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**Zibao Metals Recycling Holdings Plc
Report and Accounts
for the year ended 31 March 2017**

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Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 Number	8724168
Company Secretary	International Registrars Limited 5-7 Cranwood Street London EC1V 9EE
Nominated Adviser and Broker	ZAI Corporate Finance Limited 15 - 17 Eldon Street London EC2M 7LD
Solicitors to the Company as to English law	Bracher Rawlins 77 Kingsway London WC2B 6SR
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

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Chairman's Statement

Results (Note: all figures are rounded)

Revenue increased by 63% from HKD497.0 million to HKD808.9 million mainly due to increased orders from existing customers and orders from new customers.

The cash position decreased from HKD5.3 million to HKD1.3 million principally due to the increased requirement for working capital to fund inventories to support the growth in sales.

The gross profit declined from HKD8.4 million to HKD8.1million, as a result of lower margins arising from the diversification of the customer base and the more competitive environment in which the Group currently operates. Despite this, profit after taxation increased from HKD0.6 million to HKD1.0 million.

Administrative expenses declined from HKD8.2 million to HKD7.2 million through various cost reduction measures such as directors fees and expenses.

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, as well as copper wiring, requiring the casing (insulation) being stripped before it can be refined. 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 year ended 31 March 2017 copper has accounted for 72% of the Group's sales (by value) with the balance coming from sales of aluminium.

The Group operates both in back-to-back sales trading and, following the acquisition of Zhengbao, in the holding and processing of stock, much of which is purchased locally.

Since acquiring the Zhengbao Yard in January 2016 the Group now holds stock at this site from which it makes direct sales. Such sales accounted for 88% of total Group sales for the year ended 31 March 2017 and it is the intention to further increase the percentage of sales from this side of the business, primarily by increasing the customer base. Direct sales have the added benefit of reducing the credit exposure required to support back-to-back sales.

The Group and indirectly its customers depend upon the integrity and reliability of the suppliers in terms of availability, quality and delivery of raw material. Particularly in respect of back-to-back sales 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Chairman's Statement (continued)

Suppliers

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

Source	Percentage of Sales			
	FY 2014	FY 2015	FY 2016	FY 2017
Asia (Including the PRC)	30%	60%	92%	90%
Australia	11%	17%	-	-
Europe	40%	16%	5%	4%
North America	19%	7%	2%	4%
Others	-%	-%	1%	2%

Goods shown as "sourced" from Asia are mainly supplied through the offices of international companies or importers based in Hong Kong which may in turn source 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 35% of purchases in any of the three years ended 31 March 2017.

As at 31 March 2017, the Group held HKD35.2 million of stock of which HKD27.8 million of inventory was held at the yard at Zhengbao with the remainder being accounted for by goods in transit.

Trading and Outlook

Due to the continued weakening of the PRC economy and the limited availability of credit, the trading environment has become more challenging than the Board anticipated. Competition remains intense; in an effort to meet these challenges Zibao has strengthened its competitive position by offering more services to its customers, such as stripping, sorting and cleaning of materials.

The Group continues to adopt a prudent approach to the provision of credit to protect the balance sheet and limit the risks inherent in the slowdown in the PRC economy which is likely to adversely affect the Group's customers.

The recovery of the PRC economy appears to be weak and to some extent uncertain; if this remains the position the outlook for the Group will continue to be challenging. To add to this, environmental factors relating to the importation of scrap metals may reduce volumes and increase the costs of importing scrap metal into the PRC.

Wenjie Zhou



Chairman
18 September 2017

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 49

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 the 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 41

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) from the Guangdong University of Technology.

Chor Wei Ong ("Alan Ong"), ACA, CPA, Executive finance director, aged 48

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, Nameson Holdings Limited, Denox Environmental & Technology Holdings Limited and O-Net Communications (Group) Limited, all of which are 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 Masters degree in Business Administration jointly awarded by the University of Wales and the University of Manchester.

Mr Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Chin Phang Kwok, non-executive director, aged 51

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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Directors and officers (continued)

Peter George Greenhalgh, Independent non-executive director, aged 77

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 48

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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Strategic Report

Review of the business

A review of the business of the Group, together with comments on future development is given in the Chairman's Statement.

Principal Risks and Uncertainties

The Directors continually monitor, identify and manage the risks and uncertainties affecting the Group. Risk is inherent in all businesses. Set out below are the major risk factors which could have an impact on the Group's long-term performance and the 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 reinstated by any of the countries from which the Group sources its supplies (either directly or indirectly), this could have a material adverse effect on the Group's business.

Insurance risk

The value of goods traded is high relative to the Group's profits. If a shipment is lost or delayed at sea the Group 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 adopted various financial capital risk management policies and procedures which are set out in Note 25 to the financial statements.

Key Performance Indicators

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

These are addressed in the Chairman's Statement.

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.

Wenjie Zhou



Director

18 September 2017

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 2017.

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.

Principal Activities

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

Results and dividend

The results for the year are set out in the Consolidated Statement of Comprehensive Income on page 17. 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
Jianfeng ("Eddy") Li
Chor Wei Ong ("Alan Ong")
Chin Phang Kwok
Peter George Greenhalgh
Ajay Kumar Rajpal

The interests of those directors serving at the year ended 31 March 2017, all of which are beneficial, in the share capital of the Company, were as follows:

	Shares of 0.1p each	%
Wenjie Zhou	58,000,000	47.5%
Sino Jump Global Inc (note 1)	10,000,000	8.2%
Add Profit Corporations (note 1)	10,000,000	8.2%

Note 1:

Wenjie Zhou owns 100% of the beneficial interest

Except as set out above, none of the Directors or their immediate families had at 31 March 2017, 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 remained 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

Year ended 31 March 2017

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 18 September 2017, 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	58,000,000	47.5%
Solid Profits International Limited	24,760,000	20.3%
Sino Jump Global Inc	10,000,000	8.2%
Add Profit Corporation	10,000,000	8.2%
Liu Jian Jang	9,300,000	7.6%

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 period afforded by each creditor.

Post Balance Sheet Events

Details of post-balance sheet events are disclosed in Note 31 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Directors report (continued)

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

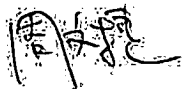
In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Jeffreys Henry LLP be re-appointed as auditors will be put to the Annual General Meeting.

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 7.

The Report of the Directors was approved by the Board on 18 September 2017 and signed on its behalf by:

Wenjie Zhou



Director
18 September 2017

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 2017, there were 3 meetings of the board. All directors were present at all meetings, either in person or by conference call. The Company's chairman attended all of the 3 meetings and in person in Hong Kong.

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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Corporate Governance Statement (continued)

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, 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 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 twice, and the Audit 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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.

On behalf of the board,

Wenjie Zhou
Chairman
18 September 2017



Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 2017, 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 25 to 53. 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 9, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2017 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;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Independent Auditors' Report (continued...)

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and is prepared in accordance to applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or Directors' Report.

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 Jeffreys Henry LLP, statutory auditor

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

18 September 2017

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2017
Consolidated Statement of Comprehensive Income

	Notes	2017 HKD'000	2016 HKD'000
Continuing operations			
Revenue	4	808,873	496,978
Cost of sales		(800,804)	(488,550)
Gross profit		8,069	8,428
Other revenue	5	368	751
Selling and distribution expenses		(115)	(346)
Administrative expenses	8	(7,213)	(8,247)
Profit before tax		1,109	586
Income tax (expense) / credit	9	(80)	23
Profit for the year		1,029	609
Profit and total comprehensive income for the year		1,029	609
Profit and total comprehensive income for the year attributable to the owners of the Parent		1,029	609
Earnings per share		2017 HKD	2016 HKD
Basic	10	0.008	0.005
Diluted		0.008	0.005

The notes on pages 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2017
Consolidated Statement of Financial Position

	Notes	2017 HKD'000	2016 HKD'000
Assets			
Non-Current Assets			
Property, plant and equipment	15	40,475	43,730
Intangible assets	14	1,557	1,658
		<u>42,032</u>	<u>45,388</u>
Current Assets			
Inventories	16	35,153	26,052
Trade receivables	17	1,685	2,663
Prepayments, deposits and other receivables	17	5,661	8,584
Tax recoverable			92
Cash and cash equivalents	18	1,288	5,289
		<u>43,787</u>	<u>42,680</u>
Total Assets		<u>85,819</u>	<u>88,068</u>
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	15,549	15,549
Share Premium		42,167	42,167
Share based payment reserve		662	662
Group reorganisation reserve	22	(527)	(527)
Foreign exchange reserve		(1,267)	135
Retained earnings		8,228	7,199
Total Equity		<u>64,812</u>	<u>65,185</u>
Non-current liabilities			
Deferred tax	20	157	177
		<u>157</u>	<u>177</u>
Current liabilities			
Trade payables	19	6,106	9,966
Accrued liabilities and other payables	19	5,074	3,624
Tax payable		9,670	9,116
Total Liabilities		<u>20,850</u>	<u>22,706</u>
Total Equity and Liabilities		<u>85,819</u>	<u>88,068</u>

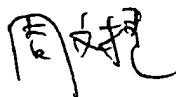
Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Consolidated Statement of Financial Position (continued)

The financial statements were approved by the Board of directors and authorised for issue on 18 September 2017. They were signed on its behalf by:

Wenjie Zhou
Director



18 September 2017

Company Number: 08724168

The notes on pages 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2017
Consolidated Statement of Cash Flows

	Notes	2017 HKD'000	2016 HKD'000
Cash flows from operating activities			
Net cash from operating activities	28	(5,387)	4,480
Taxation		474	(237)
Investing activities			
Addition of property, plant and equipment		(27)	(92)
Sales of property, plant and equipment		-	34
Net cash used in investing activities		(27)	(58)
Net increase / (decrease) in cash and cash equivalents		(4,940)	(4,185)
Cash and cash equivalents at beginning of the year		5,289	1,104
Decrease in foreign exchange reserve		939	-
Cash and cash equivalents at the end of the year		1,288	5,289
Represented by:			
Bank balances and cash		1,288	5,289
		1,288	5,289

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 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Retained Earnings	Share based payment reserve	Group Reorgan- isation Reserve	Foreign exchange reserve	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2015	15,549	42,167	6,590	589	(527)		64,368
Total comprehensive income for the year			609				609
Share option expense				73			73
Foreign exchange differences						135	135
As at 31 March 2016	15,549	42,167	7,199	662	(527)	135	65,185
Total comprehensive income for the year			1,029				1,029
Share option expense							
Group reorganisation reserve							
Foreign exchange differences						(1,402)	(1,402)
As at 31 March 2017	15,549	42,167	8,228	662	(527)	(1,267)	64,812

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.

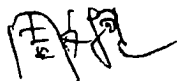
The notes on pages 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2017
Company Statement of Financial Position

	Notes	2017 HKD'000	2016 HKD'000
Assets			
Non-Current Assets			
Investment in subsidiaries	13	30,046	30,046
Current Assets			
Prepayments and other receivables	17	45,203	47,260
Total Assets		75,249	77,306
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	21	15,549	15,549
Share premium		42,167	42,167
Share based payment reserve		662	662
Merger relief reserve	22	19,516	19,516
Retained earnings		(2,885)	(966)
Total Equity		75,009	76,928
Current Liabilities			
Accrued liabilities and other payables	19	240	378
Total Liabilities		240	378
Total Equity and Liabilities		75,249	77,306

The financial statements were approved by the Board of directors and authorised for issue on 18 September 2017. They were signed on its behalf by:

Wenjie Zhou
Director



18 September 2017

Company Number: 08724168

The notes on pages 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Company Statement of Cash Flows

	Notes	2017 HKD'000	2016 HKD'000
Cash flows from operating activities			
Loss for the year before tax		(1,919)	(2,046)
Adjustments for:			
Share option charge			73
Charge for Warrants			
Decrease/ (Increase) in other receivables		2,057	6,949
(Decrease)/ increase in accrued liabilities and other payables		(138)	(4,976)
Net cash used in operating activities			
Cash flows from financing activities			
Dividends paid			
Dividends received			
Net proceeds from the issue of ordinary shares			
Net cash from financing activities			
Net increase / (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year			
Cash and cash equivalents at the end of the year			

The notes on pages 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2017
Company Statement of Changes in Equity

	Share Capital	Share Premium	Retained Earnings	Share Based Payment Reserve	Merger Relief Reserve	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
As at 31 March 2015	15,549	42,167	1,080	589	19,516	78,901
Total comprehensive income for the year			(2,046)			(2,046)
Share option expense				73		73
As at 31 March 2016	15,549	42,167	(966)	662	19,516	76,928
Total comprehensive income for the year			(1,919)			(1,919)
Share premium						
Group reorganisation reserve						
As at 31 March 2017	15,549	42,167	(2,885)	662	19,516	75,009

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 25 to 53 are an integral part of these consolidated financial statements.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 and 4.

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 2016 that would be expected to have a material impact on the Group.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 2016 and have not been early adopted:

Reference	Title	Summary	Application date of standard	Application date of Group
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2018	1 April 2018
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 2018	1 April 2018
IFRS 16	Lease	IFRS 16 <i>Leases</i> published	Periods commencing on or after 1 January 2019	1 April 2019
IFRS 17	Insurance Contracts	IFRS 17 Insurance Contracts	Periods commencing on or after 1 January 2021	1 April 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Interpretation that addresses foreign currency transactions or parts transactions	Periods commencing on or after 1 January 2018	1 April 2018

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.

(a) 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 Zibao.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

(a) Basis of consolidation (continued)

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.

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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

(a) Basis of consolidation (continued)

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.

(b) 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:

Land and building	40-50 years
Furniture, fixtures and equipment	20%-50%
Leasehold improvements	5%-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.

(c) Intangible assets

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the net assets acquired. In the event that the consideration is less than the fair value of net assets acquired, a gain on bargain purchase is recognised directly in the income statement. Goodwill is reviewed annually for impairment by reference to the recoverable amount of each cash generating unit. The recoverable amount is taken as the higher of the value in use or fair value less costs to sell. Any impairment is recognised immediately as an expense within the income statement and is considered irreversible.

(d) Investments in subsidiaries

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

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

(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.

(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 a 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.

(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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

(g) Financial instruments (continued)

(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.

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 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

(g) Financial instruments (continued)

(ii) Financial liabilities and equity (continued)

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 2017

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 statement of financial position 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 statement of financial position date are included in current borrowings in the statement of financial position 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 statement of financial position 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 2017

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 2017

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 2017	Average rate 2016	Year end rate 2017	Year end rate 2016
GBP	10.14	11.70	9.70	11.14
US Dollar	7.76	7.75	7.77	7.75
Euro	8.51	8.56	8.30	8.81

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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.

(r) 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.

(s) 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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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 2017

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.

5. Other revenue

	2017 HKD'000	2016 HKD'000
Sundry income	-	748
Exchange gains	367	-
Bank interest income	1	3
Total other revenue	368	751

6. Personnel expenses and staff numbers (excluding directors)

	Group		Company	
	2017 Number	2016 Number	2017 Number	2016 Number
The average number of employees in the year were:				
- Management	13	13	-	-
- Accounts and administration	9	15	-	-
- Production	191	80	-	-
	213	108	-	-
	HKD'000	HKD'000	HKD'000	HKD'000
The aggregate payroll costs for these persons were:				
- Staff costs other than mandatory provident fund contributions	2,420	2,642	-	-
- Mandatory provident fund contributions for employees	37	37	-	-
Total personnel expense	2,457	2,679	-	-

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

7. Directors' remuneration

	2017	2017	2017	2016
	Salaries and fees	Share based payment charge	Total	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Wenjie Zhou	360	—	360	480
Jianfeng Li	240	—	240	240
Chor Wei Ong	134	—	134	159
Chin Phang Kwok	134	—	134	159
Peter George Greenhalgh	134	—	134	150
Ajay Kumar Rajpal*	134	—	134	157
Total	1,136	—	1,136	1,345

* Mr Rajpal is paid through NAS Corporate Services Ltd, a company controlled by him.

8. Expenses – analysis by nature

	2017 HKD'000	2016 HKD'000
Auditors' remuneration for audit services (company only HKD 274,679 (2016: HKD 230,575))	485	450
Depreciation on property, plant and equipment	857	966
Rentals of premises under operating leases	217	278
Employee benefits (Note 6)	2,457	2,679
Other expenses	3,197	3,874
Total administrative expenses	7,213	8,247

Zibao Metals Recycling Holdings Plc
Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

9. Taxation

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

	2017 HKD'000	2016 HKD'000
Profit before taxation	1,109	586
Current income tax expense- Hong Kong	100	
Deferred tax credit	(20)	(23)
Total income tax expense / (credit)	80	(23)

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 (2016: HKD Nil).

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

	2017 HKD'000	2016 HKD'000
Accounting profit/(loss)	1,109	586
Tax at the domestic tax rate of 16.5% (2016: 16.5%)	183	97
Other adjustments	(83)	(97)
Income tax expense	100	

The tax payable of HKD 9,670,000 (2016: 9,116,000) disclosed in the Consolidated Statement of Financial Position includes 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 2017

Notes to the Consolidated Financial Statements (continued)

10. Profit per share

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

	2017 HKD'000	2016 HKD'000
Profit for the year from:		
Continuing operations used in the calculation of basic and diluted earnings per share from continuing operations	1,029	609
	<u>1,029</u>	<u>609</u>
Profit for the year attributable to owners of Company	<u>1,029</u>	<u>609</u>
Weighted average number of ordinary shares for the purposes of		
basic earnings per share(000's)	122,010	122,010
diluted earnings per share(000's)	125,453	125,453
	<u>122,010</u>	<u>125,453</u>
	2017 HKD	2016 HKD
Basic earnings per share	0.008	0.005
Diluted earnings per share	0.008	0.005
	<u>0.008</u>	<u>0.005</u>

11. Dividends

	2017 HKD'000	2016 HKD'000
Dividends paid		
Interim		
	<u></u>	<u></u>
	<u></u>	<u></u>

12. 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 loss for the Parent Company for the year was HKD 1,919,000 (2016: loss HKD 2,046,000).

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

13. Fixed asset investments

Company	2017 HKD'000	2016 HKD'000
Cost		
At 1 April	30,046	30,046
Addition		
At 31 March 2016 & 2017	<u>30,046</u>	<u>30,046</u>
Carrying amount		
At 31 March 2016 & 2017	<u>30,046</u>	<u>30,046</u>

As at 31 March 2017, the company directly and indirectly had the following subsidiaries:

Name of entity	Principal activities	Country of incorporation and place of business	Proportion (%) of equity interest 2017 and 2016
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
Zheng Bao*	Non-ferrous metal processing and stockholding yard	PRC	100

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

*Indirectly held

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

14. Fixed asset investments and intangible assets

Intangible assets

Group	Goodwill HKD'000	Customer Relationships HKD'000	Total HKD'000
Cost			
At 1 April 2016	764	1,008	1,772
Additions			
At 31 March 2017	<u>764</u>	<u>1,008</u>	<u>1,772</u>
Amortisation			
At 1 April 2016		(114)	(114)
Amortisation charge for the year		(101)	(101)
At 31 March 2017		<u>(215)</u>	<u>(215)</u>
Carrying amount			
At 31 March 2017	<u>764</u>	<u>793</u>	<u>1,557</u>
At 31 March 2016	<u>764</u>	<u>894</u>	<u>1,658</u>

There are no accumulated impairment losses.

Goodwill has arisen as a result of the purchase of Zheng Bao. Zheng Bao was acquired on 16 February 2015, whose principle activity is the operation of non-ferrous metal processing and stock-holding yard.

The goodwill intangible asset represents the excess consideration paid over and above the fair value of the net assets of Zheng Bao.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

15. Property, plant and equipment

<u>Group</u>	Land and Buildings	Leasehold improve- ment	Furniture and fixtures	Computer equipment	Plant and machinery	Total
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
<u>Cost</u>						
As at 31 March 2015	46,605	9,886	514	557	1,808	59,370
Acquisition of subsidiary	-	-	-	-	-	-
Additions	-	-	-	-	92	92
Disposals/ written off	-	-	(16)	(18)	-	(34)
As at 31 March 2016	46,605	9,886	498	539	1,900	59,428
Acquisition of subsidiary	-	-	-	27	-	27
Additions	-	-	-	-	-	-
Exchange translation difference	(1,864)	(391)	(10)	-	(76)	(2,341)
As at 31 March 2017	44,741	9,495	488	566	1,824	57,114
<u>Accumulated depreciation</u>						
As at 31 March 2015	5,466	5,768	452	552	1,684	13,922
Acquisition of subsidiary	-	-	-	-	-	-
Charge for the year	1,097	513	60	4	136	1,810
Written back	-	-	(16)	(18)	-	(34)
As at 31 March 2016	6,563	6,281	496	538	1,820	15,698
Acquisition of subsidiary	-	-	-	-	-	-
Charge for the year	1,053	450	1	5	24	1,533
Exchange translation difference	(263)	(246)	(10)	-	(73)	(592)
As at 31 March 2017	7,353	6,485	487	543	1,771	16,639
<u>Carrying amount</u>						
As at 31 March 2017	37,388	3,010	1	23	53	40,475
As at 31 March 2016	40,042	3,605	2	1	80	43,730

16. Inventories

Group	2017 HKD'000	2016 HKD'000
Stock in Trade	35,153	26,052
	<u>35,153</u>	<u>26,052</u>

The amount of inventories recognised as an expense during the year is HKD 810,206,000 (2016: HKD 496,858,000).

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

17. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	HKD'000	HKD'000	HKD'000	HKD'000
Trade receivables	1,685	2,663		
<u>Other receivables:</u>				
Deposits	2,301	2,121		
Prepayments	3,333	6,435	119	156
Other receivables (non-trade)	27	28		
Amounts due from subsidiaries			45,084	47,104
	5,661	8,584	45,203	47,260

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 2 customers account for 100% 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	2017	2016
	HKD'000	HKD'000
Cash and bank balances	1,288	5,289
Cash and bank balances as presented in balance sheets	1,288	5,289
Cash and cash equivalents as presented in consolidated statement of cash flows	1,288	5,289

19. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	HKD'000	HKD'000	HKD'000	HKD'000
Trade payables	6,106	9,966		
<u>Other payables:</u>				
Accrued expenses	1,256	1,058	240	378
Trade deposit received	3,818	2,566		
	5,074	3,624	240	378

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

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

20. Deferred tax liability

	2017 HKD	2016 HKD
At 1 April	177	200
Arising on acquisition of Zheng Bao	—	—
Deferred tax release	(20)	(23)
At 31 March	157	177

The deferred tax liability has arisen in respect of taxable timing differences in relation to the customer relationships intangible asset as mentioned in note 14.

21. Share capital Group

	Class	Nominal Value	2017 HKD	2016 HKD
Allotted, issued and fully paid				
122,010,000	Ordinary	£0.01	15,549,000	15,549,000

The ordinary shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

22. Other reserves

Group

	2017 HKD'000	2016 HKD'000
Group reorganisation reserve	527	527

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 2017

Notes to the Consolidated Financial Statements (continued)

22. Other reserves (continued)

Company

	2017 HKD'000	2016 HKD'000
Merger relief reserve	19,516	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	
	2017 HKD'000	2016 HKD'000	2017 HKD'000	2016 HKD'000
Wang Kei Yip Development Limited	31,541	32,658		

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

	Amounts owed by related parties		Amounts owed to related parties	
	2017 HKD'000	2016 HKD'000	2017 HKD'000	2016 HKD'000
Wang Kei Yip Development Limited		263	237	1,866

Ben Lee is the brother in law of the director, and is a director of Wang Kei Yip Development Limited. Wang Kei Yip Development Limited is therefore a related party. The transaction was at arms length.

The parent Company only statement of financial position includes amounts of HKD 45,084,000 (2016: HKD 47,104,000) due from Masterpiece Enterprises Limited. All entities are wholly owned subsidiaries and all balance are repayable on demand.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

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:

	2017 HKD'000	2016 HKD'000
Within one year	185	180
Between two to five years		
	<u>185</u>	<u>180</u>

The lease on the rented premises will expire on 31 January 2018. The current rent payable on the leases ranges from HKD 18,000 to HKD 18,500 (2016: HKD 19,000 to HKD 18,000) 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.

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)**25. Financial Instruments (continued)**

(c) Liquidity risks (continued)

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.

2017	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	11,180	-
Borrowings	-	-
	<u>11,180</u>	<u>-</u>

2016	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	13,590	-
Borrowings	-	-
	<u>13,590</u>	<u>-</u>

(d) Credit risk

(c) **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.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

25. Financial instruments (continued)

(d) Credit risk (continued)

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:

	2017 HKD'000	2016 HKD'000
Financial assets:		
Loans and receivables:		
Trade receivables	1,685	2,663
Deposits and other receivables	2,328	2,150
Bank balances and cash		
- denominated in HKD	387	482
- denominated in USD	719	4,659
- denominated in CNY	181	147
- denominated in JPY	1	1
	<u>5,301</u>	<u>10,102</u>
Financial liabilities:		
Financial liabilities measured at amortised cost:		
Trade payables	6,106	9,966
Accrued liabilities and other payables	5,074	3,624
	<u>11,180</u>	<u>13,590</u>

(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 2016 and 2017.

Zibao Metals Recycling Holdings Plc

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Notes to the Consolidated Financial Statements (continued)

25. Financial instruments (continued)

(f) Capital management risk (continued)

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:

	2017	2016
	HKD'000	HKD'000
Total liabilities	20,850	22,706
Less: Cash and bank balances	(1,288)	(5,289)
Net debt	<u>19,562</u>	<u>17,417</u>
Total equity	<u>64,812</u>	<u>65,185</u>
Total capital	<u>84,374</u>	<u>82,602</u>
Gearing ratio	<u>23.2%</u>	<u>21.1%</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 ultimate controlling party is Wenjie Zhou.

Zibao Metals Recycling Holdings Plc**Year ended 31 March 2017****Notes to the Consolidated Financial Statements (continued)****28. Cash generated from operations**

	2017 HKD'000	2016 HKD'000
Cash flows from operating activities before changes in working capital and provisions		
Profit before income tax	1,109	586
Adjustments for:		
Depreciation on property, plant and equipment	941	966
Amortisation	101	113
Share option payment	-	73
Foreign exchange difference	-	135
(Increase) / decrease in inventories	(9,101)	(8,819)
Decrease/(Increase) in trade receivables	978	12,111
Decrease / (increase) in prepayments, deposits and other receivables	3015	15,038
Increase in trade payables	(3,860)	(12,825)
Increase in accrued liabilities and other payables	1,430	106
(Decrease) / increase in amounts due to a director	-	(3,004)
Cash used in operations	(5,387)	4,480

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

29. Share options

On 16 June 2014 the Company granted options on 525,000 ordinary shares to certain directors. The options are exercisable at £0.08 per share after the first anniversary of Admission, provided that the director remains in office until then.

	Number of options	Exercise price	Weighted average remaining contractual life
At 31 March 2015	525,000	£0.08	5 years
Options issued in the period			
At 31 March 2016	525,000	£0.08	5 years
Options issued in the period			
At 31 March 2017	525,000	£0.08	5 years

The fair value of the share options issued in the current period is HKD 0.19 and was derived using the Black Scholes model. The following assumptions were used in the calculation:

Bid price discount	25%
Risk-free rate	1.5%
Volatility	60%
Expected life	3 years

Expected volatility is based on a conservative estimate for a newly listed entity. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A charge of HKD nil (2016: HKD 73,175) has been recognised for the share based payments during the year.

Zibao Metals Recycling Holdings Plc

Year ended 31 March 2017

Notes to the Consolidated Financial Statements (continued)

30. Warrants

On 16 June 2014, the Company granted to ZAI warrants to subscribe for 2,917,500 Ordinary shares at an issue price of £0.08 at any time in the period to 16 June 2019.

	Number of warrants	Exercise price	Weighted average remaining contractual life
At 31 March 2015	2,917,500	£0.08	5 years
Warrants issued in the period			
At 31 March 2016	2,917,500	£0.08	5 years
Warrants issued in the period			
At 31 March 2017	2,917,500	£0.08	5 years

The fair value of the warrants issued in the current period is HKD 0.19 and was derived using the Black Scholes model. The following assumptions were used in the calculations:

Bid price discount	25%
Risk-free rate	1.5%
Volatility	60%
Expected life	3 years

Expected volatility is based on a conservative estimate for a newly listed entity. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A charge of HKD nil (2016: HKD nil) has been recognised for the share based payments in the period as the warrants vested immediately in the prior year upon listing.

31. Events subsequent to 31 March 2017

There were no subsequent events.