

**Zibao Metals Recycling Holdings Plc
Report and Accounts
for the year ended 31 March 2014**

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

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Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Company Information

Directors	Wenjie (“Joe”) Zhou (Executive director and chairman) Jianfeng (“Eddy”) Li (Chief executive officer and executive director) Chor Wei (“Alan”) Ong (Executive finance director) Chin Phang Kwok (Independent non-executive director) Peter George Greenhalgh (Independent non-executive director) Ajay Kumar Rajpal (Independent non-executive director)
Registered Office	5-7 Cranwood Street London EC1V 9EE
Company Secretary	International Registrars Limited 5-7 Cranwood Street London EC1V 9EE
Nominated Adviser and Broker	ZAI Corporate Finance Limited 1 Hobhouse Court Suffolk Street London SW1Y 4HH
Solicitors to the Company as to English law	Thomas Eggar LLP 14 New Street London EC2M 4HE
Legal Advisers to the Company as to Hong Kong law	Vincent T.K. Cheung, Yap & Co. 11/F, Central Building 1-3 Pedder Street Central, Hong Kong
Legal Advisers to the Company as to BVI law	Maples and Calder 53rd Floor The Center 99 Queen’s Road Central, Hong Kong
Registrars and Receiving Agents	Neville Registrar Limited Neville House 18 Laurel Lane Halesowen B63 3DA
Financial PR Advisors	Newgate Threadneedle Limited Sky Light City Tower 50 Basinghall Street London EC2V 5DE

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Chairman's Statement

We are pleased to report the Company's maiden annual results as a public company for the year ended 31 March 2014, in which Zibao made good progress developing the business and laying the foundations for future growth.

Results

The Company has delivered results in line with management expectations with revenues ahead 1.8% at HKD 444 million with the cash position increasing by 14.9% to HKD 6.03 million. Operating profits before admission expenses declined in the period by 4.2% to HKD 15.98 million mainly due to an increase in the proportion of purchases which required the group to bear the transportation costs necessitated by the difficult trading environment.

Business Model

China's rapid economic growth has turned it into a major consumer of both aluminium and copper. To help service this need the Group imports both "unprocessed" aluminium scrap (also known as "Zorba") which has already been shredded, but before smelting requires sorting and cleaning, and copper wiring, requiring 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 on-selling to refiners.

In the three years ended 31 March 2014 copper has accounted for between 46% and 71% of the Group's sales (by value) with the balance coming from aluminium.

The Group seeks to trade on a back-to-back basis matching individual purchasers to individual sellers so avoiding holding stock on its own account. Typically, the Group will seek to apply a 5% mark up on its cost price (taking into account transportation and insurance costs). In the period under review the Group made a decision to absorb the higher transport costs which arose as a result of sourcing products further afield. We expect transport costs to fall back to more normal levels as we expand our supplier base.

For the year ended 31 March 2014, more than 85% of the Group's purchases and sales were undertaken in US\$ effectively traded on a 'matched' basis so minimising any attendant exposure risk - for such trades the currency risk is therefore minimal.

Both the Group and its customers depend upon the integrity and reliability of the suppliers in terms of availability quality and delivery of raw material. Strong relationships are essential to the development of the business - these extend both up and down the supply chain. In many cases there has been a long-term relationship which is a significant factor in reducing risk. This is especially relevant to China where credit referencing is unreliable and the Group is dependent upon its relationships with its customers and on its own local knowledge of its customer base and the metal recycling market in the PRC generally.

Suppliers

The Group engaged in 4 new suppliers in the period and now has a panel of over 50, each of which is vetted by the Group before being approved as a trading partner. However in the case of the majority of suppliers there has been a long-standing relationships and as result disputes over quality/delivery are rare and where they do occur, are typically resolved quickly.

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As was highlighted at the time of the IPO, the Company continues to look to increase, by acquisition the number of up-stream suppliers and the acquisition, or establishment of additional recycling yards. Several suitable targets have been identified and negotiations are currently progressing.

Chairman's Statement (continued)

Suppliers

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

Source	Percentage of Sales			
	FY 2011	FY 2012	FY 2013	FY 2014
Asia	8%	15%	34%	30%
Australia	0%	8%	13%	11%
Europe	45%	45%	23%	40%
North America	46%	29%	25%	19%
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% of sales in all of the three years ended 31 March 2014 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 has five principal customers, the largest of which accounts for approximately 20-30% of turnover with the remaining four accounting for 10-20% each. Four of these are based in Nanhai Foshan, where the Zhou family remain engaged in the metal recycling business, with the fifth being based near the city of Tianjin in Northern China. Despite the Group trading in its current form since only 2009, the trading relationships on which the business is founded were developed much earlier.

Trading in the year

The financial year ending 31 March 2014, as a result of the trading conditions outlined below, proved more difficult than had been anticipated.

Growth in the Chinese economy had seen some softening during the period with prices of all metals falling in the first quarter of 2014. Additionally there was a tightening of liquidity by Chinese banks and restrictions were also put in place by the Chinese Government through 'Operation Green Fence'. Despite these difficulties it is pleasing to report that the group achieved a growth in revenue as a result of increasing the quantity of scrap sold. Although revenue had increased, a slight dip in the Group's bottom line was recorded, caused mainly by an increase in the selling/ distribution and transportation costs.

Outlook

The softening of metal prices seen in the last quarter of the period under review continued into the first quarter of the period 2014-15. Prices have since recovered strongly after the Beijing government

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announced a “micro stimulus package” and a 6-7% growth target was announced for Chinese infrastructure development.

Chairman’s Statement (continued)

Outlook

The stimulus package has been designed to address three core issues on the economic slowdown. The government has further invested in transport and other infrastructural projects including improvements to the railroads and the upgrading of sub-standard urban housing. Additionally, emphasis has been given to politically marginalized, but economically important market sectors, which includes traders in the scrap metal Industry. The measures include easier access to capital markets for small and medium-sized enterprises (SMEs) showing high growth potential and a focus on improving the efficiency of the market through:

- The expansion of ongoing tax reform by focusing on service providers
- The introduction of a more streamlined customs declaration process
- Companies will no longer need approval from regulators to go public
- Private investors are to be encouraged to invest in restricted sectors, such as infrastructure, banking and healthcare.

As a result of the banks in China tightening their credit policies and customers taking longer to settle their accounts there has been some market consolidation amongst the smaller scrap metal traders and their clients. This has been further exacerbated by the effects of “Operation Green Fence” a government initiative introduced in 2013 to try and limit the amount of contaminated and poor quality scrap imported into China.

The current pressure facing the smaller scrap metal traders presents an attractive opportunity for Zibao which, as a larger operator with greater working capital, is able to consolidate its position and gain market share.

Whilst the funds raised in the IPO do not affect the period being reported, they do strengthen our working capital allowing us to take advantage of current market conditions to further establish Zibao as a major participant within the industry.

Zibao has made a steady start to the new financial year (April 2014 - March 2015) and the board remains confident in being able to further consolidate its position and achieve further growth in meeting its targets in the second half of the year. . We continue to lay the foundations needed to take advantage of this promising market opportunity and will also continue to strengthen our relationships with our suppliers and customers. Our focus for the year is to improve sales volumes and gross profit margins and further build our customer and supplier base. We remain confident about the future of Zibao and we look forward with cautious optimism to the second half of the year and beyond.

I would like to take this opportunity to thank all of our employees for their hard work and dedication in helping Zibao provide our customers with the r quality products and services they require particularly at this time of significant change across the group.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Wenjie Zhou

Chairman

4 September 2014

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Directors and officers

The board of Zibao Metals Recycling Holdings Plc (“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 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.

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Directors and officers (continued)

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.

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Strategic Report

Review of the business

A review of the business of the Group, together with comments on future developments is given in the Chairman's Statement on pages 3 to 5.

Principal Risks and Uncertainties

The Directors continually identify, monitor and manage the risks and uncertainties of the Group. Risk is inherent in all businesses. Set out below are certain risk factors which could have an impact on the Group's long-term performance and mitigating factors adopted to alleviate these risks. This list does not purport to be an exhaustive summary of the risks affecting 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.

Financial and capital risk management

The Group has instigated certain financial capital risk management policies and procedures which are set out in note 25 to the financial statements.

Future outlook

The Chairman's Statement on page 3 gives information on the future outlook of the Group.

Key Performance Indicators

The key performance indicators currently used by the Group are revenue, operating profit, cash resources and sales tonnage.

These are analysed in detail in the Chairman Statement.

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Strategic Report (continued)

Employees

The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programmes in common with all employees. The Group has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

The Strategic Report was approved by the Board on 4 September 2014 and signed on its behalf by:

Wenjie Zhou

Director

4 September 2014

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Directors' Report

The directors have pleasure in submitting this report together with the accounts of Zibao Metals Recycling Holdings Plc ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 March 2014.

The Company was formed on 9 October 2013 as Zibao Metals Recycling Holdings Limited ("the Company") and changed to its current style on 28 March 2014. On 20 June 2014 the company gained admission to the Alternative Investment Market (AIM).

The Company was set up as a holding company for Masterpiece Enterprises Limited ("MEL"), a company registered and operating in Hong Kong. The Company acquired its 100% interest in MEL by way of a share for share exchange. This has been accounted for as a group reorganisation in the group accounts.

As the business combination involved entities under common control, the consolidated financial statements are issued in the name of the Group but they are a continuance of MEL. The comparatives included are for MEL prior to the group reorganisation.

Principal Activities

The principal activities of the Group are those of providing products and services in the metal recycling industry.

Results and dividend

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 14. Refer to Note 12 for details of interim dividends paid during the year by the group.

Directors and their interests

The directors who held office during the year are as follows:

Wenjie ("Joe") Zhou	Appointed 9 October 2013
Jianfeng ("Eddy") Li	Appointed 4 March 2014
Chor Wei Ong ("Alan Ong")	Appointed 4 March 2014
Chin Phang Kwok	Appointed 4 March 2014
Peter George Greenhalgh	Appointed 17 March 2014
Ajay Kumar Rajpal	Appointed 17 March 2014

The interests of those directors serving at the year ended 31 March 2014, all of which are beneficial, in the share capital of the Company, were as follows:

<u>Director</u>	<u>Shares of 0.1p each</u>	<u>%</u>
Wenjie Zhou	58,000,000	71.6%

Except as set out above, none of the Directors or their immediate families had at 31 March 2014 or 31 March 2013, acquired or disposed of since that date, any interest in any shares in the Company or any of its subsidiaries, any rights to subscribe for shares in the Company or any of its Subsidiaries.

On 16 June 2014 the Company 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.

Share Capital

Details of the Company's share capital are disclosed in Note 21 of the financial statements.

Zibao Metals Recycling Holdings Plc

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Directors' Report (continued)

Financial Instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are disclosed in Note 25 to the financial statements.

Statement to Auditors

So far as the directors are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Substantial Shareholdings

As at 21 July 2014, the following interests in 3% or more of the issued ordinary share capital appear in the register:

Shareholder	Number of shares	Percentage of issued share capital
Wenjie Zhou	58,082,500	71.2%
Sino Jump Global Inc	10,000,000	12.3%
Add Profit Corporation	10,000,000	12.3%
8i Capital Limited	2,917,500	3.6%

Payment of Creditors

The Group does not follow any published code or statement on payment practice. However, it is the Group's policy to settle all amounts due to its creditors on a timely basis, taking into account the credit year given by each creditor. The average number of days credit taken by the Group for purchases as at 31 March 2014 was 5 days (2013: 12 days).

Post Balance Sheet Events

Details of post-balance sheet events are disclosed in Note 30 to the financial statements.

Directors' Responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the Financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable IFRS' as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Directors' Report (continued)

Statement to Auditors

So far as the directors, at the time of approval of their report, are aware:

- there is no relevant audit information of which the Group's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Listing

The Company's ordinary shares have been traded on London's AIM Market, since 20 June 2014. ZAI Corporate Finance Limited are the Company's Nominated Advisor and Joint Broker.

Publication of Financial Statements

The Company's financial statements will be made available on the Company's web-site <http://www.zibaometals.com/>. The maintenance and integrity of the website is the responsibility of the directors. The directors' responsibility also extends to the financial statements contained therein.

Going Concern

After making appropriate enquiries, the directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. This is reflected in the section 'Going Concern' in Note 2 to the financial statements.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Jeffrey's Henry LLP be re-appointed as auditors will be put to the Annual General Meeting.

Strategic Report

In accordance with section 414C(11) of the Companies Act 2006 the Company choose to report the review of the business, the future outlook and the risks and uncertainties faced by the Group in the Strategic Report on page 8.

The Report of the Directors was approved by the Board on 4 September 2014 and signed on its behalf by:

Wenjie Zhou

Director

4 September 2014

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Corporate Governance Statement

The Corporate Governance Code (the 'Code')

Though full compliance with the Code is not mandatory for the Group, it is the policy of the board to adopt its main principles and comply with its guidelines when it is reasonably practicable to do so. The small size of the Company and its current stage of development mean that it would not be sensible or even possible to adhere to some of the guidelines in the Code.

In addition to summarising its Corporate Governance procedures, the following statement also sets out some aspects of the Code with which the Company does not comply and explains why it does not or, in some cases, complies with the spirit of the Code by some other means.

The Role of the Board

At formal meetings, the board receives reports by Wenjie Zhou or Jianfeng Li, or both on the overall performance over the previous period. They were supported by the Finance Director on financial detail. They are followed with reports on other matters, particularly progress with development projects. Minutes of board Committee meetings held since the previous formal board meeting are received and decisions made by those committees are submitted for ratification where such is needed.

There is a formal schedule of matters reserved for the board. This includes the setting of high-level targets, approval of budgets, strategy, funding, capital expenditure, license agreements and incentive schemes. Specific authority levels for expenditure are delegated to individual executives or management committees according to a schedule agreed by the board.

Whilst the bulk of the formulation of budgets and strategy is undertaken by executive directors, this is done against a framework set by the whole board, challenged by it in detail and finally approved by it.

Financial information submitted regularly to the board includes monthly balance sheets and profit & loss accounts; together with analyses of movements in cash, trade debtors and creditors, and fixed assets.

There are two board Committees; each with terms of reference set by the board. These are the combined Remuneration Committee and the Audit Committee.

In the normal course, board Committees make recommendations to the board but also have certain limited powers delegated to them. Minutes of Committee meetings are made available to the board as a whole but may be redacted at the discretion of the Chairman of the Committee, if appropriate in consultation with the Company Chairman. Where it is urgent that a recommendation of a Committee needs to be accepted by the board, this is done by a directors' resolution in writing.

Certain other high level decisions that cannot await the convening of a formal board meeting may be agreed by way of written resolutions. In such cases supporting papers are submitted to the directors and they are given the opportunity to discuss the matter with other directors and executive management. Written resolutions are deemed passed only if all directors vote in favour

Overcoming geographic and time differences

The board is conscious of the need to overcome the difficulties that can arise from the time differences and geographic separations that face directors; both between and within regions.

It is not practical or cost-justified for the whole board to meet face-to-face at every board meeting. So where one or more director is unable to be physically present, use is made of telephone conference calls.

During the course of 2014, there were 4 meetings of the board. All directors were present at all meetings, mostly in person but sometimes by telephone. The Company's chairman attended all of the 4 meetings and in person in Hong Kong.

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Corporate Governance Statement (continued)

In addition to the board meeting, there are also frequent but less-formal telephone and email exchanges among directors. On these occasions there may be discussion of monthly management accounts or any other topic a director may wish to raise. These meetings are chaired by the Company's chairman.

In addition to using their influence at board and board Committee meetings, non-executive directors have direct access to the secretary of the board Committees. This individual reports directly to the chairman of the Audit Committee, is also the internal auditor for the group and has delegated to him all of the routine company secretarial work.

By these means, the non-executive directors believe that their roles are being discharged effectively.

Non-executive directors

It is not thought that the Company is large enough to warrant the formal appointment of a senior non-executive director. Instead, other non-executive directors are actively and regularly consulted by the Chairman and encouraged to provide feedback. Wenjie Zhou and Jianfeng Li as well have maintained a dialogue with major shareholders and these directors have kept the board up to date with shareholders' views.

No formal mechanism exists for appraising the effectiveness of the board as a whole or of the Chairman alone. The Remuneration and Nomination Committee has not recommended that such a process is implemented.

Composition and effectiveness of the Board

By virtue of his substantial indirect shareholding in the Company, Wenjie Zhou has not been considered to be an independent director. Each of the other two non-executive directors is considered to be 'independent'.

The service agreements for the non-executive directors including the independent were agreed by the board before the Admission to AIM, and these have not been changed since. Copies of the service contracts of all current directors' are available for inspection at the Company's registered office and at the location of the AGM for a period before that meeting begins.

All directors may have access to independent professional advice at Company expense if this is felt by them in their own judgement that it is needed to enable them to discharge their duties and that the cost of such advice is reasonable in the circumstances.

Emphasis is placed by the Chairman on the importance of familiarity with the board pack and the contributions made by directors. However, given its size, a formal evaluation of board performance by an outside agency is not believed to be appropriate. Instead, the Chairman's frequent contact with other directors provides sufficient opportunity for frequent and effective two-way 'calibration'.

Incentive schemes for staff and directors

All staff enjoy a bonus of 1 month, payable after the end of the calendar year if they remain in the employment of the Company. In addition, selected staff will be paid a discretionary bonus that depends upon personal and company performance. The broad guidelines for this are set by the Remuneration Committee. The discretionary bonuses for a few of the most senior staff are also set by that Committee.

Selected senior members of staff participate in the Company's share option scheme and the overall award of grants to such staff is approved by the Remuneration Committee according to the rules of that committee.

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Corporate Governance Statement (continued)

Board Committees

There are two standing Committees of the board.

Each committee has written terms of reference approved by the board. These are kept under review and updated as needed.

During the year, the Remuneration Committee sat once, and the Audit and Committee sat twice. All members were present on each occasion.

The membership and the chairmen of board Committees is determined by the board but, given the small number of directors, refreshing membership on a regular or frequent basis is not viable.

The main purposes and general terms of reference of each board Committee are set out below.

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.

The duties of the Remuneration Committee are to:

- i Reviewing and recommending the emoluments, pension entitlements and other benefits of the executive directors and as appropriate other senior executives; and
- ii Reviewing the operation of share option schemes and the granting of such options.

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.

The duties of the Audit Committee are to:

- i Review of the annual financial statements and interim reports prior to approval, focusing on changes in accounting policies and practices, major judgemental areas, significant audit adjustments, going concern and compliance with accounting standards, Stock Exchange and legal requirements;
- ii Receive and consider reports on internal financial controls, including reports from the auditors and report their findings to the Group Board;
- iii Consider the appointment of the auditors and their remuneration including reviewing and monitoring of independence and objectivity;
- iv Meet with the auditors to discuss the scope of the audit, issues arising from their work and any matters the auditors wish to raise; and
- v Develop and implement policy on the engagement of the external auditor to supply non-audit services.
- vi Develop and implement policy on the engagement of the internal auditor.

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Corporate Governance Statement (continued)

Board Committees (continued)

The Audit Committee will be provided with details of any proposed related party transactions in order to consider and approve the terms and conditions of such transactions.

Bribery Act, 2010 (the 'Act')

The Group has in place a full "Anti-bribery Policy" and this is augmented by a "Whistle-blower's Policy". Both have been translated into the Chinese language and all members of staff are required to read and understand the policies and confirm in writing that they have done so.

Under guidelines set by the board, a designated 'Group Compliance Officer' manages the processes and procedures that flow from the policies, in particular the areas perceived to represent most risk. The Group Compliance Officer reports to the board or a board committee as needed.

Since its inception, the board has reviewed the practical implementation of the Anti-bribery Policy and will do so again at least once a year. The basic requirements include ensuring familiarity and acceptance of the policies, risk analysis and maintenance of an 'incident' book.

Business Reviews

The board reviews regularly both the financial position of the Group and information about non-financial performance. It does this monthly at each board meeting. Financial information includes monthly balance sheets and profit and loss accounts for the Group and its subsidiaries, together with analysis of movements in cash, trade debtors and creditors, and fixed assets. Close attention is also paid to the development of sales by sector and by customer as well as progress with initiatives to develop major new sectors and customers.

Non-financial information reviewed regularly by the board includes reports and key performance indicators, including plant performance, delivery performance, research and development activity, sales activity and health, safety and environmental performance.

Review of strategy and business model

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. 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.

On behalf of the board,

Wenjie Zhou
Chairman
4 September 2014

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Independent Auditors' Report to the members of Zibao Metals Recycling Holdings Plc

We have audited the financial statements of Zibao Metals Recycling Holdings Plc for the year ended 31 March 2014, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and the related notes on pages 28 to 55. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Chairman's Statement, Strategic Report and Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any material misstatement or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, of the state of the Group's and Parent Company's affairs as at 31 March 2014 and of the Group's profit and the Group's and Parent Company's cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Independent Auditors' Report (continued...)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns;
or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Sanjay Parmar
SENIOR STATUTORY AUDITOR

For and on behalf of Jeffrey's Henry LLP, statutory auditor

Finsgate
5-7 Cranwood Street
London
EC1V 9EE
United Kingdom

4 September 2014

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Consolidated Statement of Comprehensive Income

	Notes	2014 HKD'000	2013 HKD'000
Continuing operations			
Revenue	4	443,607	436,342
Cost of sales		(420,956)	(415,521)
		22,651	20,821
Gross profit			
Other revenue	5	660	521
Selling and distribution expenses		(2,574)	(819)
Administrative expenses		(12,522)	(3,845)
- Admission expenses		(7,992)	-
- Other administrative expenses		(4,530)	(3,845)
Finance costs	8	(225)	-
		7,990	16,678
Profit before tax			
Income tax expense	10	(2,179)	(2,028)
		5,811	14,650
Profit for the year from continuing operations			
Discontinued operations			
Profit/ (loss) for the year from discontinued operations	28	74	(536)
		5,885	14,114
Profit and total comprehensive income for the year			
Profit and total comprehensive income for the year attributable to the owners of the Company		5,885	14,114
Earnings per share			
From continuing and discontinued operations		2014 HKD	2013 HKD
Basic and diluted	11	0.073	0.174
From continuing operations			
Basic and diluted	11	0.072	0.181

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Consolidated Statement of Financial Position

	Notes	2014 HKD'000	2013 HKD'000
Assets			
Non-Current Assets			
Property, plant and equipment	15	152	226
		<hr/>	<hr/>
		152	226
		<hr/>	<hr/>
Current Assets			
Inventories	16	16,191	21,830
Trade receivables	17	25,360	5,884
Prepayments, deposits and other receivables	17	6,620	7,249
Cash and cash equivalents	18	6,030	5,250
		<hr/>	<hr/>
		54,201	40,213
		<hr/>	<hr/>
Total Assets		54,353	40,439
		<hr/> <hr/>	<hr/> <hr/>
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	21	10,530	-
Group reorganisation reserve	22	(527)	-
Retained earnings		1,176	5,291
		<hr/>	<hr/>
Total Equity		11,179	5,291
		<hr/>	<hr/>
Non-current liabilities			
Long term loan from shareholders	20	-	10,000
		<hr/>	<hr/>
		-	10,000
		<hr/>	<hr/>
Current liabilities			
Trade payables	19	6,098	14,732
Accrued liabilities and other payables	19	29,390	4,321
Amount due to a director	19	-	603
Tax payable	10	7,686	5,492
		<hr/>	<hr/>
		43,174	25,148
		<hr/>	<hr/>
Total Liabilities		43,174	35,148
		<hr/>	<hr/>
Total Equity and Liabilities		54,353	40,439
		<hr/> <hr/>	<hr/> <hr/>

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2014

Consolidated Statement of Financial Position (continued)

The financial statements were approved by the Board of directors and authorised for issue on 21 August 2014. They were signed on its behalf by:

Wenjie Zhou
Director

4 September 2014

Company Number: 08724168

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Consolidated Statement of Cash Flows

	Notes	2014 HKD'000	2013 HKD'000
Cash flows from operating activities			
Net cash from operating activities	29	10,784	13,301
Investing activities			
Addition of property, plant and equipment		(4)	(110)
Sale of property, plant and equipment		-	52
Net cash used in investing activities		(4)	(58)
Financing activities			
Dividend paid		(10,000)	(13,000)
Net cash used in financing activities		(10,000)	(13,000)
Net increase / (decrease) in cash and cash equivalents		780	243
Cash and cash equivalents at beginning of the year		5,250	5,007
Cash and cash equivalents at the end of the year		6,030	5,250
Represented by:			
Bank balances and cash		6,030	5,150
Pledged deposits		-	100
		6,030	5,250

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less, as adjusted for any bank overdrafts.

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Consolidated Statement of Changes in Equity

	Share Capital	Retained Earnings	Group Reorganisation Reserve	Total
	HKD'000	HKD'000	HKD'000	HKD'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 Enterprises Limited	-	(13,000)	-	(13,000)
As at 31 March 2013	-	5,291	-	5,291
Total comprehensive income for the year	-	5,885	-	5,885
Dividends paid to equity holders of the Company	-	(10,000)	-	(10,000)
Shares issued during the period	10,530	-	-	10,530
Group reorganisation	-	-	(527)	(527)
As at 31 March 2014	10,530	1,176	(527)	11,179

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

The Group reorganisation reserve relates to the effect on equity of the group reorganisation. See Note 22.

Retained earnings represent the cumulative profits of the Group attributable to equity shareholders.

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Company Statement of Financial Position

	Notes	2014 HKD'000	2013 HKD'000
Assets			
Non-Current Assets			
Investment in subsidiaries	14	30,046	-
Total Assets		30,046	-
Equity and liabilities			
Equity attributable to owners of the company			
Share capital	21	10,530	-
Merger relief reserve	22	19,516	-
Accumulated deficit		(7,992)	-
Total Equity		22,054	-
Current Liabilities			
Accrued liabilities and other payables	19	7,992	-
Total Liabilities		7,992	-
Total Equity and Liabilities		30,046	-

The financial statements were approved by the Board of directors and authorised for issue on 21 August 2014. They were signed on its behalf by:

Wenjie Zhou
Director

4 September 2014

Company Number: 08724168

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Company Statement of Cash Flows

Notes	2014 HKD'000	2013 HKD'000
Cash flows from operating activities		
Loss for the year before tax	(7,992)	-
Adjustments for:		
Increase in accrued liabilities and other payables	7,992	-
	<hr/>	<hr/>
Net cash from operating activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of the year	-	-
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	-	-
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2014

Company Statement of Changes in Equity

	Share Capital	Accumulated Deficit	Merger Relief Reserve	Total
	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2012	-	-	-	-
Total comprehensive income for the year	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 March 2013	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total comprehensive income for the year	-	(7,992)	-	(7,992)
Shares issued during the period	10,530	-	19,516	30,046
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As at 31 March 2014	10,530	(7,992)	19,516	22,054
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

Merger relief reserve arises from the 100% acquisition of the Masterpiece Group on 10 March 2014 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.

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

The notes on pages 27 to 54 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements

1. General information

Zibao Metals Recycling Holdings Plc is a company incorporated in England on 9 October 2013 under the Companies Act 2006 but domiciled in Hong Kong. It was listed on the AIM market on 20 June 2014. The address of the registered office is given at the start of the annual report. The Group's principal activity is that of trading scrap metals. Further details are set out in the Chairman's Statement on pages 3 to 5.

2. Basis of preparation and significant accounting policies

The consolidated financial statements of Zibao Metals Recycling Holdings Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

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.

Going concern

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of at least twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the Group to generate future sales and renew long term borrowings.

After making enquiries, the directors firmly believe that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

New and amended standards adopted by the Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2013 that would be expected to have a material impact on the Group.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

Standards, interpretations and amendments to published standards that are not yet effective.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2013 and have not been early adopted:

Reference	Title	Summary	Application date of standard	Application date of Group
Amendments to IFRS 2, IFRS 3	Amendments resulting from Annual Improvements 2010-12 Cycle	IFRS 2: clarifies definition of vesting conditions IFRS 3: clarifies contingent consideration in a business combination	1 July 2014	1 July 2014
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions	Clarifies that the treatment of contributions when they are independent of the number of years of service	Periods commencing on or after 1 July 2014	1 January 2015
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2015	1 January 2015
IAS 36	Impairment of assets	Limited scope amendments to disclosure requirements	Periods commencing on or after 1 January 2014	1 January 2014
IAS 39	Hedge accounting and novation of derivatives	Provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria	Periods commencing on or after 1 January 2014	1 January 2014
IFRS 21	Accounting for levies imposed by governments	Clarifies that the obligating event giving rise to a liability to pay a levy is the activity described in the relevant legislation that triggers payment of the levy	Periods commencing on or after 1 January 2014	1 January 2014
IFRS 10, IFRS 12, IAS 27	Exception from consolidation for "investment entities"	Amendments have been made to define an "investment entity" and to introduce an exception from consolidation and the required disclosures	Periods commencing on or after 1 January 2014	1 January 2014
IAS 32	Financial instruments: Presentation	Clarifies the requirements for offsetting of financial assets and financial liabilities	Periods commencing on or after 1 January 2014	1 January 2014
IFRS 14	Regulatory deferral accounts	Aims to enhance the comparability of financial reporting by entities subject to rate-regulations	Periods commencing on or after 1 January 2016	1 January 2016

Notes to the Consolidated Financial Statements (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

IFRS 15	Revenue from contracts with customers	Specifies how and when to recognise revenue from contracts as well as requiring more informative and relevant disclosures	Periods commencing on or after 1 January 2017	1 January 2017
IFRIC 21	Levies	Provides guidance on when to recognise a liability for government levies	Periods commencing on or after 1 January 2014	1 January 2014

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

The directors anticipate that the adoption of these standards and the interpretations in future periods will have no material impact on the financial statements of the Group.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee 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 Group.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the 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 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(b) Basis of consolidation (continued)

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 Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the 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 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.

Group reorganisation accounting

The Company acquired its 100% interest in Masterpiece Enterprises Limited ("MEL") in 2014 by way of a share for share exchange. This is a business combination involving entities under common control and the consolidated financial statements are issued in the name of the Group but they are a continuance of those of MEL. Therefore the assets and liabilities of MEL have been recognised and measured in these consolidated financial statements at their pre combination carrying values. The retained earnings and other equity balances recognised in these consolidated financial statements are the retained earnings and other equity balances of the Company and MEL. The equity structure appearing in these consolidated financial statements (the number and the type of equity instruments issued) reflect the equity structure of the Company including equity instruments issued by the Company to effect the consolidation. The difference between consideration given and net assets of MEL at the date of acquisition is included in a group reorganisation reserve.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(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 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) Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

(e) Inventories

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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(f) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(g) 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 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 on a trade date when, and only when, the Group becomes a party to the contractual provisions of an instrument. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except for those finance assets classified as at fair value through profit or loss ('FVTPL'), which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at FVTPL, 'held-to-maturity' investments, 'available for sale' (AFS) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

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 Group's statement of financial position when the Group becomes a party to a contractual provision of an instrument. Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(ii) Financial liabilities and equity (continued)

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of transaction costs.

The Group's financial liabilities include amounts due to a director, trade payables and accrued liabilities. These financial liabilities are classified as Fair Value through the Profit and Loss ("FVTPL") are stated at fair value with any gains or losses arising on re-measurement recognised in profit or loss. Other financial liabilities, including borrowings are initially measured at fair value, net of transaction costs.

Other financial liabilities, including borrowings, are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. 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.

(v) Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the balance sheet date approximated their fair values, due to the relatively short term nature of these financial instruments.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(h) Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recorded at fair value, net of transaction costs and subsequently carried for at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings which are due to be settled within twelve months after the balance sheet date are included in current borrowings in the balance sheet even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the balance sheet date and before the financial statements are authorised for issue.

(i) 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 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.

(j) 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 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.

Cost of conversion primarily consists of hiring charges of subcontractors incurred during the course of conversion.

(k) Borrowing costs

Borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(l) 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 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(l) Taxation (continued)

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 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 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.

(m) 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 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.

(n) Provisions and contingencies

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(n) Provisions and contingencies (continued)

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.

(o) Share Capital

Ordinary shares are classified as equity. Proceeds from issuance of ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against share capital.

(p) 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 Group's foreign operations are translated into the presentation currency of the 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.

The principal exchange rates during the year are set out in the table below:

Rate compared to HK\$	Average rate 2014	Average rate 2013	Year end rate 2014	Year end rate 2013
GBP	12.33	12.26	12.91	11.92
US Dollar	7.77	7.76	7.76	7.76
Euro	10.39	9.99	10.54	9.95

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

(q) Operating leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are treated as reduction of the lease obligation on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Where the 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.

(q) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the period in which employees of the 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 Group participates in the mandatory provident fund for its employees in Hong Kong. Contributions to the funds by the 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 Group to the fund. The Group's contributions to the fund are expensed as incurred and the 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 Group in an independently administered fund.
- (iii) Several employees of the Group have completed the required number of years of services to the 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 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.

(r) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

Notes to the Consolidated Financial Statements (continued)

3. Critical accounting estimates and judgements

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.

In the application of the 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.

(a) Inventory valuation

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 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.

(b) Impairment of receivables

The 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 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 Group were to deteriorate, resulting in an impairment of their ability to make payments, provision for impairment may be required.

(c) Income Taxes

The 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 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.

(d) Depreciation and amortisation

The 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 Group intends to derive future economic benefits from the use of the Group's property, plant and equipment and the leasehold land and land use rights.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

4. Segmental reporting

In the opinion of the directors, the Group has one class of business, being the trading of scrap materials. The Group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is China. All revenues and costs are derived from the single segment.

The Group has five principal customers: one of which accounted for 20-30 per cent. of turnover in both 2013 and 2014 while the other four customers accounted for 10-20 per cent. of turnover in 2013 and 2014.

5. Other revenue

	2014 HKD'000	2013 HKD'000
Sundry income	1	19
Exchange gain	659	502
Total other revenue	<u>660</u>	<u>521</u>

6. Personnel expenses and staff numbers (including directors)

	Group		Company	
	2014 Number	2013 Number	2014 Number	2013 Number
The average number of employees in the year were:				
- Management	3	3	-	-
- Accounts and administration	6	6	-	-
	<u>9</u>	<u>9</u>	<u>-</u>	<u>-</u>
	<u>HKD'000</u>	<u>HKD'000</u>	<u>HKD'000</u>	<u>HKD'000</u>
The aggregate payroll costs for these persons were:				
- Staff costs other than mandatory provident fund contributions	1,487	1,356	-	-
- Mandatory provident fund contributions for employees	50	47	-	-
Total personnel expense	<u>1,537</u>	<u>1,403</u>	<u>-</u>	<u>-</u>

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

7. Directors' remuneration

	2014 Salaries and fees HKD'000	2013 Salaries and fees HKD'000
Wenjie Zhou	240	240
	<u>240</u>	<u>240</u>

8. Finance costs

	2014 HKD'000	2013 HKD'000
Loan Interest	225	-
	<u>225</u>	<u>-</u>

The interest rate prevailing for the loan interest is 2%.

9. Expenses – analysis by nature

	2014 HKD'000	2013 HKD'000
Auditors' remuneration for audit services (company only HKD 201,500)	409	65
Auditors' remuneration for non-audit services		
- Corporate finance	646	-
Depreciation on property, plant and equipment	77	66
Rentals of premises under operating leases	371	371
Employee benefits (Note 6)	1,537	1,403
Management fees	1,440	1,440
Other expenses	50	500
	<u>4,530</u>	<u>3,845</u>
Other administrative expenses	4,530	3,845
Admission expenses	7,992	-
	<u>12,522</u>	<u>3,845</u>

Admission costs relate to the admission to Aim in June 2014.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

10. Taxation

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

	2014 HKD'000	2013 HKD'000
Profit before taxation	7,990	16,678
Current income tax expense- Macau	1,827	1,725
Current income tax expense- Hong Kong	352	303
Total income tax expense	2,179	2,028

The Company is incorporated in the UK but is treated as a Hong Kong resident for tax purposes.

Macau and Hong Kong tax has been provided at a rate of 12% and 16.5% respectively.
There was no unprovided deferred taxation in respect of the year (2013: HKD Nil).

The reconciliation of the tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	2014 HKD'000	2013 HKD'000
Accounting profit/(loss)	7,990	16,678
Tax at the domestic tax rate of 16.5% (2013: 16.5%)	1,318	2,752
Tax effect of non-deductible expenses	13	41
Losses carried forward	1,322	1
Effect of lower tax rates in Macau of 12% (2013: 12%)	(537)	(648)
Other adjustments	63	(118)
Income tax expenses	2,179	2,028

The tax payable of HKD 7,686,000 (2013: 5,492,000) disclosed in the Consolidated Statement of Financial Position consists of a liability for the current income tax expense and a provision that has been brought forward as at 1 April 2012 for tax payable in Macau.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

11. Profit per share

Profit per share data is based on the Group profit for the year and the weighted average number of shares in issue.

	2014	2013
	HKD'000	HKD'000
Profit for the year from:		
Continuing operations used in the calculation of basic and diluted earnings per share from continuing operations	5,811	14,650
Discontinued operations used in the calculation of basic and diluted earnings per share from discontinued operations	74	(536)
	<u> </u>	<u> </u>
Profit for the year attributable to owners of Company	<u>5,885</u>	<u>14,114</u>
Weighted average number of ordinary shares for the purposes of basic earnings per share(000's)	<u>81,000</u>	<u>81,000</u>
	2014	2013
	HKD	HKD
Basic and diluted earnings per share		
From continuing operations	0.072	0.181
From discontinued operations	0.001	(0.007)
	<u> </u>	<u> </u>
Total basic and diluted earnings per share	<u>0.073</u>	<u>0.174</u>

The weighted average number of ordinary shares for the year ended 31 March 2013 has been restated to reflect the total number of shares arising from the share for share exchange on acquisition and is considered to be in place from the earliest period.

12. Dividends

	2014	2013
	HKD'000	HKD'000
Dividends paid by Masterpiece Enterprises Limited:		
Interim (HKD0.12 per share: 2013 HKD 0.16 per share)	10,000	13,000
Final	-	-
	<u> </u>	<u> </u>
	<u>10,000</u>	<u>13,000</u>

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

13. Company's result for the year

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement account.

The result for the parent Company for the year was HKD 7,992,000 (2013: HKD Nil).

14. Fixed Asset Investments

Company	2014 HKD'000	2013 HKD'000
Cost		
Addition	30,046	-
At 31 March 2013 & 2014	<u>30,046</u>	<u>-</u>
Carrying amount		
At 31 March 2013 & 2014	<u>30,046</u>	<u>-</u>

As at 31 March 2014, the company directly and indirectly held the following subsidiaries:

Name of companies	Principal activities	Country of incorporation and place of business	Proportion (%) of equity interest 2014 and 2013
Masterpiece Enterprises Limited	Holding company	British Virgin Islands	% 100
Zibao Metals Company Limited	Trading of scrap materials and provision of management related services	Hong Kong	100
Top Able Enterprises Limited (Trading as Global Metals Limited)	Trading of scrap materials and provision of management related services	British Virgin Islands	100
Fine Luck Trading Limited	Trading of scrap materials	Hong Kong	100

Zibao Metals Company Limited, Top Able Enterprises Limited and Fine Luck Trading Limited are wholly owned subsidiaries of Masterpiece Enterprises Limited.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

15. Property, plant and equipment

<u>Group</u>	Leasehold improve- ment HKD'000	Furniture and fixtures HKD'000	Computer equipment HKD'000	Plant and machinery HKD'000	Total HKD'000
<u>Cost</u>					
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2013	141	267	560	-	968
Additions	-	-	4	-	4
Disposals/ written off	-	(3)	(6)	-	(9)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2014	141	264	558	-	963
<u>Accumulated depreciation</u>					
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)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2013	52	141	549	-	742
Charge for the year	28	44	6	-	78
Written back	-	(3)	(6)	-	(9)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2014	80	182	549	-	811
<u>Carrying amount</u>					
As at 31 March 2014	61	82	9	-	152
As at 31 March 2013	89	126	11	-	226
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Inventories

<u>Group</u>	2014 HKD'000	2013 HKD'000
Stock in Trade	16,191	21,830
	<hr/>	<hr/>
	16,191	21,830
	<hr/> <hr/>	<hr/> <hr/>

The amount of inventories recognised as an expense during the year is HK\$416,593 (2013: HK\$420,717).

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

17. Trade and other receivables

Group	2014 HKD'000	2013 HKD'000
Trade receivables	25,360	5,884
<u>Other receivables:</u>		
Deposits	6,571	6,125
Prepayments	49	27
Other receivables (non-trade)	-	1,097
	<u>6,620</u>	<u>7,249</u>

Trade receivables represent amounts receivable on the sale of scrap materials and are included at amortised cost. The average credit period taken is 30 days, there are no provisions for doubtful debts and five customers account for more than 5% of the total trade receivables. There are no debts past due at the year end based on credit term of 30 days.

18. Cash and cash equivalents

Group	2014 HKD'000	2013 HKD'000
Cash and bank balances	6,030	5,150
Cash and bank balances as presented in balance sheets	<u>6,030</u>	<u>5,150</u>
Add: Pledged fixed deposits	-	100
Cash and cash equivalents as presented in consolidated statement of cash flows	<u>6,030</u>	<u>5,250</u>

19. Trade and other payables

	Group		Company	
	2014 HKD'000	2013 HKD'000	2014 HKD'000	2013 HKD'000
Trade payables	6,098	14,732	-	-
<u>Other payables:</u>				
Accrued expenses	4,363	282	2,879	-
Other payables	15,027	4,039	-	-
Amount due to shareholders	10,000	-	-	-
Amounts due to subsidiaries	-	-	5,113	-
	<u>29,390</u>	<u>4,321</u>	<u>7,992</u>	<u>-</u>

Trade payables represent amounts due for the purchase of scrap materials and administrative expenses and are included at amortised cost. The average credit period taken is 10 days.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

The directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the Consolidated Financial Statements (continued)

20. Non-current liabilities

Group	2014 HKD'000	2013 HKD'000
Long term loan from shareholders	-	10,000
	<u> </u>	<u> </u>

The loan from shareholders was unsecured and was converted to equity on 31 January 2014 by the issue of 999 ordinary shares of US\$1 each in Masterpiece Enterprises Limited.

21. Share capital

Group	Class	Nominal Value	2014 HKD	2013 HKD
Allotted, issued and fully paid				
<u>Pre group reorganisation:</u>				
1	Ordinary	US\$1	-	1
			<u> </u>	<u> </u>
<u>Post group reorganisation:</u>				
81,000,000	Ordinary	£0.01	10,530,000	-
			<u> </u>	<u> </u>

On 9 October 2013, the date of Incorporation, the Company 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, the Company allotted 80,999,900 ordinary shares of 1p each in exchange for 1,000 ordinary shares of US\$1 of Masterpiece Enterprises Limited.

22. Other reserves

Group	2014 HKD'000	2013 HKD'000
Group reorganisation reserve	527	-
	<u> </u>	<u> </u>

The Group reorganisation reserve was a result of the group reorganisation of the old Masterpiece Enterprises Group. Masterpiece Enterprises Limited was formed before the acquisition by Zibao Metals Recycling Holdings Plc to hold the trading subsidiaries. The difference between the nominal value of the shares acquired of the trading subsidiaries and the value of the shares issued by Masterpiece Enterprises in exchange is taken as a reserve movement.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

22. Other reserves (continued)

Company	2014	2013
	HKD'000	HKD'000
Merger relief reserve	19,516	-

The merger relief reserve arises from the 100% acquisition of the Masterpiece Group on 10 March 2014 whereby the excess of the fair value of the issued ordinary share capital issued over the nominal value of these shares is transferred to this reserve in accordance with section 612 of the Companies Act 2006.

23. Related-party transactions

During the year, the Group entered into the following trading transactions with related parties that are not members of the Group:

	Sales of goods		Purchase of goods	
	2014	2013	2014	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Trading Metals Pty Limited	-	-	32,260	23,616
Nanhai Tai Ping Metal Products Limited	38,951	54,950	-	-

The following balances were outstanding at the end of the year:

	Amounts owed by related parties		Amounts owed to related parties	
	2014	2013	2014	2013
	HKD'000	HKD'000	HKD'000	HKD'000
Trading Metals Pty Limited	-	-	-	411
Nanhai Tai Ping Metal Products Limited	633	205	-	-
Wenjie Zhou	-	-	-	603

Zhou Yi is the director's father and owns 50% 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 Metal Products Limited. Nanhai Tai Ping Metal Products Limited is therefore a related party.

The amount due to Wenjie Zhou was unsecured, interest-free and had no fixed term of repayment. All the above transactions were done at arm's length.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

24. Operating lease commitments

The Group has commitments for leases with independent third parties in respect of rented premises and staff quarters. The leases have varying terms and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities are as follows:

	2014 HKD'000	2013 HKD'000
Within one year	294	405
Between two to five years	95	97
	<hr/> 389	<hr/> 502
	<hr/> <hr/>	<hr/> <hr/>

The lease on the rented premises will expire on 31 August 2015 and the staff quarters on 20 August 2014. The current rent payable on the leases ranges from HKD 14,000 to HKD 19,000 (2013: HKD 14,000 to HKD 16,000) per month.

25. Financial instruments

Financial risk management objectives and policies

The 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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The policies for managing these risks are summarised below.

It is the Group's policy not to trade in derivative contracts.

(a) Market risk

Foreign currency risk

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

(b) Cash flow and fair value interest rate risk

The Group currently does not have any interest bearing borrowings or financial instruments or any interest rate hedging policy. The director monitors the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise. Accordingly, no quantitative market risk disclosures or sensitivity analysis for interest rate risk have been prepared.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

25. Financial instruments (continued)

(c) Liquidity risk

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

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. Management monitors the Group's liquidity reserve, comprising cash and cash equivalents (Note 18) on the basis of expected cash flows.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

2014	On demand or not later than 1 year	Later than 1 year and not later than 5 years
	HKD'000	HKD'000
Trade and other payables	35,488	-
Borrowings	-	-
	<hr/>	<hr/>
	35,488	-
	<hr/>	<hr/>
	<hr/>	<hr/>
2013	On demand or not later than 1 year	Later than 1 year and not later than 5 years
	HKD'000	HKD'000
Trade and other payables	19,656	-
Borrowings	-	10,000
	<hr/>	<hr/>
	19,656	10,000
	<hr/>	<hr/>
	<hr/>	<hr/>

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

25. Financial instruments (continued)

(d) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The 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 Group has put in place policies to ensure that sales of products are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers. In this regard, the director of the Group considers that the Company's credit risk is significantly reduced.

The 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.

(e) Financial instruments by category

The following table sets out the financial instruments as at the statement of balance sheet date:

	2014	2013
	HKD'000	HKD'000
Financial assets:		
Loans and receivables:		
Trade receivables	25,360	5,884
Deposits and other receivables	6,571	7,222
Bank balances and cash		
- denominated in HKD	795	621
- denominated in USD	5,234	4,628
- denominated in CNY	1	1
	<u>37,961</u>	<u>18,356</u>
Financial liabilities:		
Financial liabilities measured at amortised cost:		
Trade payables	6,098	14,732
Accrued liabilities and other payables	29,390	4,321
Amounts due to a director	-	603
	<u>35,488</u>	<u>19,656</u>

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

25. Financial instruments (continued)

(f) Capital management risk

The Group's objectives when managing capital are to safeguard the 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 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 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 2013 and 2014.

The Group monitors capital using a gearing ratio, which is the 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 Group's gearing ratios are as follows:

	2014	2013
	HKD'000	HKD'000
Total liabilities	43,174	35,148
Less: Cash and bank balances	(6,030)	(5,250)
Net debt	<u>37,144</u>	<u>29,898</u>
Total equity	<u>11,179</u>	<u>5,291</u>
Total capital	<u><u>48,323</u></u>	<u><u>35,189</u></u>
Gearing ratio	<u><u>76.9%</u></u>	<u><u>85.0%</u></u>

26. Fair value of financial instruments

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 judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates. The Group does not currently have any derivative or other financial instruments measured at fair value through profit and loss and the carrying amounts of financial instruments in the balance sheet approximated their fair values.

27. Controlling Party Note

The Group is controlled by a director, Wenjie Zhou.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

28. Discontinued operations

During the year, the Group closed down some of its business operations as it discontinued a stock yard in Hong Kong.

The results of the discontinued operations, which have been included in the consolidated statement of income, were as follows:

	2014	2013
	HKD'000	HKD'000
Profit for the year from discontinued operations		
Revenue	503	14,197
Cost of sales	(400)	(13,467)
	<hr/>	<hr/>
Gross profit	103	730
Selling and distribution expenses	(14)	(793)
Administrative expenses	-	(522)
Other operating income	-	49
	<hr/>	<hr/>
Profit/ (loss) before tax	89	(536)
Attributable income tax expense	(15)	-
	<hr/>	<hr/>
Profit/ (loss) for the year from discontinued operations (attributable to owners of Masterpiece)	<u>74</u>	<u>(536)</u>
Cash flows from discontinued operations		
Cash flows from operating activities	89	(536)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
	<hr/>	<hr/>
	<u>89</u>	<u>(536)</u>

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2014

Notes to the Consolidated Financial Statements (continued)

29. Cash generated from operations

	2014 HKD'000	2013 HKD'000
Cash flows from operating activities before changes in working capital and provisions		
Continuing activities	7,990	16,678
Discontinued activities	89	(536)
	<hr/>	<hr/>
Profit before income tax	8,079	16,142
Adjustments for:		
Depreciation on property, plant and equipment	77	113
Interest income	-	-
Loss on disposal of property, plant and equipment	-	49
Written off for property, plant and equipment	-	83
(Increase) / decrease in inventories	5,640	8,271
Decrease/(Increase) in trade receivables	(19,475)	11,478
Decrease / (increase) in prepayments, deposits and other receivables	630	(4,330)
Increase in trade payables	(8,635)	3,990
Increase in accrued liabilities and other payables	25,071	4,018
(Decrease) / increase in amounts due to a director	(603)	(26,513)
	<hr/>	<hr/>
Cash used in operations	10,784	13,301
	<hr/> <hr/>	<hr/> <hr/>

30. Events subsequent to 31 March 2014

On 27 May 2014 the director, Wenjie Zhou, advanced HK 3,004,000 by way of an interest free unsecured loan. The principal amount of the loan is repayable on 31 December 2015.

On 16 June 2014, the Company 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 the Company 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.

On 20 June 2014 the Company issued 16,250,000 ordinary shares of £0.01 each for net proceeds of £1,300,000.