | | | |
| Loans and receivables: | | | – |
| Trade receivables | 5,884 | 17,362 | 8,328 |
| Prepayments, deposits and other receivables | 7,249 | 2,918 | 6,412 |
| Bank balances and cash | 5,250 | 5,007 | 6,492 |
| | 18,383 | 25,287 | 21,232 |
| Financial liabilities: | | | |
| Financial liabilities measured at amortised cost: | | | |
| Trade payables | 14,732 | 10,743 | 6,320 |
| Accrued liabilities and other payables | 4,321 | 302 | 275 |
| Amounts due to a director | 603 | 27,116 | 24,206 |
| | 19,656 | 38,161 | 30,801 |

### 6.2 Financial risk management and objectives and policies

The MPE Group's major financial instruments include trade and other receivables, amounts due to/from related companies, bank balances and cash, trade and other payables, and amounts due to a director.

Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (foreign exchange risk), credit risk, interest rate risk, liquidity risk and capital management risk. The MPE Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the MPE Group's financial performance. The policies for managing these risks are summarised below.

(a) ***Market risk***

*Foreign exchange risk*

Currency risk is the risk that the holding of foreign currencies will affect the MPE Group's position as a result of a change in foreign currency exchange rates. The MPE Group has no significant foreign currency risk as most of the MPE Group's financial assets and liabilities are denominated in functional currencies of relevant group entities. Accordingly, no quantitative market risk disclosures for currency risk have been prepared.

(b) ***Credit Risk***

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the MPE Group. The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the MPE Group's maximum exposure to credit risk. The MPE Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The MPE Group's exposure and the credit ratings of its counterparties are continuously monitored. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management regularly.

The MPE Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the MPE Group performs periodic credit evaluations of its customers. In this regard, the director of the MPE Group considers that Masterpiece's credit risk is significantly reduced.

The MPE Group's bank balances and cash are deposited with banks in Hong Kong. The credit risk on liquid funds is limited because the counterparties are banks with good credit-rating.

(c) ***Cash flow and fair value interest rate risk***

The MPE Group currently does not have any interest rate hedging policy. The director monitors the MPE Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

(d) ***Liquidity Risk***

The MPE Group manages its liquidity risk by maintaining sufficient cash, by monitoring the liquidity requirements in the short and longer term.

(e) ***Capital risk management***

The MPE Group's objectives when managing capital are to safeguard the MPE Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders.

The MPE Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the MPE Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. No changes were made in the objectives, policies and processes during the years of 2011, 2012 and 2013.

The MPE Group monitors capital using a gearing ratio, which is the MPE Group's net debts divided by its total capital. Net debt is calculated as total liabilities as shown in the statement of financial position less cash and bank balances. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. The MPE Group's gearing ratios as at 31 March 2013, 31 March 2012 and 31 March 2011 were as follows:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Total liabilities | 35,148 | 51,625 | 41,951 |
| Less: Cash and bank balances | (5,150) | (5,007) | (6,492) |
| Net debt | 29,998 | 46,618 | 35,459 |
| Total equity | 5,291 | 4,177 | 1,288 |
| Total capital | 35,289 | 50,795 | 36,747 |
| Gearing ratio | 85.0% | 91.8% | 96.5% |

### 6.3 Fair value estimation

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

### 6.4 Revenue

All revenue for the represents turnover generated from the principal activities of the MPE Group, comprising the aggregate of the invoiced value of goods sold, net of trade discounts and other revenue for the year.

An analysis of turnover and other income is as follows:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| **Turnover** | | | |
| Sales of goods, net of discounts | 436,342 | 403,417 | 135,943 |

### 6.5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting) the following:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Cost of sales | 415,521 | 382,995 | 129,353 |
| Directors' remuneration | 240 | 240 | 240 |
| Auditors' remuneration | 65 | 36 | 36 |
| Depreciation on property, plant and equipment | 66 | 66 | – |
| Rentals of premises under operating leases | 371 | 408 | 398 |
| Staff costs other than mandatory provident fund contributions | 1,116 | 1,064 | 1,017 |
| Mandatory provident fund contributions for employees | 47 | 44 | 43 |
| Exchange losses/(gains) | (502) | 55 | – |
| Sundry income | (19) | – | – |
| Average number of employees excluding the directors | 7 | 9 | 9 |

### 6.6 Directors' remuneration

***Masterpiece***

During the years ended 31 March 2013, 2012 and 2011, no amounts have been paid in respect of directors' emoluments, directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

***The subsidiaries***

The aggregate directors' remuneration of the subsidiaries for the year is as follows:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Directors' fees | 240 | 240 | 240 |
| Other emoluments: | | | |
| Basic Salaries | – | – | – |
| Mandatory Provident fund Contributions | – | – | – |
| Total directors' emoluments | 240 | 240 | 240 |

### 6.7 Income tax expense

The charge for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Profits before taxation | 16,678 | 15,972 | 3,958 |
| Current income tax – Macau: | 1,725 | 2,314 | 807 |
| Current income tax – Hong Kong: | 303 | – | – |
| Total income tax expense | 2,028 | 2,314 | 807 |

Macau and Hong Kong tax have been provided at a rate of 12% and 16.5% respectively.

### 6.8 Dividends

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Interim | | | |
| Dividend per Ordinary Share based on 1 (2012:1) share in issue | 13,000 | 9,000 | – |
| | 13,000 | 9,000 | – |

### 6.9 Discontinued operations

In November 2012, the MPE Group closed down its business operations in Hong Kong.

Analysis of profit for the year from discontinued operations included in the profit for the year are set out below.

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Profit for the year from discontinued operations | | | |
| Revenue | 14,197 | 17,315 | 22,564 |
| Cost of sales | (13,467) | (16,318) | (20,301) |
| Gross profit | 730 | 997 | 2,263 |
| Selling and distribution expenses | (793) | (1,936) | (1,305) |
| Administrative expenses | (522) | (845) | (785) |
| Other operating income | 49 | 15 | 49 |
| Profit/(loss) before tax | (536) | (1,769) | 222 |
| Attributable income tax expense | – | – | – |
| Profit/(loss) for the year from discontinued operations (attributable to owners of Masterpiece) | (536) | (1,769) | 222 |

***Cash flows from discontinued operations***

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Net cash inflows/(outflows) from operating activities | (1,499) | (2,351) | 766 |
| Net cash inflows/(outflows) from investing activities | (58) | 20 | (206) |
| Net cash out/inflows | (1,557) | (2,331) | 560 |

### 6.10 Earnings per share

The calculation for the basic and diluted earnings per share for the years ended 31 March 2013, 31 March 2012 and 31 March 2011 are based on the following data:

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| **Profit** | | | |
| Profit for the year attributable to owners of Masterpiece | 14,114 | 11,889 | 3,373 |
| (Profit)/loss for the year from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations | (536) | 1,769 | (222) |
| Earnings used in the calculation of basic and diluted earnings per share from continuing operations | 14,650 | 13,658 | 3,151 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 1 | 1 | 1 |

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| **Basic and diluted earnings per share** | | | |
| From continuing operations | 14,650 | 13,658 | 3,151 |
| From discontinued operations | (536) | (1,769) | 222 |
| Total basic and diluted earnings per share | 14,114 | 11,889 | 3,373 |

### 6.11 Property, plant and equipment

| | *Leasehold improvement HKD'000* | *Furniture and fixtures HKD'000* | *Computer equipment HKD'000* | *Plant and machinery HKD'000* | *Total HKD'000* |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 31 March 2011 | 182 | 108 | 561 | 102 | 953 |
| Additions | 124 | 203 | – | – | 327 |
| Disposals/written off | – | – | – | (50) | (50) |
| As at 31 March 2012 | 306 | 311 | 561 | 52 | 1,230 |
| Additions | 17 | 2 | 11 | 80 | 110 |
| Disposals/written off | (182) | (46) | (12) | (132) | (372) |
| As at 31 March 2013 | 141 | 267 | 560 | – | 968 |
| **Accumulated depreciation** | | | | | |
| As at 31 March 2011 | 56 | 65 | 437 | 31 | 589 |
| Charge for the year | 61 | 61 | 115 | 16 | 253 |
| Written back | – | – | – | (26) | (26) |
| As at 31 March 2012 | 117 | 126 | 552 | 21 | 816 |
| Charge for the year | 42 | 51 | 9 | 11 | 113 |
| Written back | (107) | (36) | (12) | (32) | (187) |
| As at 31 March 2013 | 52 | 141 | 549 | – | 742 |
| **Carrying amount** | | | | | |
| As at 31 March 2013 | 89 | 126 | 11 | – | 226 |
| As at 31 March 2012 | 189 | 185 | 9 | 31 | 414 |
| As at 31 March 2011 | 126 | 43 | 124 | 71 | 364 |

### 6.12 Particulars of principal subsidiaries

As at 31 March 2013, the company directly held the following subsidiaries:

| *Name of Subsidiary* | *Place of incorporation* | *Issued Share Capital* | *Attributable equity interest 2013 %* | *2012 %* | *Principal Activities* |
|---|---|---|---|---|---|
| Zibao Metals Company Limited | Hong Kong | HKD2 | 100 | 100 | Trading of scrap materials |
| Top Able Enterprises Limited (Trading as Global Metals Limited) | British Virgin Islands | US$1 | 100 | 100 | Trading of scrap materials |
| Fine Luck Trading Limited | Hong Kong | HKD10,000 | 100 | 100 | Trading of scrap materials |

### 6.13 Inventories

| | *2013 HKD000* | *2012 HKD000* | *2011 HKD000* |
|---|---|---|---|
| Stock in trade | 21,830 | 32,039 | 22,710 |
| Provision for slow moving inventories | – | (1,938) | (1,067) |
| | 21,830 | 30,101 | 21,643 |

### 6.14 Trade receivables

As at 31 March 2013, 31 March 2012 and 31 March 2011 trade receivables represent amounts due for sale of scrap materials.

### 6.15 Prepayments, deposits and other receivables

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Deposits | 6,125 | 2,866 | 6,354 |
| Other receivables | 1,097 | 36 | 36 |
| Prepayments | 27 | 16 | 22 |
| | 7,249 | 2,918 | 6,412 |

### 6.16 Trade payables

As at 31 March 2013, 31 March 2012 and 31 March 2011 trade payables represent amounts due for the purchase of scrap materials and administrative expenses.

### 6.17 Accrued liabilities and other payables

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Other payables | 4,039 | 27 | 20 |
| Accrued liabilities | 282 | 275 | 255 |
| | 4,321 | 302 | 275 |

### 6.18 Amount due to a director

The amount due to a director is unsecured, interest-free and has no fixed term of repayment.

### 6.19 Tax payable

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Tax payable | 5,492 | 3,464 | 1,150 |
| | 5,492 | 3,464 | 1,150 |

### 6.20 Share capital

| | *2013* | *2012* | *2011* |
|---|---|---|---|
| | *HKD000* | *HKD000* | *HKD000* |
| Authorised, issued and fully paid: | | | |
| 1 ordinary share of US$1 each | – | – | – |

### 6.21 Long term loan from shareholders

The loan from shareholders during the year was unsecured. This loan was converted to equity on 31 January 2014 by the issue of 999 ordinary shares of US$1 each.

On 27 May 2014, Joe Zhou advanced HK3,004K by way of an interest free unsecured loan. The principal amount of the loan is repayable on 31 December 2015.

### 6.22 Commitments

***Operating lease commitment***

At the end of the reporting period, the MPE Group had commitments for the following minimum lease payments under non-cancellable operating leases to independent third parties in respect of rented premises and staff quarters which fall due as follows:

| | *Year ended 31 March 2013 HKD'000* | *Year ended 31 March 2012 HKD'000* | *Year ended 31 March 2011 HKD'000* |
|---|---|---|---|
| Within one year | 405 | 531 | 1,202 |
| Between two to five years | 97 | 45 | 471 |
| | 502 | 576 | 1,673 |

### 6.23 Retirement benefit plans

The MPE Group operates a mandatory provident fund scheme for all qualifying employees in Hong Kong.

### 6.24 Cash used in operations

| | *2013 HKD'000* | *2012 HKD'000* | *2011 HKD'000* |
|---|---|---|---|
| **Cash flows from operating activities before changes in working capital and provisions** | | | |
| Continuing activities | 16,678 | 15,972 | 3,958 |
| Discontinued activities | (536) | (1,769) | 222 |
| Profit before income tax | 16,142 | 14,203 | 4,180 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 113 | 253 | 191 |
| Interest income | – | – | – |
| Loss on disposal of property, plant and equipment | 49 | 4 | 1 |
| Written off for property, plant and equipment | 83 | – | – |
| (Increase)/decrease in inventories | 8,271 | (8,458) | 131 |
| Decrease/(Increase) in trade receivables | 11,478 | (9,035) | (5,551) |
| Decrease/(increase) in prepayments, deposits and other receivables | (4,330) | 3,493 | (3,898) |
| Increase in trade payables | 3,990 | 4,424 | 1,474 |
| Increase in accrued liabilities and other payables | 4,018 | 27 | 71 |
| (Decrease)/increase in amounts due to a director | (26,513) | 2,910 | 6,152 |
| **Cash used in operations** | 13,301 | 7,822 | 2,751 |

### 6.25 Related party transactions

During the years ended 31 March 2011, 31 March 2012 and 31 March 2013, the MPE Group entities entered into the following trading transactions with related parties that are not members of the MPE Group:

| | *Sale of goods* | | | *Purchases of goods* | | |
|---|---|---|---|---|---|---|
| | *Year ended 31 March 2013 HKD000* | *Year ended 31 March 2012 HKD000* | *Year ended 31 March 2011 HKD000* | *Year ended 31 March 2013 HKD000* | *Year ended 31 March 2012 HKD000* | *Year ended 31 March 2011 HKD000* |
| Trading Metals Pty Limited | – | – | – | 23,616 | 4,141 | – |
| Nanhai Tai Ping Metal Products Limited | 54,950 | 54,589 | 30,077 | – | – | – |

The following balances were outstanding at the end of the years ended 31 March 2011, 31 March 2012 and 31 March 2013:

| | *Amounts owed by related parties* | | | *Amounts owed to related parties* | | |
|---|---|---|---|---|---|---|
| | *Year ended 31 March 2013 HKD000* | *Year ended 31 March 2012 HKD000* | *Year ended 31 March 2011 HKD000* | *Year ended 31 March 2013 HKD000* | *Year ended 31 March 2012 HKD000* | *Year ended 31 March 2011 HKD000* |
| Trading Metals Pty Limited | – | – | – | 411 | – | – |
| Nanhai Tai Ping Metal Products Limited | 2,173 | 4,627 | 2,743 | – | – | – |

Zhou Yi is the director's father and owns 50 per cent. of the share capital of Trading Metals Pty Limited and is therefore a related party.

Ben Lee is the brother in law of the director, and is a director of Nanhai Tai Ping Metals Products Limited. Nanhai Tai Ping Metal Products Limited is therefore a related party.

### 6.26 Controlling party

During the years ending 31 March 2013, 31 March 2012 and 31 March 2011, Masterpiece was under the control of its director Zhou Wen Jie.

All the ordinary shares of Masterpiece were acquired by Zibao Metals Recycling Holdings Plc on 10 March 2014.

### 6.27 Auditors

The auditors during the period were H. C Wong & Co, Room 1220, 12/F Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

## SECTION C – UNAUDITED PRO FORMA FINANCIAL INFORMATION

Set out below is an unaudited pro forma statement of net assets based on the net assets of Zibao and the consolidated net assets of Masterpiece. This unaudited pro forma statement of net assets is provided for illustrative purposes only to show the effect of the conversion of shareholder loan in Masterpiece to equity in 31 January 2014, Zibao placing receipts on Admission and as if the share for share exchange between Zibao and Masterpiece shareholders had occurred on 31 March 2013.

Because of the nature of pro forma information, this information addresses a hypothetical situation and does not therefore represent the actual financial position or results of Zibao or the Enlarged Group.

The statement of pro forma net assets set out below is based on the audited balance sheet of Zibao as at 10 March 2014 (as extracted without material adjustment from Zibao's financial information in Part IV – A of this document and Masterpiece (as extracted without material adjustment from Masterpieces' financial information as at 31 March 2013 in Part IV – B of this document), and other adjustments on the basis described in the notes below. The Enlarged Group will adopt Zibao's accounting policies.

### Unaudited pro forma statement of net assets as at 31 March 2013

| | *Zibao HKD000* | *Masterpiece HKD000* | *Loans HKD000* | *Placing HKD000* | *Admission expenses HKD000* | *Consolidation adjustments HKD000* | *Consolidated position HKD000* |
|---|---|---|---|---|---|---|---|
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | – | 226 | – | – | – | – | 226 |
| Investments | 30,046 | – | – | – | – | (30,046) | – |
| | 30,046 | 226 | – | – | – | (30,046) | 226 |
| **Current assets** | | | | | | | |
| Inventories | – | 21,830 | – | – | – | – | 21,830 |
| Trade receivables | – | 5,884 | – | – | – | – | 5,884 |
| Prepayments and other receivables | – | 7,249 | – | – | – | – | 7,249 |
| Pledged deposits | – | 100 | – | – | – | – | 100 |
| Cash and cash equivalents | – | 5,150 | 3,004 | 16,900 | (7,052) | – | 18,002 |
| | – | 40,213 | 3,004 | 16,900 | (7,052) | – | 53,065 |
| **Total assets** | 30,046 | 40,439 | 3,004 | 16,900 | (7,052) | (30,046) | 53,291 |
| **Current liabilities** | | | | | | | |
| Trade payables | – | (14,732) | – | – | – | – | (14,732) |
| Accrued liabilities and other payables | – | (4,321) | – | – | – | – | (4,321) |
| Amounts due to director | – | (603) | – | – | – | – | (603) |
| Tax payable | – | (5,492) | – | – | – | – | (5,492) |
| | – | (25,148) | – | – | – | – | (25,148) |
| **Non-current liabilities** | | | | | | | |
| Shareholder loan | – | (10,000) | 6,996 | – | – | – | (3,004) |
| | – | (10,000) | 6,996 | – | – | – | (3,004) |
| **Total liabilities** | – | (35,148) | 6,996 | – | – | – | (28,152) |
| **Net assets** | 30,046 | 5,291 | 10,000 | 16,900 | (7,072) | (30,046) | 25,139 |

*Notes:*

1. The financial information in respect of Zibao as at 10 March 2014 has been extracted, without material adjustment, from the financial information, as set out in Part IV – A to this document.
2. The financial information in respect of Masterpiece as at 31 March 2013 has been extracted, without material adjustment, from the consolidated financial information, as set out in Part IV – B to this document.
3. On 31 January 2014 Shareholder loans of HKD10 million in Masterpiece were converted into equity. On 27 May 2014, Joe Zhou advanced a loan of HDK3,004K.
4. At 10 March 2014 a share for share exchange was undertaken between Zibao and all the shareholders of Masterpiece.
5. The pro forma net asset statement has been prepared on the basis that the acquisition by Zibao of a 100 per cent. interest in Masterpiece is not accounted for as a business combination under IFRS 3 (Revised) but as a group reorganisation. The investment has been valued at the net asset value of Masterpiece at the date of acquisition.
6. The Placing receipts of HKD16.9 million (£1.3 million) before expenses are conditional on Admission. There will be approximately HKD7 million of fees incurred by Zibao in respect of the Admission.
7. The pro forma financial information does not constitute statutory accounts within the meaning of section 485 of CA 2006.
8. Apart from the above, no other adjustments have been made to reflect any trading, changes in working capital or other movements since 10 March 2014 and 31 March 2013 for Zibao or Masterpiece respectively.

**SECTION – D INTERIM RESULTS TO 30 SEPTEMBER 2013 ON MPE GROUP**

**Interim results for the 6 months ended 30 September 2013**

**1. Consolidated Comprehensive Income Statement for the period to 30 September 2013**

| | *Notes* | *6 months to 30 September 2013 Unaudited HKD'000* | *6 months to 30 September 2012 Unaudited HKD'000 (continuing)* |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | | 208,744 | 208,532 |
| Cost of sales | 4 | (198,104) | (198,236) |
| Gross profit | | 10,640 | 10,296 |
| Other operating income | | 42 | – |
| Selling and distribution expenses | | (1,170) | (167) |
| Finance expense | | (75) | – |
| Administrative expenses | | (2,022) | (2,117) |
| **Operating profit** | 4 | 7,415 | 8,012 |
| Income tax expense | | (1,229) | (1,221) |
| Profit for the period from continuing operations | | 6,186 | 6,791 |
| **Discontinued operations** | | | |
| Loss for the period from discontinued operations | | – | (596) |
| Other comprehensive loss for the period | | – | – |
| **Total comprehensive profit for the period** | | 6,186 | 6,195 |
| Attributable to: | | | |
| – Owners of the MPE Group | | 6,186 | 6,195 |
| **Earnings per share** | | | |
| From continuing and discontinued operations: | | | |
| Basic and diluted | 6 | 6,186 | 6,195 |
| From continuing operations: | | | |
| Basic and diluted | 6 | 6,186 | 6,791 |

There were no recognised gains or losses other than those recognised in the income statement above.

## 2. Consolidated Statement of Financial Position as at 30 September 2013

| | Notes | As at 30 September 2013 Unaudited HKD'000 | As at 30 September 2012 Unaudited HKD'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | 192 | 344 |
| | | 192 | 344 |
| **Current Assets** | | | |
| Inventories | | 31,653 | 33,318 |
| Trade receivables | | 25,407 | 17,597 |
| Prepayments, deposits and other receivables | | 10,644 | 4,822 |
| Pledged deposits | | – | 100 |
| Cash and cash equivalents | 8 | 3,225 | 4,009 |
| | | 70,929 | 59,846 |
| **Total Assets** | | 71,121 | 60,190 |
| **Equity and liabilities** | | | |
| Equity attributable to owner | | | |
| Share capital | 7 | – | – |
| Reserves | | 11,477 | 10,372 |
| **Total Equity** | | 11,477 | 10,372 |
| **Non-current Liabilities** | | | |
| Long term from shareholders | | 10,000 | 10,000 |
| | | 10,000 | 10,000 |
| **Current liabilities** | | | |
| Trade payables | | 6,243 | 18,019 |
| Accrued liabilities and other payables | | 36,680 | 1,998 |
| Amount due to directors | | – | 15,116 |
| Tax payable | | 6,721 | 4,685 |
| | | 49,644 | 39,818 |
| **Total liabilities** | | 59,644 | 49,818 |
| **Total equity and liabilities** | | 71,121 | 60,190 |

### 3. Consolidated Statement of Cash Flows for the six months to 30 September 2013

| | *6 Months to 30 September 2013 Unaudited HKD'000* | *6 Months to 30 September 2012 Unaudited HKD'000* |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit/(loss) before income tax | 7,415 | 7,416 |
| Adjustments for: | | |
| Depreciation and amortisation expense | 39 | 67 |
| Interest expense | 75 | – |
| Loss on disposal of plant and equipment | – | 9 |
| Write off on property, plant and equipment | – | 78 |
| | 7,529 | 7,570 |
| Changes in working capital: | | |
| Inventories | (9,823) | (3,217) |
| Trade receivables | (19,523) | (235) |
| Prepayments, deposits and other receivables | (3,395) | (1,903) |
| Trade payables | (8,490) | 7,276 |
| Accrued liabilities and other payables | 32,284 | 1,695 |
| Amounts due to a director | (603) | (12,000) |
| Cash consumed in operations | (2,021) | (814) |
| Interest received | – | – |
| Income tax paid | – | – |
| Net cash consumed in operating activities | (2,021) | (814) |
| **Cash flows from investing activities** | | |
| Addition of property, plant and equipment | (4) | (104) |
| Sale of property, plant and equipment | – | 20 |
| **Cash flows from/(used in) investing activities** | (4) | (84) |
| **Cash flows from financing activities** | | |
| Dividends paid | – | – |
| Interest paid | – | – |
| **Net cash used in financing activities** | – | – |
| Net increase/(decrease) in cash and cash equivalents | (2,025) | (898) |
| Cash and cash equivalents at beginning of period | 5,250 | 5,007 |
| **Cash and cash equivalents at end of period** | 3,225 | 4,109 |
| Represented by: | | |
| Bank balances and cash | 3,225 | 4,009 |
| Pledged deposits | – | 100 |
| | 3,225 | 4,109 |

### 4. Consolidated statement of changes in equity for six months to 30 September 2013

| | *Share capital HKD'000* | *Retained Earnings HKD'000* | *Total HKD'000* |
|---|---|---|---|
| **As at 1 April 2012** | – | 4,177 | 4,177 |
| Total comprehensive income for the period | – | 6,195 | 6,195 |
| **As at 30 September 2012** | – | 10,372 | 10,372 |
| Total comprehensive income for the period | – | 7,919 | 7,919 |
| Dividend paid to equity holders | – | (13,000) | (13,000) |
| **As at 31 March 2013** | – | 5,291 | 5,291 |
| Total comprehensive income for the period | – | 6,186 | 6,186 |
| **As at 30 September 2013** | – | 11,477 | 11,477 |

## Notes to the Interim Financial Information

### 1. General Information

Masterpiece is a limited liability company incorporated in the British Virgin Islands. The registered office of the Company is located at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

The principal activity of the Masterpiece Group is the trading of scrap materials.

### 2. Basis of Preparation

This interim report, which incorporates the financial information of Masterpiece, has been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using accounting policies which are consistent with those set out in the financial statement for the year ended 31 March 2013.

***Taxes***

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

*Standards and Interpretations adopted with no material effect on financial statements*

There are no IFRS or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on Masterpiece.

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have material impact on Masterpiece.

### 3. Segmental Analysis

***Segmental reporting***

In the opinion of the Directors, Masterpiece has one class of business, being the trading of scrap materials.

Masterpiece's primary reporting format is determined by the geographical segment according to the location of its establishments. There are currently two geographic reporting segments: Hong Kong and China.

| | *6 months to 30 September 2013* | | |
|---|---|---|---|
| | *Hong Kong* | *China* | *Total* |
| | *Unaudited* | *Unaudited* | *Unaudited* |
| | *HKD'000* | *HKD'000* | *HKD'000* |
| **Income Statement** | | | |
| Revenue | 503 | 208,241 | 208,744 |
| Other income | – | 42 | 42 |
| Direct and operating costs | (407) | (200,964) | (201,371) |
| **Group profit/(loss) before tax** | 96 | 7,319 | 7,415 |
| **Assets and Liabilities** | | | |
| Segment Assets | 71,121 | – | 71,121 |
| Segment Liabilities | (59,644) | – | (59,644) |
| | 11,477 | – | 11,477 |

| | 6 months to 30 September 2012 | | |
|---|---|---|---|
| | *Hong Kong* | *China* | *Total* |
| | *Unaudited* | *Unaudited* | *Unaudited* |
| | *HKD'000* | *HKD'000* | *HKD'000* |
| **Income Statement** | | | |
| Revenue | 9,003 | 208,532 | 217,535 |
| Other income | 31 | – | 31 |
| Direct and operating costs | (9,630) | (200,520) | (210,150) |
| **Group (loss)/profit before tax** | (596) | 8,012 | 7,416 |
| **Assets and Liabilities** | | | |
| Segment Assets | 60,190 | – | 60,190 |
| Segment Liabilities | (49,818) | – | (49,818) |
| | 10,372 | – | 10,372 |

In November 2012, Masterpiece closed down its business operations in Hong Kong.

## 4. Profit before taxation

Profit before taxation is arrived at after charging/(crediting) the following:

| | *6 months to 30 September 2013 Unaudited HKD'000* | *6 months to 30 September 2012 Unaudited HKD'000* |
|---|---|---|
| Cost of sales | 198,104 | 198,236 |
| Directors' remuneration | 120 | 120 |
| Depreciation on property, plant and equipment | 39 | 66 |
| Rentals of premises under operating leases | 195 | 194 |
| Staff costs other than mandatory provident fund contributions | 576 | 635 |
| Mandatory provident fund contributions for employees | 26 | 28 |
| Exchange losses/(gains) | (42) | 134 |
| Sundry income | – | (30) |
| Average number of employees excluding directors | 5 | 7 |

## 5. Directors emoluments

| | *6 months to 30 September 2013 Unaudited NTLG HKD'000* | *6 months to 30 September 2012 Unaudited Total HKD'000* |
|---|---|---|
| Zhou Wen Jie | 120 | 120 |

## 6. Earnings per share

The calculation for the basic and diluted earnings per share for the 6 months ended 30 September 2013 and 30 September 2012 are based on the following data:

| | *6 months to 30 September 2013 Unaudited HKD000* | *6 months to 30 September 2012 Unaudited HKD000* |
|---|---|---|
| **Profit** | | |
| Profit for the period attributable to owners of Masterpiece | 6,186 | 6,195 |
| (Profit)/loss for the period from discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations | – | 596 |
| Earnings used in the calculation of basic and diluted earnings per share from continuing operations | 6,186 | 6,791 |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 1 | 1 |
| **Basic and diluted earnings per share** | | |
| From continuing operations | 6,186 | 6,791 |
| From discontinued operations | – | (596) |
| **Total basic and diluted earnings per share** | 6,186 | 6,195 |

## 7. Called up Share Capital

The issued share capital as at 30 September 2013 was 1 ordinary shares of US$1 each.

## 8. Cash and cash equivalents

| | *As at 30 September 2013 Unaudited HKD'000* | *As at 30 September 2012 Unaudited HKD'000* |
|---|---|---|
| Cash and bank balances | 3,225 | 4,009 |
| Fixed deposits | – | – |
| Cash and bank balances as presented in the statement of financial position | 3,225 | 4,009 |
| Pledged fixed deposits | – | 100 |
| Cash and cash equivalents as presented in the statement of cash flow | 3,225 | 4,109 |

## 9. Related-party transactions

| | *Sale of goods* | | *Purchases of goods* | |
|---|---|---|---|---|
| | *6 months ended 30 September 2013 HKD'000* | *6 months ended 30 September 2012 HKD'000* | *6 months ended 30 September 2013 HKD'000* | *6 months ended 30 September 2012 HKD'000* |
| Trading Metals Pty Limited | – | – | 13,190 | 12,028 |
| Nanhai Tai Ping Metal Products Limited | 22,239 | 17,547 | – | – |

The following balances were outstanding at the end of the 6 months ended 30 September 2012 and 30 September 2013:

| | *Amounts owed by related parties* | | *Amounts owed to related parties* | |
|---|---|---|---|---|
| | *6 months ended 30 September 2013 HKD'000* | *6 months ended 30 September 2012 HKD'000* | *6 months ended 30 September 2013 HKD'000* | *6 months ended 30 September 2012 HKD'000* |
| Trading Metals Pty Limited | – | – | 1,012 | 703 |
| Nanhai Tai Ping Metal Products Limited | 4,323 | 1,172 | – | – |

Zhou Yi is the director's father and owns 50 per cent. of the share capital of Trading Metals Pty Limited and is therefore a related party.

Ben Lee is the brother in law of the director, and is a director of Nanhai Tai Ping Metals Products Limited. Nanhai Tai Ping Products is therefore a related party.

## 10. Dividends

No dividends were declared during the 6 months ended 30 September 2013 and 2012.

**11.** The unaudited results for period ended 30 September 2013 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006.

# PART V

# TAXATION

The information below, which is of a general nature only and which relates only to UK taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK (except where indicated) and who hold Ordinary Shares as an investment. It is based on existing law and practice and is subject to subsequent changes thereto. Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers immediately.

## 1. Tax on the United Kingdom shareholders

Any person who is in any doubt as to their tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult their own professional adviser.

### 1.1 General

1.1.1 The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident (and in the case of individuals ordinarily resident) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. Nor are they intended to apply to persons who have acquired shares as a result of an employment contract. The paragraphs below are based on current UK legislation and published HMRC practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares on the AIM market are generally treated as unquoted for these purposes.

1.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

1.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and, should not be construed as constituting advice.

### 1.2 The Company

1.2.1 The following information is based on the law and published HMRC practice currently in force in the UK.

1.2.2 Provided that the Company is not resident in the UK for taxation purposes and does not carry out any trade in the UK (whether or not through a permanent establishment situated there), the Company should not be liable for UK taxation except in relation to certain sources of investment income arising in the UK.

1.2.3 UK incorporated companies are normally resident in the UK for taxation purposes. In order for the Company to be not resident in the UK for taxation, the Company needs to be resident in a country which has a suitable double tax treaty with the UK. If the Company can become Hong Kong resident under Hong Kong rules and can be effectively managed from Hong Kong then it is possible to establish Hong Kong residence instead of UK residence by virtue of the provisions of the UK/Hong Kong treaty. This is subject to review by HMRC.

1.2.4 It is the intention of the Directors to conduct the affairs of the Company so that management of the Company is not exercised in the UK in order that the Company does not become resident in the UK for taxation purposes. The Directors intend, insofar as this is within their control, that the affairs of the Company are conducted so the Company is not treated as carrying on a trade in the UK through a permanent establishment.

### 1.3 Tax treatment of UK investors

1.3.1 The following information, which relates only to UK taxation, is applicable to the Company and to persons who are resident or ordinarily resident in the UK and who beneficially own Ordinary Shares as investments and not as securities to be realised in the course of a trade.

It is based on the law and published HMRC practice currently in force in the UK. The information is not exhaustive and does not apply to potential investors:

1.3.2 who intend to acquire, or may acquire (either on their own or together with persons with whom they are connected or associated for tax purposes), more than 10 per cent., of any of shares in the Company; or

1.3.3 who intend to acquire Ordinary Shares as part of tax avoidance arrangements; or

1.3.4 who are in any doubt as to their taxation position.

1.3.5 Such Shareholders should consult their professional advisers without delay. Shareholders should note that tax law and interpretation can change and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

1.3.6 Shareholders who are neither resident nor ordinarily resident nor temporarily non-resident in the UK and who do not carry on a trade, profession or vocation through a branch, agency or permanent establishment in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on dividends paid by the Company or on capital gains arising on the sale or other disposal of Ordinary Shares. Such Shareholders should consult their own tax advisers concerning their tax liabilities.

1.4 **Taxation of dividends**

1.4.1 A UK tax resident individual Shareholder is entitled to a tax credit in respect of the dividend received and will be subject to UK income tax on the aggregate of the dividend received and the related tax credit (the "gross dividend"), which will be treated as the top slice of the individual's income.

1.4.2 The value of the tax credit is currently an amount equal to one ninth of the dividend received (or 10 per cent. of the gross dividend). A basic rate taxpayer will be subject to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy in full such Shareholders' liability to income tax on the dividend, and such Shareholder will have no further income tax to pay in respect of the dividend. A higher rate taxpayer (taxable at 40 per cent.) will be subject to income tax on the gross dividend at the rate of 32.5 per cent. but will be able to set the tax credit against this liability. Such Shareholders will have to account for additional tax equal to 25 per cent. of the cash dividend received to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the threshold for higher rate income tax. UK tax resident individual Shareholders who have taxable income over £150,000 will be subject to income tax on their gross dividends at the additional rate of 37.5 per cent. but will be able to set the tax credit against this liability. Such Shareholder would have to account for additional tax equal to approximately 30.55 per cent. of the cash dividend received, to the extent that the gross dividend when treated as the top slice of the Shareholder's income falls above the £150,000 threshold for additional rate income tax.

1.4.3 Shareholders who are subject to corporation tax should generally, and subject to certain anti-avoidance provisions, be able to claim exemption from UK corporation tax in respect of any dividend received but will not be entitled to claim relief in respect of any underlying tax or withholding tax imposed.

1.4.4 A UK-tax resident corporate Shareholder of non-redeemable ordinary shares in the Company that receives a dividend paid by the Company will not be subject to tax in respect of that dividend subject to certain exceptions.

1.4.5 Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax at the dividend trust rate, currently 37.5 per cent.

1.4.6 UK pension funds and charities are generally exempt from tax on dividends that they receive.

1.5 **Anti-avoidance**

1.5.1 A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent of the Ordinary Share capital of the Company should note the provisions of the Controlled Foreign Companies legislation.

1.6 **Taxation of chargeable gains**

1.6.1 Any gain arising on the sale, redemption or other disposal of Ordinary Shares will be taxed at the time of such sale, redemption or disposal as a capital gain.

1.6.2 For Shareholders within the charge to UK corporation tax, indexation allowance may reduce any chargeable gain arising on disposal of Ordinary Shares but will not create or increase an allowable loss.

Individual shareholders who are UK resident, ordinarily resident or only temporarily non-UK resident may be subject to capital gains tax on any gain made on disposal of shares, without any indexation allowance, subject to the availability of any annual exemption or allowable losses. The rate of tax is currently 18 per cent. for taxpayers taxable at the basic rate and 28 per cent. for taxpayers subject to taxation at the higher and additional rates.

1.6.3 Further information for Shareholders subject to UK income tax and capital gains tax

1.6.4 The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2 (Transfer of Assets Abroad) of Part 13 of the Income Tax Act 2007, which seek to prevent the avoidance of income tax in circumstances where an individual who is resident in the UK makes a transfer of assets abroad but retains the ability to enjoy the income arising from those assets. This legislation should not apply where it can be demonstrated that there are bona fide commercial reasons for the arrangement.

1.6.5 There are also other anti-avoidance provisions in the UK tax legislation which may potentially affect shareholders in non-UK resident companies, and Shareholders should consult their professional advisers regarding the effect of UK tax anti-avoidance legislation in general.

1.7 An individual UK Shareholder who ceases to be resident or ordinarily resident in the UK for a period of less than five complete tax years and who disposes of the shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.

1.8 A UK resident corporate Shareholder disposing of its shares in the Company may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (currently 20 — 21 per cent.).

1.9 In computing the chargeable gain liable to corporation tax the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the shares together with incidental costs of acquisition, as increased by an indexation allowance to adjust for inflation, and disposal costs.

1.10 The UK operates a substantial shareholding exemption regime which may apply to the disposal of shares in the Company subject to certain conditions being met.

1.11 **Inheritance tax**

1.11.1 Individuals and trustees subject to IHT in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holdings period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.

1.12 **Stamp Duty and Stamp Duty Reserve Tax**

1.12.1 The following comments are intended as a guide to the general UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT") position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depositary arrangements or clearance services, to whom special rules apply.

No UK stamp duty will be payable on the issue by the Company of ordinary shares, Transfers of Ordinary Shares for value are intended to be exempt from stamp duty under Finance Bill 2014 on the basis that AIM qualifies as a Recognised Growth Market.

1.12.2 No stamp duty or stamp duty reserve tax ("SDRT") should be payable on the allotment and issue of Ordinary Shares.

1.12.3 In respect of a subsequent transfer of shares, stamp duty at the rate of 0.5 per cent. (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Ordinary Shares. A special rate of 1.5 per cent. is payable on an instrument transferring Ordinary Shares into a clearance or depository system (rounded up to the next multiple of £5).

1.12.4 An exemption from stamp duty is available on an instrument transferring Ordinary Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

# PART VI

# ADDITIONAL INFORMATION

## 1. Responsibility

1.1 The Company (whose registered office appears on page 3) and the Directors (whose names appear on page 3) accept responsibility individually and collectively for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, each of whom has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.2 Jeffreys Henry LLP, reporting accountants to the Company, whose name and address appears on page 3, has given and not withdrawn its written consent to the inclusion of the accountants' reports in Part IV of this document and the references to such report in the form and context in which they appear, and the pro-forma statement of net assets in Part IV-C. To the best of the knowledge of Jeffreys Henry LLP (which has taken all reasonable care to ensure that such is the case), the information contained in the accountants reports in Part IV of this document, and the information contained in the pro-forma statement of net assets in Part IV-C, is in accordance with the facts and contains no omission likely to affect the import of such information.

## 2. The Company

2.1 The Company was incorporated and registered in England and Wales on 9 October 2013 as a private company with registered number 8724168. By special resolution dated 26 March 2014, the Company was converted to a public limited company on 28 March 2014.

2.2 The registered office of the Company is Finsgate, 5-7 Cranwood Street, London EC1V 9EE. The principal place of business of the Company is Unit 1501, 15/F, 113 Argyle Street, Mongkok, Kowloon, Hong Kong. The Company's telephone number is +852 2769 7662.

2.3 The principal legislation under which the Company was formed and now operates is the Act and the regulations made thereunder.

2.4 The liability of the members of the Company is limited to the amount, if any, unpaid on the shares respectively held by them.

2.5 The business of the Company and its principal activity is that of a holding company.

2.6 The Company's accounting reference date is 31 March of each year.

2.7 The ISIN (International Security Identification Number of the Ordinary Shares) is GB00BGP6NY91.

2.8 International Registrars Limited was appointed as company secretary of the Company on 28 November 2013.

## 3. Subsidiaries and investments

3.1 The Company is the holding company of the following subsidiaries:

| *Company Name* | *Place of Incorporation* | *Percentage of issued share capital or interest held* | *Principal Activity* |
|---|---|---|---|
| Masterpiece Enterprises Limited | British Virgin Islands | 100% | Holding company |
| Fine Luck Trading Limited | Hong Kong | 100% | Trading company |
| Global Metal Enterprises Limited | British Virgin Islands | 100% | Trading company |
| Zibao Metals Company Limited | Hong Kong | 100% | Trading company |

3.2 Other than the subsidiaries referred to in paragraph 3.1 above, the Company does not have, nor has it taken any action to acquire, any significant investments.

3.3 Other than the subsidiaries referred to in paragraph 3.1 above, the Company does not hold, and nor will it on Admission hold, a proportion of the capital of any undertaking likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

## 4. Share capital of the Company

4.1 The entire issued share capital of the Company at the date of this document and as it is expected to be immediately following Admission is as follows:

| | *Prior to Placing and Admission* | | *Immediately following Placing and Admission* | |
|---|---|---|---|---|
| | *Number of Shares* | *Nominal Value in GBP* | *Number of Shares* | *Nominal Value in GBP* |
| Total | 81,000,000 | 810,000 | 97,250,000 | 972,500 |

4.2 The Ordinary Shares are issued in Pounds Sterling.

4.3 Following Admission, the Ordinary Shares may be held in either certificated or uncertificated form under the CREST system, which is a paperless settlement procedure in accordance with the Uncertificated Securities Regulations 2001 enabling securities to be evidenced and transferred otherwise than by a written instrument. The Company's Registrars are responsible for keeping the Company's register of members.

4.4 Changes in the share capital of the Company preceding the date of this document are as follows:

4.4.1 The Company was incorporated on 9 October 2013 with one ordinary share of £1 issued to Joe Zhou (the subscriber).

4.4.2 By written resolution passed on 28 February 2014, the one issued ordinary share in the Company was subdivided into 100 ordinary shares of £0.01 each in the Company.

4.4.3 On 26 March 2014, the members of the Company passed an ordinary resolution authorising the Directors to allot shares or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £490,000 provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the earlier of the conclusion of the Annual General Meeting of the Company to be held in 2014 or the date falling 18 months after the passing of this resolution whichever the earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired. By special resolution passed on the same date, the Directors were empowered to allot equity securities (within the meaning of section 560 of the Act) of the Company for cash pursuant to the authority to allot shares or grant Rights set out earlier in this paragraph, as if section 561(1) of the Act did not apply to any such allotment provided that the disapplication of the statutory pre-emption rights is limited to up to £10,000 in nominal value of the Ordinary Shares representing one per cent. of the issued Ordinary Shares which may be issued, or in respect of which Rights may be granted, to employees and officers of the Group and up to a further £480,000 in nominal value of the Ordinary Shares representing 50.4 per cent. of the issued Ordinary Shares which may be issued, or in respect of which Rights may be granted otherwise than by way of rights issue, in accordance with the statutory pre-emption rights.

4.4.4 On 10 March 2014, on completion of the acquisition by the Company of 1,000 ordinary shares of Masterpiece Enterprises transferred by Mr. Zhou, Sino Jump, Add Profit and 8i Capital and corresponding to the entire issued share capital of Masterpiece Enterprises the Company issued to Mr. Zhou, Sino Jump, Add Profit and 8i Capital, credited as fully paid at par, a total of 80,999,900 Ordinary Shares in the Company.

4.5 Section 561(1) of the Act gives the Company's shareholders pre-emption rights on any new issue of equity securities (as defined in section 560 of the Act) for cash by the Company except for issues of shares under an employee share scheme as defined in Section 1166 of the Act, to the extent that such pre-emption rights have not been disapplied by a special resolution passed pursuant to Section 569(1) of the Act.

4.6 16,250,000 new Ordinary Shares are being issued pursuant to the Placing at a price of £0.08 per Ordinary Share which represents a premium of £0.07 over their nominal value of £0.01 each. No expenses are being charged to any subscriber or purchaser. On completion of the Placing, holders of existing Ordinary Shares will suffer a dilution of 7 per cent. in their interests in the Company

4.7 The Ordinary Shares have been created under the Articles and will rank *pari passu* in all respects including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares from the date of this document. The Ordinary Shares are entitled on a *pari passu* basis with all issued Ordinary Shares to share in any surplus on a liquidation of the Company.

4.8 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital, further details of which are set out in paragraph 6 of this Part VI. The dividend and voting rights attaching to the Ordinary Shares are also set out in paragraphs 6.2.1 and 6.2.3 of this Part VI.

4.9 The Ordinary Shares have no redemption or conversion rights.

4.10 Save as disclosed in this document, there are no acquisition rights or obligations over unissued capital, nor is there an undertaking to increase the share capital of the Company.

4.11 Save as disclosed in this document:

4.11.1 no share or loan capital of the Company has been issued or is proposed to be issued;

4.11.2 no person has any preferential or subscription rights for any share capital of the Company;

4.11.3 there are no convertible securities, exchangeable securities or securities with warrants issued by the Company;

4.11.4 the Company does not have in issue any securities not representing share capital, and none of the Company's shares are held by or on behalf of the Company; and

4.11.5 no share or loan capital of the Company is proposed to be issued or is under option or is the subject of an agreement, conditional or unconditional, to be put under option and no Ordinary Shares have been issued to the Directors or any other person pursuant to the exercise of options.

4.12 The Ordinary Shares are to be freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint holders as transferees and is in respect of only one class of shares, and the transfer procedure set out at paragraph 6.2.7 of this Part VI has been complied with. Transfer restrictions may apply to shares where a member has failed to comply with a notice requesting information served by the Company under Section 793 of the Act.

4.13 A shareholder is required pursuant to the AIM Rules and Disclosure and Transparency Rules to notify the Company when he acquires or disposes of a material interest in shares in the capital of the Company equal to or in excess of 3 per cent. of the nominal value of that share capital (and thereafter any whole percentage change in such interests).

4.14 The Ordinary Shares are subject to the City Code on Takeovers and Mergers (the "**Takeover Code**"). Under Rule 9 of the Takeover Code ("**Rule 9**") where: (i) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested), carry 30 per cent. or more of the voting rights of a company subject to the Takeover Code; or (ii) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of the company subject to the Takeover Code but does not hold shares carrying more than 50 per cent. of such voting rights and such a person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, that person is normally obliged to make a general offer to all shareholders to purchase in cash their shares at the highest price paid by him or any person acting in concert with him within the preceding 12 months.

4.15 No person has made a public takeover bid for the Company's issued share capital in the financial period to 31 March 2014 or in the current financial period.

**5. Control of the Company**

5.1 To the best of the knowledge of the Company, following Admission, other than the holding of Ordinary Shares by the Controlling Shareholders, there will be no person(s) who directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.

5.2 The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

**6. Summary of the constitution of the Company**

6.1 Pursuant to a written resolution dated 26 March 2014 the Company was re-registered as a public company and adopted new articles of association applicable to a public company limited by shares. Under the Act, all provisions of the Company's memorandum of association are deemed to form part of the Company's articles of association including, in particular, the statement of objects. The Act does not require a company to set out its objects. It provides that, unless the articles of association state otherwise, a company's objects will be unrestricted. A summary of the terms of the Articles of Association of the Company is set out below. The summary below is not a complete copy of the terms of the Articles of Association of the Company.

6.2 The Articles of Association of the Company as adopted by special resolution on 26 March 2014 (the "Articles") contain, *inter alia*, provisions to the following effect:

6.2.1 ***Voting Rights***

Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held (as to which there are none at present), on a show of hands every holder of an Ordinary Share present in person or by proxy (if an individual) or duly authorised representative (if a corporation) shall have one vote, and on a poll every holder of an Ordinary Share shall have one vote for each Ordinary Share of which he is the holder. Unless the Directors determine otherwise, a member of the Company is not entitled in respect of any shares held by him to vote at any general meeting of the Company if any amounts payable by him in respect of those shares have not been paid or if the member has failed to comply with a notice under section 793 of the Act and the Articles.

6.2.2 ***Variation of rights***

If at any time the capital of the Company is divided into different classes of shares, none of the rights, privileges or conditions for the time being attached to or belonging to any class of shares forming part of the issued share capital for the time being of the Company shall be modified, varied or abrogated in any manner except with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class or, subject to the provisions of the Act, the sanction of a special resolution passed at a separate meeting of the members of that class but not otherwise.

6.2.3 ***Dividends***

Subject to the provisions of the Act and to any special rights attaching to any shares, the Shareholders are to distribute amongst themselves the profits of the Company according to the amounts paid up on the shares held by them, provided that no dividend will be declared in excess of the amount recommended by the Directors. Subject to the provisions of the Act and if the profits of the Company justify such payments, the Directors may declare and pay interim dividends on Ordinary Shares in such amounts as and when they see fit. A member will not be entitled to receive any dividend if he has failed to comply with a notice under section 793 of the Act. Interim dividends may be paid if profits are available for distribution and if the Directors so resolve. Subject to the provisions set out in the Articles, the Directors may resolve to issue scrip dividends. Any dividend unclaimed after a period of 12 years from the date of its declaration shall, if the Directors so resolve, be forfeited and will revert to the Company.

6.2.4 ***Untraceable members***

Subject to various notice requirements, the Company may sell any shares of a shareholder if, during a period of 12 years, at least three dividend payments on those shares have become payable and the cheques or warrants have remained uncashed and on or after the expiry of that period of 12 years, the Company has published advertisements both in an international newspaper and in a newspaper circulating in the area of the last known address of the shareholder and the Company has received no indication of the existence of such shareholder during such period. Notice of the intention to sell must also be given to the corporate adviser of the Company for the time being.

6.2.5 ***Return of capital on winding up***

On a winding-up of the Company, the balance of the assets available for distribution will, subject to any sanction required by the Act, be divided amongst the members.

6.2.6 ***Power to issue shares***

Subject to the Statutes (as defined in the Articles) and to the authority of the Company in General Meeting required by the Statutes, the Directors may allot, grant options over, offer or otherwise deal with or dispose of any share of the Company to such persons, at such times and generally on such terms and conditions as the Directors may determine. The Directors may not issue any relevant securities unless authorised to do so by an ordinary resolution of the Company and relevant securities may not be allotted for cash unless authorised to do so by a special resolution of the Company. Any such resolution shall state the maximum amount of relevant securities that can be allotted under it and shall also state the date on which such authority shall expire. Any authority must not be for more than five years from the date on which the resolution is passed.

6.2.7 ***Restrictions on transferability of share***

Subject to the provisions of the Articles relating to CREST, in order to transfer Ordinary Shares, all transfers must be in any usual form or in such other form which the Directors may approve, and must be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it. The Directors may, in their absolute discretion and without assigning any reason (but must provide the transferee with a notice of the refusal within two months), refuse to register the transfer of a share if it is not fully paid or if the Company has a lien on it, or if it is not duly stamped, or if it is by a member who has failed to comply with a notice under section 793 of the Act.

The Directors may also decline to register any instrument of transfer unless: (i) it is in respect of only one class of share; (ii) it is lodged with the Company, together with the relevant share certificate(s); and (iii) it is in favour of not more than four transferees jointly in respect of a single transfer.

The Articles contain no other restrictions on the free transferability of fully paid ordinary shares provided that the transfers are in favour of not more than four transferees, the transfers are in respect of only one class of share and the provisions in the Articles, if any, relating to registration of transfers have been complied with.

6.2.8 ***Notifiable interest in holdings of shares***

A person is required by law to notify the Company if he has a “notifiable interest” in holdings of 3 per cent. or more of the Company’s total voting rights and capital in issue. The obligation also arises if such holdings change to reach, exceed or fall below every one per cent. increment above three per cent. of the Company’s total voting rights and capital in issue. “Notifiable interests” in this context include both direct and indirect interests in the voting rights of the Company, and financial instruments which give the holder the formal entitlement to acquire shares with voting rights attached. The obligations to notify the Company as aforesaid are subject to certain exceptions set out in the Disclosure and Transparency Rules published by the FCA.

6.2.9 ***Alteration of share capital***

The Company may by ordinary resolution consolidate all or any of its share capital into shares of larger amount and, subject to the provisions of the Statutes, subdivide its shares into shares of smaller amount. Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

6.2.10 ***Purchase by the Company of its own shares***

Subject to the provisions of the Act and to the authority of the Company in general meeting required by the Act, the Company may purchase its own shares.

6.2.11 ***Borrowing powers***

The Directors may exercise all the powers of the Company to borrow upon such terms and in such manner as they think fit and, subject to the provisions of the Act, to grant any mortgage, charge or debentures, debenture stock or other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

6.2.12 ***Board of Directors***

No shareholding qualification is required by a Director. Unless otherwise determined by ordinary resolution of the Company, the number of Directors (other than alternate Directors) shall not be subject to any maximum but shall be not less than two. The Directors shall not require a share qualification, but shall nevertheless be entitled to attend and speak at any general meetings of the Company.

The Company may by ordinary resolution appoint any person to be a Director or may by ordinary resolution remove any director. Subject to the provisions of the Articles, at the annual general meeting of the Company in each year, one-third of the Directors for the time being shall retire from office by rotation. The Directors to retire by rotation on each occasion shall be those directors that have been longest in office since their last appointment or reappointment but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless otherwise agreed among themselves) be determined by lot. In addition, any director who would not otherwise be required to retire, shall retire by rotation at the third annual general meeting after his last appointment or reappointment.

The Directors shall have the power at any time to appoint any person as a director, either to fill a casual vacancy or as an additional director provided that the appointment does not cause the number of directors to exceed any number fixed by or in accordance with the

Articles as the maximum number of directors. Any Director so appointed shall retire at the next annual general meeting but shall then be eligible for election and any director who so retires shall not be taken into account in determining the number of directors who are to retire by rotation.

Subject to the provisions of the Articles, the directors may regulate their proceedings as they think fit.

6.2.13 ***Disclosure of Interests in Contracts***

Any Director may hold any other office or place of profit under the Company (except that of Auditor) in conjunction with his office of director and, subject to Section 188 of the Act, on such terms as to remuneration and otherwise as the Board shall arrange. Any Director may continue to be or become a Director, managing director, manager, executive or other officer or member of any other company or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate in which the Company may be interested as shareholder or otherwise or any parent undertaking or subsidiary undertaking of any parent undertaking of the Company, and (unless otherwise agreed) no such Director shall be accountable for any remuneration or other benefits received by him as a Director, managing director, manager, executive or other officer or member of any such other company which derive from any such office or employment or from any contract, transaction, or arrangement with or from his membership or interest in such other body corporate or undertaking. No such office, employment, contract, transaction or arrangement or interest shall be liable to be avoided on the ground of any such interest or benefit.

The Directors may exercise the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the directors, managing directors, managers, executives or other officers of such company) and any Director of the Company may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or be about to be, appointed a Director, managing director, manager, executive or other officer of such other company, and as such is or may become interested in the exercise of such voting rights in manner aforesaid. Subject to the provision of the Statutes (as defined in the Articles), no Director or intending Director shall be disqualified by his office from contracting with the Company (or otherwise entering into any arrangement, transaction or proposal with the Company) either as vendor, purchaser or otherwise nor, subject to the interest of the Director concerned being duly declared as required by Articles 94 of the Articles, shall any such contract or arrangement, transaction or proposal or any contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director shall be in any way interested be liable to be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit, remuneration or other benefit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) on any resolution including:

(i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub underwriting thereof;

(iv) any proposal concerning any other company in which he is interested directly or indirectly and whether as an officer or shareholder or otherwise howsoever provided that he (together with any person connected with him) is not the holder or beneficially interested in one per cent or more of any class of shares (excluding any shares held as treasury shares) or of any third company through which his interest is derived or of the voting rights available to members of the relevant company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);

(v) any proposal concerning the adoption, modification or operation of a superannuation fund or retirement benefits scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of HM Revenue & Customs for taxation purposes or which does not accord to any Director as such any privilege or benefit not accorded to the employees to which the scheme or fund relate;

(vi) any contract, arrangement or proposal for the benefit of employees of the group under which the Director benefits in a similar manner as the employees or which does not accord to any Director as such any privilege or benefit not accorded to the employees to which the scheme or fund relates; and

(vii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit persons including Directors.

Subject to and only to the extent permitted by the Act, the Directors may (subject to such terms and conditions, if any, as they may think fit to impose from time to time, and subject always to their right to vary or terminate such authorisation) authorise:

(i) any matter which would otherwise result in a Director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest (including a conflict of interest and duty or conflict of duties); and

(ii) a Director to accept or continue in any office, employment or position in addition to his office as a Director of the Company and without prejudice to the generality of Articles may authorise the manner in which a conflict of interest arising out of such office, employment or position may be dealt with, either before or at the time that such a conflict of interest arises, provided that the authorisation is only effective if:

    (a) any requirement as to the quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director, and

    (b) the matter was agreed to without the Director in question voting or would have been agreed to if that Director votes had not been counted.

The Company may by ordinary resolution suspend or relax the provisions of this Article to any extent or ratify any transaction not duly authorised by reason of a contravention of Article 95 of the Articles.

6.2.14 ***Remuneration and other Compensation of Directors***

The Directors shall determine the remuneration of the Directors. The Directors shall be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination of the two. The Directors may also by resolution approve additional remuneration to any Director for any services other than his ordinary routine work as a Director.

There shall be available to be paid out of the funds of the Company to the Directors as fees for their services as Directors (excluding amounts payable under any other provisions in the Articles and the remuneration of any Managing Director or Director holding executive office) in each year such sums as the Board may determine form time to time not exceeding an aggregate sum of £200,000 or such other higher amount as sanctioned by ordinary resolution of the Company.

The quorum for the transaction of the business of the Directors may be fixed by the Directors, and unless so fixed shall be two if there are two or more Directors, and shall be one if there is only one Director.

6.2.15 ***General Meetings***

The Company shall in each year hold a general meeting as its annual general meeting. The annual general meetings shall be held at such time and place as the Directors shall determine. The Directors may, (in addition) call a general meeting other than the annual general meeting and shall, upon a shareholders' requisition convene a general meeting. A shareholders' requisition is a requisition of shareholders of the Company holding at the date of deposit of the requisition not less than five per cent. of the paid up capital of the Company as at that date that carries the right of voting at general meetings of the Company. At the least 21 days' notice shall be given of any annual general meeting and at least 14 clear days' notice shall be given in respect of any other general meeting of the Company to those members who under the provisions of the Articles or under the rights attached to the shares held by them are entitled to receive the notice, and to the auditors. The notice shall specify the place, the day and the hour of the meeting and the general nature of the business to be transacted at the meeting.

Subject to the provisions of the Act, a resolution may be put to a vote at a general meeting of the Company or any class of shareholders only if: (i) it is proposed by or at the direction of the Directors; (ii) it is proposed at the direction of the court; (iii) it is proposed on the requisition in writing of such number of shareholders as is prescribed by, and is made in accordance with, the relevant provisions of the Act; or (iv) the chairman of the meeting, in his absolute discretion, decides that the resolution may properly be put to a vote at that meeting. No business shall be transacted at any general meeting unless a quorum is present. Two shareholders being individuals present in person or by proxy or if a corporation or other non-natural person by its duly authorised representative shall be a quorum unless the Company has only one shareholder entitled to vote at such general meeting in which case the quorum shall be that one shareholder present in person or by proxy or (in the case of a corporation or other non-natural person) by a duly authorised representative. In the case of an equality of votes, the chairman of the Meeting shall be entitled to a further or casting vote in addition to the votes to which he may be entitled as a member. Unless a poll is demanded in accordance with Article 65 of the Articles, a declaration by the chairman that a resolution has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of general meetings of the Company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

No member shall be entitled to vote at any general meeting either personally or by proxy or to exercise any privilege as a member, unless all calls or other sums presently payable to him in respect of shares in the Company have been paid. The instrument appointing a proxy must be in writing in any usual or common form, or such other form as may be approved by the Directors, and will be signed by the appointor or by his agent duly authorised in writing or if the appointor is a corporation, must be either under its common seal or signed by an officer or agent so authorized, or if permitted by the Directors, in electronic form in the manner and form and subject to such terms and conditions as the Directors may decide. The Directors may, but will not be bound to, require evidence of authority of such officer or agent. An instrument of proxy need not be witnessed.

## 7. Mandatory bids, Squeeze Out Rights and Sell Out Rights

7.1 Section 979 of the Act provides that if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders telling them that it will compulsorily acquire their shares and, six weeks from the date of the notice, pay the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration available under the takeover offer.

7.2 Section 983 of the Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

7.3 Other than as provided by the Act and the Articles, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules in relation to the Ordinary Shares.

## 8. Disclosure of interests

### 8.1 *Significant shareholders*

8.1.1 Other than as set out below, the Company is not aware of any holding (within the meaning of the AIM Rules) in the Company's ordinary share capital as at 16 June 2014 (being the latest practicable date before publication of this document), which amounts to or would, immediately following Admission, amount to 3 per cent. or more of the Company's issued share capital:

| | *At the date of this document* | | *Immediately following Admission* | |
|---|---|---|---|---|
| *Shareholder* | *Number of Ordinary Shares* | *Percentage of Existing Ordinary Shares* | *Number of Ordinary Shares* | *Percentage of Enlarged Share Capital* |
| Joe Zhou | 58,082,500 | 71.71% | 58,082,500 | 59.72% |
| Sino Jump Global Inc* | 10,000,000 | 12.35% | 10,000,000 | 10.28% |
| Add Profit Corporation* | 10,000,000 | 12.35% | 10,000,000 | 10.28% |
| 8i Capital Limited | 2,917,500 | 3.60% | 2,917,500 | 3.00% |
| Liu Jian Jang | – | – | 9,300,000 | 9.56% |

*Sino Jump and Add Profit are companies under the control of Joe Zhou.

8.1.2 The voting rights of the Shareholders set out in paragraphs 8.1 and 8.2 below do not differ from the voting rights held by other Shareholders.

### 8.2 *Directors' and other interests*

8.2.1 Save as disclosed in paragraph 9.1 below, as at the date of this document and as expected to be immediately following Admission, the holdings of the Directors and their families in the share capital of the Company (i) which would have been required to be notified by the Company pursuant to Rule 17 of the AIM Rules; or (ii) which are holdings of a person connected with a Director which would, if the connected person were a Director, be required to be disclosed under (i) above and the existence of which is known to or could, with reasonable diligence, be ascertained by the Directors are:

| | *At the date of this document* | | *Immediately following Admission* | |
|---|---|---|---|---|
| *Director* | *Number of Ordinary Shares* | *Percentage of Existing Ordinary Shares* | *Number of Ordinary Shares* | *Percentage of Enlarged Share Capital* |
| Joe Zhou* | 78,082,500 | 96.40% | 78,082,500 | 80.29% |

*This figure includes 20,000,000 Ordinary Shares held by Sino Jump (10,000,000 Ordinary Shares) and Add Profit (10,000,000 Ordinary Shares) being companies under the control of Joe Zhou.

8.2.2 Except as disclosed above, as at the date of this document, the Directors are not aware of any interests of persons connected with them which would, if such connected person were a Director, be required to be notified to the Company pursuant to Chapter 3 of the Disclosure and Transparency Rules and could be required to be entered in the register of directors' interests pursuant to section 809 of the Act.

8.2.3 Save as disclosed in paragraph 8.2.1 above, none of the Directors nor any persons connected with them, is interested in any related financial product (as defined in the AIM Rules) whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares, including a contract for difference or a fixed odds bet.

8.2.4 There are no outstanding loans granted or guarantees provided by any member of the Group to or for the benefit of any of the Directors, nor are there any outstanding loans or guarantees provided by the Directors to or for the benefit of the Group.

8.2.5 Save as disclosed in this document, no Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

8.2.6 In the case of those Directors who have roles as directors of companies which are not a part of the Group, although there are no current conflicts of interest, it is possible that the fiduciary duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Group. Except as expressly referred to in this document, there are no other potential conflicts of interest between the duties owed by the Directors to the Company and their private duties or duties to third parties.

## 9. Share Option Agreements and ZAI Warrant

9.1 The Directors have been granted the following Share Options pursuant to agreements dated 16 June 2014, conditional upon Admission:

| *Directors* | *Number of Ordinary Shares subject to Share Options* | *Percentage of Enlarged Share Capital (assuming exercise of the Share Options in full)* |
|---|---|---|
| Chin Phang Kwok | 150,000 | 0.15% |
| Alan Ong | 150,000 | 0.15% |
| Peter Greenhalgh | 100,000 | 0.10% |
| Ajay Rajpal | 125,000 | 0.13% |
| **Total** | 525,000 | 0.53% |

The Share Options have been granted subject to the following terms:

***Grant of Share Options***

The Share Options will not be capable of transfer or assignment (other than at the Board's direction to personal representatives on death). The Share Options will not be capable of being charged. No amount is payable on grant of the Share Options.

***Subscription Price***

The price per share to be paid on exercise will be 8p per share. The Share Options become exercisable after the first anniversary of Admission, provided that the relevant director remains in office at that date. The Share Options become exercisable in the event that there is a change of control before the relevant vesting date.

***Exercise of Share Options***

The Share Options may not be exercised later than the fifth anniversary of the date on which they vest and will lapse after 12 months of the relevant optionholder ceasing to be an employee or officer of the Company.

Provided that any exercise conditions subject to which the option was granted have been fulfilled or waived, exercise will be permitted where the relevant optionholder dies or leaves the employment of the Company by reason of injury, disability, redundancy or retirement (or at the discretion of the Company if he leaves for any other reason).

Where the relevant optionholder becomes bankrupt or otherwise deprived of legal or beneficial ownership of the option, the option will lapse.

***Takeovers***

The optionholder will be notified of any takeover bid and may exercise his option early provided that any exercise conditions subject to which it was granted have been fulfilled or waived. On a change of control the optionholder may exercise all of his options but they will lapse if not exercised.

***Liquidation***

The Board must immediately notify the optionholder of any voluntary winding-up of the Company and he may exercise any remaining part of the option within three months of the passing of the resolution for such winding-up provided that any conditions subject to which the option was granted have been fulfilled or waived. The shares will be deemed to have been issued prior to the passing of such a resolution.

***Adjustment of Share Options***

Upon a reorganisation of the Company, the number of shares subject to the option and the exercise price may be adjusted as the Company may determine if this is confirmed to be reasonable by the Company's auditors. This may be retrospective if relevant to an already exercised option.

***Termination***

The grant of the option is not intended to form any contract of employment and there will be no rights to damages for any loss, or potential loss of benefit, in the event of termination of office or employment.

9.2 ***ZAI Warrant***

Under the warrant dated 16 June 2014 issued by the Company to ZAI, warrants to subscribe for up to 2,917,500 Ordinary Shares at an exercise price of 8p per share were granted to ZAI. The warrants may be exercised for a period of five years from Admission.

**10. Directors' service agreements and terms of appointment**

10.1 By an agreement dated 16 June 2014 between the Company and Joe Zhou, Joe Zhou was appointed as an executive director of the Company with effect from 9 October 2013. Joe Zhou at present is also employed by Zibao Metals under a separate service agreement dated 25 February 2014 pursuant to which he receives a salary at the rate of HK$240,000 per annum that is paid by Zibao Metals, and this will constitute the remuneration of Joe Zhou under his service agreement with the Company. Joe Zhou is required to devote all of his working time and attention to the affairs of the Company and the Group. The appointments under both agreements are for an initial period of 12 months and are then terminable on 6 months' notice on either side to expire at the end of the initial 6 month period or at any time thereafter.

10.2 By an agreement dated 16 June 2014 between the Company and Eddy Li, Eddy Li was appointed as an executive director of the Company with effect from 4 March 2014. Eddy Li at present is also employed by Zibao Metals under a separate service agreement dated 25 February 2014 pursuant to which he receives a salary at the rate of HK$240,000 per annum that is paid by Zibao Metals, and this will constitute the remuneration of Eddy Li under his service agreement with the Company. Eddy Li is required to devote all of his working time and attention to the affairs of the Company and the Group. The appointments under both agreements are for an initial period of 12 months and are then terminable on 6 months' notice on either side to expire at the end of the initial 6 month period or at any time thereafter.

10.3 On 16 June 2014, the Company entered into a letter of appointment with Alan Ong in respect of his appointment as executive finance director of the Company with effect from his appointment as a director of the Company on 4 March 2014. The terms of this letter provide for an annual fee of £12,000. The appointment will continue for an initial period of twelve months and will continue thereafter subject to three months' notice of termination by either party. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Alan Ong is in material breach of the terms of the appointment.

10.4 On 16 June 2014, the Company entered into a letter of appointment with Chin Phang Kwok in respect of his appointment as non-executive director of the Company with effect from his appointment as a director of the Company on 4 March 2014. The terms of this letter provide for an annual fee of £12,000. The appointment will continue for an initial period of twelve months and will continue thereafter subject to three months' notice of termination by either party. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Chin Phang Kwok is in material breach of the terms of the appointment.

10.5 On 16 June 2014, the Company entered into a letter of appointment with Peter Greenhalgh in respect of his appointment as non-executive director of the Company with effect from his appointment as a director of the Company on 17 March 2014. The terms of this letter provide for an annual fee of £12,000. The appointment will continue for an initial period of twelve months and will continue thereafter subject to three months' notice of termination by either party. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Peter Greenhalgh is in material breach of the terms of the appointment.

10.6 On 16 June 2014, the Company entered into a letter of appointment with Ajay Rajpal in respect of his appointment as a non-executive director of the Company with effect from his appointment as a director of the Company on 17 March 2014. The terms of this letter provide for an annual fee of £12,000. The appointment will be for an initial period of twelve months and will continue thereafter subject to three months' notice of termination by either party. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Ajay Rajpal is in material breach of the terms of the appointment.

10.7 Conditional upon Admission, the aggregate remuneration paid and benefits in kind granted to the Directors for the 12 months to the date of Admission, under the arrangements in force at the date of this document, amount to £100,000 per annum. It is estimated that the aggregate remuneration payable to the Directors from the date of Admission to 31 March 2015 under arrangements that are in force and that will come into effect on Completion will amount to approximately £90,000.

10.8 Except as set out above, there are no liquidated damages or other compensation payable by the Company upon early termination of the contracts of the Directors.

10.9 None of the Directors has any commission or profit sharing arrangements with the Company.

10.10 Except as provided for in paragraphs 10.1 to 10.6 above, the total emoluments of the Directors will not be varied as a result of the Admission.

10.11 Except as disclosed in this paragraph 10, there are no existing or proposed service contracts between the Company and any of the Directors which are not terminable on less than 12 months' notice, nor have any of their letters of appointment or service contracts been amended in the six months prior to the date of this document.

## 11. Additional information on the Directors

11.1 In addition to their directorships of the Company, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships within the five years prior to the publication of this document:

| *Director* | *Current Directorships or Partnerships* | *Past Directorships or Partnerships* |
|---|---|---|
| Joe Zhou | Australian Stone Resources Pty Ltd<br>Foshan Jierong Real Estates Co Ltd<br>Foshan Zibao Metals Co Ltd<br>Fine Luck Trading Ltd<br>Full Join Holdings Ltd<br>Global Metals America Ltd Inc<br>Global Metal Enterprises Ltd<br>Global Metals Ltd<br>Global Resource Recycling Holdings Ltd<br>Guixi Huibao Metals Co Ltd<br>Kent Corporation Group Ltd<br>Masterpiece Enterprises Ltd<br>Net Pacific Finance Group Ltd<br>Net Pacific Financial Holdings Limited<br>Nicheliving Harvest Lakes Project Pty Ltd<br>Niche Success Development Pty Ltd<br>Ningbao Global Recycling Resources Co Ltd<br>Oakley Construction Pty Ltd<br>Vukic Investments Ltd<br>Wuzhou Junbao Metals Co Ltd<br>Zibao Metals Co Ltd | China Metals Shipping Ltd<br>China Metals Transportation Ltd<br>Guangdong Jierong Pipeline Technology Development Co Ltd<br>Jetwin Investment Pty Ltd<br>Long Green International Ltd |
| Eddy Li | Foshan Beifang Guangdian Co Ltd<br>Guangxi Wuzhou Yingde Investment Development Co Ltd<br>Guixi Huibao Metals Co Ltd<br>Wuzhou Hongwei Invest Development Company Ltd<br>Wuzhou Junbao Metals Co Ltd<br>Zibao Metals Co Ltd | Foshan Nanhai District Chuangbao Metal Trading Co Ltd<br>Guixi Chuangxing Waste Recycling Co Ltd |
| Alan Ong | Advantage Horizon Ltd<br>Apex Thinker Ltd<br>Ever On Investment Ltd<br>Full Join Holdings Ltd<br>Good Scene Investment Ltd<br>Grandtop Services Ltd<br>Head Quator Limited<br>Hong Wai (Asia) Holdings Company Ltd<br>Huanhu Inc<br>Joyas International Holdings Ltd<br>Joyas Investments Group Ltd<br>Joyas (Qingyuan) Ltd<br>Kent Corporation Group Ltd<br>Man Wah Holdings Ltd<br>Net Pacific Capital Pte Ltd<br>Net Pacific Finance Ltd<br>Net Pacific Finance Group Ltd<br>Net Pacific Finance Holdings Ltd<br>Net Pacific Financial Holdings Ltd<br>Net Pacific Investments Holdings Ltd<br>Net Pacific International Ltd<br>O-Net Communications (Group) Ltd<br>On Glory Investment Limited | Apex Hope Ltd<br>Fast Wah Lei International Holdings Ltd<br>FM Holdings Ltd<br>Forge Smart Investments Ltd<br>FX International Ltd<br>Henry Net Capital Partners Ltd<br>i-Craftsmen Ltd<br>Jets Technics International Holdings Ltd<br>Le On Trading Limited<br>MP Logistics International Holdings Ltd<br>Multi Merchant Investments Ltd<br>Rare Pte Ltd<br>Richfield Group Holdings Ltd<br>Sino Digital Media (Overseas) Ltd<br>Solid Wealth Ltd<br>UPB Group Inc.<br>Wise New Management Ltd<br>Y2 International Resources Ltd |

| *Director* | *Current Directorships or Partnerships* | *Past Directorships or Partnerships* |
|---|---|---|
| Alan Ong *(continued)* | Panzhihua Jinjiang Titanium Co Ltd<br>Picco Global Ltd<br>Quad Sky Limited<br>Uprich Holdings Ltd<br>Venus Enterprise (Private) Ltd<br>Wise Prosper Investments Ltd | |
| Chin Phang Kwok | Joyas International Holdings Ltd<br>Net Pacific Capital Pte Ltd<br>Net Pacific Finance Group Ltd<br>Net Pacific Financial Holdings Ltd<br>Net Pacific International Ltd<br>Net Pacific Investments Ltd<br>Wise Prosper Investments Ltd | CyberArt Technologies Pte Ltd<br>Cyberlog Pte Ltd<br>Lele Pte Ltd<br>Rare Pte Ltd |
| Peter Greenhalgh | KTG Environmental Ltd<br>The Mamjam Technology Platform Partnership LLP | Aesculus Press Ltd (in liquidation)<br>Chancery Lane Finance Limited (in liquidation)<br>SSG Holdings Ltd |
| Ajay Kumar Rajpal | Brookmans Park Roads Ltd<br>NAS Corporate Services Ltd<br>New Trend Lifestyle Group Plc | Green Fuel Tech Ltd<br>Premier Investment Consultancy FZE<br>The Lunch Box Has Landed Ltd<br>Tricor plc (in voluntary arrangement)<br>Tricor Supply Side Carbon Limited<br>Wenham Major Ltd |

11.2 Insolvencies

11.2.1 In April 2003 Peter Greenhalgh became a director of Chancery Lane Finance Limited. In October 2008 as sole director, he resolved to place it in members voluntary liquidation. Mr Greenhalgh understands that as a result of subsequent claims, which were not admitted by the Company, a liquidator was appointed in February 2009.

11.2.2 Ajay Rajpal was a director of Tricor plc, a company admitted to AIM until 27 September 2011. On 28 January 2013 Tricor plc entered into a company voluntary arrangement under which creditors amounting to approximately £4,800,000 were to receive shares of Tricor plc in exchange for their indebtedness and Tricor plc was readmitted to AIM.

11.3 Save as set out above, no Director has:

11.3.1 had any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;

11.3.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;

11.3.3 been a director of any company or been a member of the administrative, management or supervisory body of a company or a senior manager of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to so act;

11.3.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;

11.3.5 been subject to receivership in respect of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or

11.3.6 been subject to any official public criticisms by any statutory or regulatory authority (including designated professional bodies) nor has such Director been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

## 12. Material contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the members of the Group in the last two years or are other contracts that contain provisions under which the members of the Group have an obligation or entitlement which is material to the Group as at the date of this document.

***Agreements relating to the Company***

12.1 On 16 June 2014, the Company, the Directors, Joe Zhou and ZAI entered into the Placing Agreement. The Placing Agreement contains the following terms:

12.1.1 the Company appointed ZAI as its agent to use its reasonable endeavours to procure placees at the Placing Price for the Placing Shares;

12.1.2 the obligations of ZAI are conditional, *inter alia*, on Admission occurring on or about 20 June 2014 or such later date (being no later than 30 June 2014) as the Company and ZAI may agree;

12.1.3 subject to Admission, the Company shall pay to ZAI:

(i) a corporate finance fee of £140,000 exclusive of VAT;

(ii) a commission of £65,000 in respect of funds raised by ZAI under the Placing; and

(iii) shall issue the Warrants detailed in paragraph 12.3 below;

12.1.4 the Placing Agreement contains certain warranties and indemnities given by the Directors and the Company in favour of ZAI. It also contains provisions entitling ZAI to terminate the agreement prior to Admission if, among other things, a breach of any of the warranties occurs or on the occurrence of an event or omission materially and adversely affecting the financial position of the Group; and

12.1.5 the liability of the Company under the warranties and indemnities is not subject to a financial limit, but the liability of each of the Directors is subject to maximum financial limits (which do not apply in the event of fraud or wilful concealment by any Director(s)).

12.2 On 6 August 2013, the Group entered into a nominated adviser agreement and a broker agreement which was novated to the Company pursuant to a deed of novation dated 29 November 2013 whereby ZAI agreed to act as nominated adviser and broker to the Company for an aggregate fee of £55,000 per annum exclusive of VAT. The agreement contains certain indemnities given by the Company to ZAI.

12.3 On 16 June 2014 the Company granted to ZAI, conditional upon Admission, Warrants carrying the right to subscribe for 2,917,500 Ordinary Shares (representing three per cent. of the issued share capital of the Company on Admission) at an issue price equal to the Placing Price, which ZAI may exercise at any time in the period of five years following the date of Admission. The Warrants are subject to adjustment to take account of further issues of shares by way of capitalisation of profits or reserves. The Warrants cease to be exercisable following a takeover offer that results in a change of control of the Company. The Warrants may be assigned or charged in whole or in part at any time by the Warrant Holder.

12.4 By an agreement dated 16 June 2014 entered into by each of the Controlling Shareholders, the Company and ZAI, each of the Controlling Shareholders has agreed not to transfer or dispose of any interest in their respective holding Shares for the period expiring on the first anniversary of Admission save for certain limited exceptions including transfers by way of gift to family Shareholders or family trusts or acceptance of a takeover offer. For a further year thereafter any transfer of shares by any of the Controlling Shareholders must be through ZAI, the Company's nominated advisor and broker.

12.5 The existing and proposed service agreements and letters of appointments entered into between each of the Directors and the Company referred to at paragraphs 10.1 to 10.6 of this Part VI.

12.6. The agreements relating to the Share Options referred to in paragraph 9 of this Part VI.

12.7 On 16 June 2014, the Company entered into a relationship agreement with Joe Zhou and ZAI, pursuant to which Joe Zhou has agreed to certain restrictions in respect of his control of the Company. The agreement contains terms and conditions intended to ensure that the Company will at all times be capable of carrying on its business independently of Joe Zhou. Furthermore, the agreement contains provisions to ensure that all transactions and relationships between Joe Zhou and members of the Group will be at arm's length and on normal commercial terms and that no transaction between Joe Zhou or his affiliates and the Group can be entered into unless approved in advance by two independent non-executive directors of the Company. Joe Zhou is entitled to exercise his voting rights as a Shareholder to procure that up to two further non-executive directors may be appointed to the board. As at the date of this document, Joe Zhou has not exercised such right. The provisions of the agreement remain in full force and effect for so long as Joe Zhou retains more than 30 per cent. of the voting rights in the Company and the share capital of the Company remains admitted to trading on AIM.

12.8 Under an agreement dated 7 December 2012 between Zibao Metals (1) and 8i Capital (2), 8i Capital was engaged to assist in the listing of a new holding company on terms that, on completion of the listing, 8i Capital would receive shares representing 3 per cent. of the enlarged and fully diluted issued share capital of the new holding company.

12.9 Under an agreement dated 31 January 2014 between Joe Zhou (1) and 8i Capital (2), Joe Zhou transferred to 8i Capital 37 Ordinary Shares in the capital of Masterpiece Enterprises, representing 3.7 per cent. of the issued shares of Masterpiece Enterprises. The shares of Masterpiece Enterprises were to be transferred by 8i Capital to the Company under the agreement referred to in paragraph 12.14 below, in exchange for the issue of 3,000,000 Ordinary Shares of the Company to 8i Capital. The transfer of shares of Masterpiece Enterprises and, subsequent issue of shares by the Company to 8i Capital were in satisfaction of the obligation to 8i Capital under the agreement referred to in paragraph 12.8 above. If the number of Ordinary Shares in issue on Admission is less than 100,000,000 Ordinary Shares, 8i Capital is to transfer to Joe Zhou the number of Ordinary Shares that would reduce the percentage of the Ordinary Shares in issue on Admission represented by the Ordinary Shares held by 8i Capital to three per cent.

12.10 Under a services and consultancy Agreement dated 7 December 2012 between Bright Growth Capital Ltd ("Bright Growth") (1) and Zibao Metals Co. Limited (2), Bright Growth was engaged for providing promotion services to Zibao Metals Co. Limited and the corporate vehicle which would be listed on AIM for a fee in the amount of £60,000. The duration of this Agreement is for an initial period of twelve months and thereafter to continue unless terminated by giving one month's written notice.

***Agreements relating to the MPE GROUP***

12.11 Under Term Loan Facility Letter dated 1 November 2013 between Long Green International Limited ("LGI") (1) and Masterpiece Enterprises (2) LGI agreed to grant to Masterpiece Enterprises a term loan of HKD15,000,000 which represented an extension of the earlier facility advanced by LGI to Masterpiece Enterprises under a term loan facility dated 1 July 2013, on terms that are superseded by the Term Loan Facility Letter dated 1 November 2013. The loan carries interest at 2 per cent. per annum payable in arrears on repayment. The term of the loan is until 31 March 2016. The loan is expressed to continue for the term subject to the provision to LGI of such documents and other items as it may request and the payment of costs incurred by LGI. There is provision that the ratio of loan to market value of the security is to be not more than 70 per cent. of Masterpiece Enterprises' total assets. The Term Loan Facility is governed by the laws of Hong Kong.

12.12 On 27 May 2014 Joe Zhou advanced to Fine Luck Trading for the Group for the aggregate principal amount of HK$3,004,400 by way of to an interest free unsecured loan. The terms of the loan are set out in a letter from Joe Zhou to Fine Luck Trading dated 27 May 2014. The principal amount of the loan is to be repaid by Fine Luck Trading Limited to Joe Zhou on 31 December 2015 provided that, if at that date the Group does not have sufficient surplus cash resources that are not required for the working capital requirements of the Group, as determined by the Board of the Company (a "Shortfall"), then repayment of the loan, will be deferred in respect of the Shortfall only until such surplus cash resources are available.

12.13 By an Agreement dated 1 April 2010 between Global Metal Enterprises Limited (formerly Top Able Enterprises Limited) (1) and Ming Fai Trading Company ("**MFT**") (2) Global Metal appointed MFT to provide marketing agency services to Global Metal. The Agreement is subject to one months notice of termination by either party. The fees to be paid by Global Metals to MFT for its services are to be agreed between the parties from time to time and at present is HK$1,440,000 per annum.

12.14 Under an agreement dated 10 March 2014 between Joe Zhou, 8i Capital Limited, Add Profit, Sino Jump and the Company, the Company agreed to acquire a total of 1,000 ordinary shares of US$1 each of Masterpiece Enterprises from Mr. Zhou, Sino Jump, Add Profit and 8i Capital for a consideration which was satisfied on completion by the issue by the Company of 80,999,900 new Ordinary Shares of £0.01 each in the Company. The issued shares in Masterpiece Enterprises so transferred to the Company by Mr. Zhou, Sino Jump, Add Profit and 8i Capital represented the entire issued share capital of Masterpiece Enterprises at the time.

The shares issued by the Company as consideration were allocated to the vendors as follows:

| | |
|---|---|
| Joe Zhou | 57,999,900 |
| Sino Jump Global Inc | 10,000,000 |
| Add Profit Corporation | 10,000,000 |
| 8i Capital Limited | 3,000,000 |

Pursuant to the terms of the agreement between 8i Capital (1) and Joe Zhou (2) dated 31 January 2014 referred to in paragraph 12.9 above, 8i Capital transferred to Joe Zhou 82,500 Ordinary Shares at the total consideration price of US$1 on 13 June 2014.

## 13. Environmental issues

As far as the Directors are aware, there are no environmental issues that may affect the Group's utilisation of its tangible fixed assets.

## 14. No Litigation, governmental or arbitration proceedings

The Group is not, nor has at any time in the 12 months immediately preceding the date of this document, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability.

## 15. Intellectual property

Except as set out in this document, the Group is not dependent on any patents, licences, industrial, financial or commercial contracts or new manufacturing processes which have a material effect on the Group's business or profitability.

## 16. Working capital

The Company and the Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company and the Group, taking into account the estimated net proceeds of the Placing, will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

## 17. Premises

17.1 The Company does not own any premises.

17.2 MPE Group owns or uses through Zibao Metals Co. Limited (Hong Kong) the following premises:

- Unit 2713, 27th Floor, 113 Argyle Street, Mongkok, Kowloon, Hong Kong under an office tenancy agreement dated 5 June 2014 for a period commencing on 7 June 2014 and expiring on 31 August 2015 at a base rent of HK$19,740 per month.
- Flat E, 20th Floor of Tower 2, Banyan Garden, 863 Lai Lai Chi Kok Road, Kowloon, Hong Kong under a residential tenancy agreement dated 15 August 2012 for a period of two years from 21 August 2012 at a base rent of HK$14,000 per month. This property is used as staff quarters.

**18. Employees**

18.1 As at 16 June 2014, the Company has two employees who are its executive directors: Joe Zhou and Eddy Li.

18.2 As at 16 June 2014, the MPE Group had 9 employees.

**19. Significant changes**

19.1 Except for the acquisition by the Company of the issued shares of Masterpiece Enterprises, there has been no significant change in the financial or trading position of the Company since 10 March 2014, the date to which the most recent financial information is available.

19.2 Except as disclosed in this document, there has been no significant change in the financial or trading position of the MPE Group since 31 December 2013, the date to which the most recent audited financial information is made up.

**20. Related party transactions**

20.1 During the period from its incorporation to the date of this document, the Company has not entered into any related party transactions.

20.2 Other than as disclosed at paragraph 6.25 of Part IV B of this document, the MPE Group has not entered into any related party transactions that are outstanding.

**21. General**

21.1 There are no significant authorized or contracted capital commitments at the date of publication of this document.

21.2 The gross proceeds of the Placing receivable by the Company are expected to be approximately £1.3 million. The total costs and expenses payable by the Company in connection with the Placing and Admission (including professional fees, costs of printing and other fees payable and sales commissions) are estimated to be approximately £0.5 million excluding UK VAT.

21.3 Except as stated in this document (in relation to 8i Capital Ltd and Bright Growth Capital Ltd) and for the advisers named on page 3 of this document to the extent disclosed elsewhere in this document and trade suppliers, no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 calculated by reference to the Placing Price or any other benefit with a value of £10,000 or more at the date of Admission.

21.4 Other than pursuant to the Placing, the Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the application for Admission.

21.5 Application will be made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Enlarged Share Capital will commence on AIM at 8.00 a.m. on 20 June 2014.

21.6 The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

21.7 The Ordinary Shares are in registered form. No temporary documents of title will be issued. It is expected that definitive share certificates will be dispatched by hand or first class post by 26 June 2014. In respect of uncertificated shares it is expected that shareholders' CREST stock accounts will be credited on 20 June 2014.

21.8 ZAI Corporate Finance Limited has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which such references appear.

21.9 Jeffreys Henry LLP, reporting accountant's to the Company has given and not withdrawn its written consent to the inclusion of its accountant's report in Part IV of this document and the references to such accountant's reports in the form and context in which they appear. Jeffreys Henry LLP is a member firm of the Institute of Chartered Accountants in England and Wales.

21.10 The auditors of Masterpiece Enterprises and of its subsidiaries are H.C. Wong & Co and the audited financial statements of Masterpiece Enterprises and each of its subsidiaries for each of the three years ended 31 March 2013 contain an auditors report that is not subject to qualification.

21.11 Where information contained in this document has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from the information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

21.12 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 434(3) of the Act.

21.13 Except as disclosed in this document, as far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably expected to have a material effect on the Group's prospects for at least the current financial year.

21.14 The Company has not declared a dividend for any of the financial years in the period covered by the historical financial information set out in Part IV A of this document.

## 22. Availability of the Admission Document

22.1 Copies of this document for the Company are available free of charge from the offices ZAI Corporate Finance Limited, 1 Hobhouse Court, Suffolk Street, St James's, London SW1Y 4HH, United Kingdom during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) and shall remain available for at least one month after Admission.

22.2 A copy of this document will also be available on the Company's website: www.zibaometals.com.

Dated: 16 June 2014

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