

12 September 2016

Zibao Metals Recycling Holdings plc
("Zibao" or the "Company")

Trading Statement

Results

Revenue for the period ended 31st March 2016 increased by 23% from HKD 403.8 million to HKD497.0 million mainly due to increased sales through the Zhangbao stockyard acquired at the end of the previous year which in turn was offset by a material reduction in back to back trading. This refocusing of the business was undertaken in response to difficult market conditions. Notwithstanding the change in emphasis of the business, gross margins fell significantly from HKD17.6 million to HKD8.4 million and profit after taxation decreased from HKD7.7 million to HKD0.6 million

Business Model

Although China's rapid economic growth has slowed it still remains a major consumer of both aluminium and copper with these metals accounting for approximately 70% of the Group's turnover.

Prior to the acquisition of Zhengbao the Group imported "unprocessed" aluminium scrap (also known as "Zorba") and copper wiring. The Zorba which has already been shredded, requires sorting and cleaning before smelting, and the copper wiring, needs to be stripped from its casing before refining. These processes were typically undertaken by the Group's customers which then sold the metals on. The Zorbias and copper wiring were purchased on a back-to-back basis under which the group purchased material overseas against orders from buyers in the PRC. The risks to Zibao were largely the timing delays between shipping the goods and receiving payment from the buyer which also involved a credit risk.

As a consequence of the difficult trading conditions in the PRC, buyers had been increasingly applying pressure on Zibao to increase the credit terms from 30 days to 60 days. In the light of the increased credit risk resulting from the longer cycle and the impact on capital requirements, particularly with a relatively restricted customer base, the Directors considered it prudent to move to a more sustainable business model. As a result back-to-back sales trading has been significantly reduced and the business largely refocussed on stock holding, processing and direct sales from the Zhengbao Yard. This, together with a competitive pricing policy has helped the Group maintain market position at a time when competition is intense.

Sales from the Yard accounted for 89% of total Group sales for the year ended 31 March 2016. The balance between back to-back and direct sales going forward will be kept under review in the light of customer demand and market conditions.

Zibao is now sourcing material locally in China which has simplified the operation and reduced the credit cycle to 20 days. As stock is mainly sourced in the PRC the transit times have also been significantly reduced. Stock turnover is usually effected within one month with stock levels kept to a minimum to reduce commodity pricing risk. Overall this has had a beneficial impact on working capital.

The long-term relationship with the Group's overseas suppliers has been a significant factor in reducing risk in the business, and although now much reduced, may return to significance depending on future economic conditions affecting our markets. With regard to the Group's customers in China where credit referencing is unreliable the Group has significantly extended its customer base and cut credit. In general the Group does not grant credit except in the case of those customers with a good track record and acceptable financial standing. The Group continues to rely on its own local knowledge of its customer base and the metal recycling market in the PRC generally.

Suppliers

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

Source	<i>FY 2014</i>	<i>FY 2015</i>	<i>FY 2016</i>
Asia (Including the PRC)	30%	60%	92%
Australia	11%	17%	-
Europe	40%	16%	6%
North America	19%	7%	2%
Others	-%	-%	0%

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 them from other areas including the USA, Europe and Australia. The level of trade with individual suppliers varies significantly from year to year.

The increase in sales from Asia is largely the result of a higher proportion of the Group’s sales being made through the Zhengbao Yard which sources from the PRC.

As at 31 March 2016, the Group held approximately HKD26 million [2015: HKD 17.2 million] of stock of which approximately HKD23.5 million [2015: HKD15.8 million] of inventory was held at the yard at Zhengbao with the remainder being goods in transit arising from overseas purchases.

Customers

The Group now has over 50 customers. The largest of which accounts for approximately 13% of turnover while the top five largest customers account for 45% of turnover. The comparative position for the financial year ended March 2015 was 30% and 80% respectively. Most of the Company’s customers are based in Guangzhou province.

Trading and Outlook

The trading environment has become more difficult as a result of the PRC economy continuing to weaken with credit availability remaining tight.

The Group continues to adopt a prudent approach to the provision of credit to protect the balance sheet and limit the risks of the impact of any deterioration of the economy on its customer base but the outlook remains challenging and uncertain. The recent decline in the Chinese stock market and the depreciation of the RMB will make trading conditions more challenging not least, by increasing the local currency cost of imported scrap metals. The Chinese government is taking steps to address these issues by various methods including reducing interest rates and increasing investment spending; in the longer term, these measures are expected to have a positive impact on business environment in which the Company operates.

Wenjie Zhou

Chairman

12 September 2016

The above summary is an extract from the Company's draft annual accounts which are still subject to audit. The Company expects to issue the accounts on or before 30 September 2016. The auditors will issue their report on the accounts at the date of publication.

For further information please contact:

Zibao Metals Recycling Holdings PLC

Tel: +852 2769 7662

Wenjie "Joe" Zhou, Chairman

www.zibaometals.com

Jianfeng "Eddy" Li, Chief Executive Officer

Chor Wei "Alan" Ong, Finance Director

ZAI Corporate Finance Limited (Nominated Adviser and Broker)

Tel: +44 (0)20 7060 2220

Tim Cofman/ Peter Trevelyan-Clark/ Songdi Lin

www.zaicf.com