

30 September 2019  
Final Results

THE INFORMATION COMMUNICATED IN THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION EU NO. 596/2014 ("MAR").

## Zibao Metals Recycling Holdings Plc

("Zibao" or "the Company" or "the Group")

### Final Results for year ended 31 March 2019

The Directors of Zibao (AIM: ZBO.L) present the Group's audited final results for the year ended 31 March 2019.

The full Annual Report and Accounts will be despatched to shareholders today and will also be made available on the Company's website <http://www.zibaometals.com> and from the Company's Registered Office.

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### Chairman's Statement

**Results** (Note: all figures are rounded)

As the Board have been reporting for over a year, the Group has struggled to adapt to the change in legislative environment in China. Revenue decreased by 58% from HKD857.1 million to HKD363.2 million due to significant trading difficulties faced by the Group with a fall in the price of recycled metals and new laws in China reducing the import of scrap metals, reducing the Group's access to inputs

From a gross profit in 2018 of HKD9.3 million, the company has recorded a gross loss of HKD14.4 million in the current period. This is as a result of reduced sales volumes and margins caused by

increasingly difficult trading conditions. From an after-tax profit in 2018 of HKD1.8 million this has deteriorated to a loss of HKD64.8 million in the current period.

Administrative expenses increased from HKD7.3 million to HKD9.1 million due to HKD2 million legal & professional cost specifically legal advice on restructuring

The Group has recognised impairment of property, plant and equipment HKD19.8 million, restructuring provisions cost of HKD20 million and amounts written back on intangibles 1.3 million as a result of the significant reduction in sales and the lack of visibility of a return to normal trading volumes.

The cash position decreased from HKD12.3 million to HKD8.9 million due to the fall in revenue as discussed above.

No dividends are recommended paid in the year.

### **Trading and Outlook**

The new regulations have had a severe impact on the Group, resulting in a significant decrease in revenue. This has been compounded by the limited supply and higher cost of source material of the quality required. To minimise the impact of these factors and to mitigate against the trading losses, the Group has scaled back its operations at the Zhengbao facility. This has resulted in additional costs such as stock write-off, impairment of asset values and provisions for restructuring costs.

The Group has not been able to implement a trading strategy in response to the change in legislative environment, which is highlighted by the poor results in the current period. The future viability of the Group, in its current form, is under review, and an announcement will be made as and when appropriate.

**Wenjie Zhou**  
**Chairman**

## Consolidated Statement of Comprehensive Income for the year ended 31 March 2019

	Notes	2019 HKD'000	2018 HKD'000
<b>Continuing operations</b>			
Revenue from contracts with customers	4	363,228	857,145
Cost of sales		(377,678)	(847,884)
<b>Gross (loss)/profit</b>		<b>(14,450)</b>	<b>9,261</b>
Other revenue	5	23	11
Selling and distribution expenses		(133)	(139)
Administrative expenses	8	(9,071)	(7,338)
Other Operating expenses		(20,000)	-
Impairment losses		(21,134)	-
<b>(Loss)/profit before tax</b>		<b>(64,765)</b>	<b>1,795</b>
Income tax expense	9	(37)	(102)
<b>(Loss)/profit for the year</b>		<b>(64,802)</b>	<b>1,693</b>
<b>Other comprehensive income</b>			
Foreign exchange differences		(860)	-
<b>(Loss)/profit and total comprehensive income for the year</b>		<b>(65,662)</b>	<b>1,693</b>
(Loss)/profit and total comprehensive income for the year attributable to the owners of the Parent		(65,662)	1,693
<b>(Loss)/earnings per share</b>			
		<b>2019 HKD</b>	<b>2018 HKD</b>
Basic	10	(0.531)	0.014
Diluted		(0.531)	0.013

## Consolidated Statement of Financial Position as at 31 March 2019

	Notes	2019 HKD'000	2018 HKD'000
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	17,658	40,571
Intangible assets	12	-	1,457
		<hr/>	<hr/>
		17,658	42,028
<b>Current Assets</b>			
Inventories	14	3,055	25,792
Trade receivables	15	12,100	11,440
Prepayments, deposits and other receivables	15	7,261	10,066
Tax recoverable		-	2,367
Cash and cash equivalents	16	8,943	12,275
		<hr/>	<hr/>
		31,359	61,940
<b>Total Assets</b>			
		<hr/> <hr/>	<hr/> <hr/>
		49,017	103,968
<b>Equity and liabilities</b>			
Equity attributable to owners			
Share capital	19	15,549	15,549
Share Premium		42,167	42,167
Share based payment reserve		662	662
Group reorganisation reserve	20	(527)	(527)
Foreign exchange reserve		(1,770)	(910)
Accumulated (Loss)/Retained earnings		(54,881)	9,921
		<hr/>	<hr/>
<b>Total Equity</b>		1,200	66,862
<b>Non-current liabilities</b>			
Deferred tax	18	118	137
		<hr/>	<hr/>
<b>Total Non-current Liabilities</b>		118	137
<b>Current liabilities</b>			
Trade payables	17	12,958	18,295
Accrued liabilities and other payables	17	25,609	9,500
Tax payable		9,132	9,174
		<hr/>	<hr/>
Total Current Liabilities		47,699	36,969
		<hr/>	<hr/>
<b>Total Equity and Liabilities</b>		49,017	103,968
		<hr/> <hr/>	<hr/> <hr/>

## Consolidated Statement of Cash Flows

	Notes	2019 HKD'000	2018 HKD'000
<b>Cash flows from operating activities</b>			
Net cash from operating activities	26	(3,985)	13,092
Taxation		-	(776)
Net Cashflow from Operating activities		(3,985)	12,316
<b>Investing activities</b>			
Addition of property, plant and equipment		(12)	-
<b>Net cash used in investing activities</b>		<b>(12)</b>	<b>-</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		12,275	1,288
Decrease in foreign exchange reserve		665	(1,329)
<b>Cash and cash equivalents at the end of the year</b>		<b>8,943</b>	<b>12,275</b>
Represented by:			
Bank balances and cash		8,943	12,275
		8,943	12,275

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.

## Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Retained Earnings/ (Accumul ated Loss)	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 2017	15,549	42,167	8,228	662	(527)	(1,267)	64,812
Profit for the year	-	-	1,693	-	-	-	1,693
Foreign exchange differences	-	-	-	-	-	357	357
As at 31 March 2018	15,549	42,167	9,921	662	(527)	(910)	66,862
Loss for the year	-	-	(64,802)	-	-	-	(64,802)
Foreign exchange differences	-	-	-	-	-	(860)	(860)
As at 31 March 2019	15,549	42,167	(54,881)	662	(527)	(1,770)	1,200

## 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. The Group incurred a loss of HK 64,802,000 for the year ended 31 March 2019. Changes in China legislation has resulted in new regulations that have had a severe impact on the group. To reduce continuing losses, the group had decided to cut costs by scaling down its operations of the Zhengbao yard. The Group is planning on divesting away from scrap metals and undertaking a reverse takeover. This should introduce enough cash to the Group to fund its ongoing costs for a period of at least 12 months from the date of authorisation of these accounts.

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 2018 that would be expected to have a material impact on the Group. The new IFRS adopted during the year areas as follows:

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts with customers including amendments and clarifications.

### **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 2018 and have not been early adopted:

Reference	Title	Summary	Application date of standard	Application date of Group
IFRS 16	Lease	IFRS 16 <i>Leases</i> published	Periods commencing on or after 1 January 2020	1 April 2020
IFRIC 23	Uncertainty over Income Tax Treatments	Clarifies application of recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments.	Periods commencing on or after 1 January 2019	1 April 2019

IFRS 17	Insurance Contracts	Applies a model that combines a current balance sheet measurement of insurance contracts with recognition of profit over the period that services are provided.	Periods commencing on 1 April 2021 or after 1 January 2021
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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 31<sup>st</sup> 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.

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.

**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.

**(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 initially classified as measured at amortised cost, fair value through other comprehensive income, or fair value through profit and loss when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the contractual rights to the cash flows expire, or the Company no longer retains the significant

risks or rewards of ownership of the financial asset. Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

Financial assets are classified dependent on the Company's business model for managing the financial and the cash flow characteristics of the asset. Financial liabilities are classified and measured at amortised cost except for trading liabilities, or where designated at original recognition to achieve more relevant presentation. The Company classifies its financial assets and liabilities into the following categories:

#### Financial assets at amortised cost

The Company's financial assets at amortised cost comprise trade and other receivables. These represent debt instruments with fixed or determinable payments that represent principal or interest and where the intention is to hold to collect these contractual cash flows. They are initially recognised at fair value, included in current and non-current assets, depending on the nature of the transaction, and are subsequently measured at amortised cost using the effective interest method less any provision for impairment.

#### Impairment of trade and other receivables

In accordance with IFRS 9 an expected loss provisioning model is used to calculate an impairment provision. We have implemented the IFRS 9 simplified approach to measuring expected credit losses arising from trade and other receivables, being a lifetime expected credit loss. This is calculated based on an evaluation of our historic experience plus an adjustment based on our judgement of whether this historic experience is likely reflective of our view of the future at the balance sheet date. In the previous year the incurred loss model is used to calculate the impairment provision.

#### Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise loan liabilities, including convertible loan note liability elements, and trade and other payables. They are classified as current and non-current liabilities depending on the nature of the transaction, are subsequently measured at amortised cost using the effective interest method. All convertible loan notes are held at amortised cost and no election has been made to hold them as fair value through profit and loss.

#### Financial assets at fair value through profit and loss

Financial assets at fair value are recognized and measured at fair value using the most recent available market price with gains and losses recognized immediately in the profit and loss.

The fair value measurement of the Company's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1 – Quoted prices in active markets

Level 2 – Observable direct or indirect inputs other than Level 1 inputs

Level 3 – Inputs that are not based on observable market

### **(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 comprises the fair value of the consideration received or receivable in relation to the proceeds of the sale of scrap metals. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the group. Revenue is recognised when the metal produced is despatched and received by the customers. The directors consider this in line with when the performance obligation is satisfied and the contract is fulfilled. Standard payment terms are discussed in note 17.

The directors have elected to apply the 'modified retrospective' approach to transition permitted by IFRS 15 under which comparative financial information is not restated. Given the nature of the sales arrangements, with control passing to the customer upon transfer of physical possession, the Company principally satisfies its performance obligations at a point in time as opposed to over a period of time. Therefore, the accounting of revenue under IFRS 15 did not have a material effect on the financial statements as at 1 April 2018 and so no transition adjustment has been made. The Standard has not had a material impact on the accounting policy adopted in respect to revenue as previously disclosed in the 2018 financial statements.

The directors consider that revenue generation relates exclusively to scrap metal sales in China and so no further segmentation is required.

**(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.

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.

**(o) 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.

**(p) 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.

**(q) 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:

<b>Rate compared to HK\$</b>	<b>Average rate 2019</b>	<b>Average rate 2018</b>	<b>Year end rate 2019</b>	<b>Year end rate 2018</b>
GBP	10.29	10.61	10.24	11.01
US Dollar	7.84	7.82	7.85	7.84
Euro	9.08	9.35	8.82	9.67

**(r) 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.

**(s) 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.

**(t) 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.

### **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 outstanding's, 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.

**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**

	<b>2019</b>	<b>2018</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Sundry income	14	1
Exchange gains	-	-
Bank interest income	9	10
	<hr/>	<hr/>
Total other revenue	23	11
	<hr/> <hr/>	<hr/> <hr/>

**6. Personnel expenses and staff numbers (excluding directors)**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>Number</b>	<b>Number</b>	<b>Number</b>	<b>Number</b>
The average number of employees in the year were:				
- Management	8	13	-	-
- Accounts and administration	4	12	-	-
- Production	17	112	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	29	137	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>HKD'000</b>	<b>HKD'000</b>	<b>HKD'000</b>	<b>HKD'000</b>
The aggregate payroll costs for these persons were:				
- Staff costs other than mandatory provident fund contributions	1,835	2,392	-	-
- Mandatory provident fund contributions for employees	37	37	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel expense	1,872	2,429	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>



## 7. Directors' remuneration

	2019	2019	2019	2018
	Salaries and fees	Share based payment charge	Total	Total
	HKD'000	HKD'000	HKD'000	HKD'000
Wenjie Zhou	240	-	240	240
Jianfeng Li	240	-	240	240
Chor Wei Ong	132	-	132	116
Chin Phang Kwok	132	-	132	116
Peter George Greenhalgh	132	-	132	116
Ajay Kumar Rajpal*	132	-	132	116
Total	<u>1,008</u>	<u>-</u>	<u>1,008</u>	<u>944</u>

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

## 8. Expenses – analysis by nature

	2019 HKD'000	2018 HKD'000
Auditors' remuneration for audit services (company only HKD 211,392 (2018: HKD 164,900))	341	375
Depreciation on property, plant and equipment	858	893
Rentals of premises under operating leases	191	222
Employee benefits (Note 6)	1,872	2,429
Other expenses	5,809	3,419
Total administrative expenses	<u>9,071</u>	<u>7,338</u>

## 9. Taxation

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

	2019 HKD'000	2018 HKD'000
(Loss)/Profit before taxation	<u>(64,765)</u>	<u>1,795</u>
Current income tax expense- Hong Kong	56	122
Deferred tax credit	(19)	(20)
Total income tax expense / (credit)	<u>37</u>	<u>102</u>

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% (2018:12%) and 8.25% (2018 - 16.5%) respectively.

There was no unprovided deferred taxation in respect of the year (2018: HKD Nil).

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

	<b>2019</b> <b>HKD'000</b>	<b>2018</b> <b>HKD'000</b>
Accounting profit/(loss)	(64,765)	1,992
Tax at the domestic tax rate of 8.25% (2018: 16.5%)	(5,343)	299
Other adjustments	5,380	(197)
Income tax expense	37	102

The tax payable of HKD 9,132,634 (2018: 9,174,000) 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.

#### 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.

	<b>2019</b> <b>HKD'000</b>	<b>2018</b> <b>HKD'000</b>
<b>(Loss)/ Profit for the year from:</b>		
Continuing operations used in the calculation of basic and diluted earnings per share from continuing operations	(64,802)	1,693
(Loss)/Profit for the year attributable to owners of Company	(64,802)	1,693
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
	<b>2019</b> <b>HKD</b>	<b>2018</b> <b>HKD</b>
Basic earnings per share	(0.531)	0.014
Diluted earnings per share	(0.531)	0.013

The Detailed earnings per share is the same as the basic earnings per share as the loss for the current period has an antidilutive effect.

#### 11. Fixed asset investments

<b>Company</b>	<b>2019 HKD'000</b>	<b>2018 HKD'000</b>
<b>Cost</b>		
At 1 April	30,046	30,046
Addition	-	-
At 31 March	<u>30,046</u>	<u>30,046</u>
<b>Impairment</b>		
At 1 April	-	-
Addition	28,817	-
At 31 March	<u>28,817</u>	<u>-</u>
<b>Carrying amount</b>		
At 31 March	<u>1,229</u>	<u>30,046</u>

As at 31 March 2019, the company directly and indirectly had the following subsidiaries:

<b>Name of entity</b>	<b>Principal activities</b>	<b>Country of incorporation and place of business</b>	<b>Proportion (%) of equity interest 2018 and 2019</b>
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

## 12. Intangible assets

<b>Group</b>	<b>Goodwill HKD'000</b>	<b>Customer Relationships HKD'000</b>	<b>Total HKD'000</b>
<b>Cost</b>			
At 1 April 2018	764	1,008	1,772
Additions	-	-	-
At 31 March 2019	764	1,008	1,772
<b>Amortisation and impairment</b>			
At 1 April 2018	-	(315)	(315)
Amortisation charge for the year	-	(101)	(101)
Impairment	(764)	(592)	(1,356)
At 31 March 2019	(764)	(1,008)	(1,772)
<b>Carrying amount</b>			
At 31 March 2019	-	-	-
At 31 March 2018	764	693	1,457

There is an accumulated impairment loss of HKD 1,356,000.

Goodwill has arisen as a result of the purchase of Zheng Bao. Zheng Bao was acquired on 16 February 2015, whose principal 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.

## 13. Property, plant and equipment

<b>Group</b>	<b>Land and buildings</b>	<b>Leasehold improve- ment</b>	<b>Furniture and fixtures</b>	<b>Computer equipment</b>	<b>Plant and machinery</b>	<b>Total</b>
	<b>HKD'000</b>	<b>HKD'000</b>	<b>HKD'000</b>	<b>HKD'000</b>	<b>HKD'000</b>	<b>HKD'000</b>
<b>Cost</b>						
As at 31 March 2017	44,741	9,495	488	566	1,824	57,114
Exchange translation difference	1,864	391	10	-	76	2,341
As at 31 March 2018	46,605	9,886	498	566	1,900	59,455
Additions	-	-	-	12	-	12
Exchange translation difference	(1,864)	(391)	(10)	-	(76)	(2,341)
Disposals/written off	-	-	(23)	(534)	-	(557)
As at 31 March 2019	44,741	9,495	465	44	1,824	56,569
<b>Accumulated depreciation</b>						
As at 31 March 2017	7,353	6,485	487	543	1,771	16,639
Charge for the year	1,097	465	1	8	19	1,590

Exchange translation difference	306	265	10	-	74	655
As at 31 March 2018	8,756	7,215	498	551	1,864	18,884
Change for the year	1,053	445		9	18	1,525
Exchange translation difference	(350)	(284)	(10)	-	(75)	(719)
Disposals/Written off/Impairment	17,641	2,119	(23)	(533)	17	19,221
As at 31 March 2019	27,100	9,495	465	27	1,824	38,911
<u>Carrying amount</u>						
As at 31 March 2019	17,641	-	-	17	-	17,658
As at 31 March 2018	37,849	2,671	-	15	36	40,571

#### 14. Inventories Group

	2019 HKD'000	2018 HKD'000
Stock in trade	3,055	25,792
	<u>3,055</u>	<u>25,792</u>

The amount of inventories recognised as an expense during the year is HKD 377,677,878 (2018: HKD 847,884,000).

#### 15. Trade and other receivables

	Group		Company	
	2019 HKD'000	2018 HKD'000	2019 HKD'000	2018 HKD'000
Trade receivables	12,100	11,440	-	-
<u>Other receivables:</u>				
Deposits	3,859	6,599	-	-
Prepayments	57	105	45	82
Other receivables (non-trade)	3,345	3,362	-	-
Amounts due from subsidiaries	-	-	-	42,873
	<u>7,261</u>	<u>10,066</u>	<u>45</u>	<u>42,955</u>

Trade receivables represent amounts receivable on the sale of scrap materials and are included at amortised cost. The average credit period taken is 30 days, there are no provisions for doubtful debts and 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 with the exception of a balance of HKD 1,122,000 which is expected to be fully recoverable.

#### 16. Cash and cash equivalents

Group	2019 HKD'000	2018 HKD'000
Cash and bank balances	8,943	12,275

Cash and bank balances as presented in balance sheets	8,943	12,275
Cash and cash equivalents as presented in consolidated statement of cash flows	8,943	12,275

#### 17. Trade and other payables

	Group		Company	
	2019 HKD'000	2018 HKD'000	2019 HKD'000	2018 HKD'000
Trade payables	12,958	18,295	-	-
<u>Other payables:</u>				
Accrued expenses	487	679	240	240
Other payables	20,178	193	-	-
Trade deposit received	4,944	8,628	-	-
	25,609	9,500	240	240

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. Included within other payables is HKD 20,000,000 relating to restructuring costs.

#### 18. Deferred tax liability

	2019 HKD'000	2018 HKD'000
At 1 April	137	157
Arising on acquisition of Zheng Bao	-	-
Deferred tax release	(19)	(20)
At 31 March	118	137

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.

#### 19. Share capital

Group & Company		2019 HKD	2018 HKD
Class	Nominal Value		
<b>Allotted, issued and fully paid</b>			
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.

#### 20. Other reserves

**Group**

	<b>2019</b> <b>HKD'000</b>	<b>2018</b> <b>HKD'000</b>
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.

**20. Other reserves (continued)****Company**

	<b>2019</b> <b>HKD'000</b>	<b>2018</b> <b>HKD'000</b>
Merger relief reserve	-	19,516

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

**21. Related-party transactions**

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

	<b>Sales of goods</b>		<b>Purchase of goods</b>	
	<b>2019</b> <b>HKD'000</b>	<b>2018</b> <b>HKD'000</b>	<b>2019</b> <b>HKD'000</b>	<b>2018</b> <b>HKD'000</b>
Wang Kei Yip Development Limited	-	11,288	-	-

There were no amounts outstanding as at the year end.

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 nil (2018: HKD 42,873,000) due from Masterpiece Enterprises Limited. Provision of HKD 25,888,916 is included against this balance in the current period. All entities are wholly owned subsidiaries and all balance are repayable on demand.

**22. 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:

	2019 HKD'000	2018 HKD'000
Within one year	96	-
Between two to five years	72	-
	168	-
	168	-

The lease on the rented premises will expire on 31 December 2020. The current rent payable on the leases ranges from HKD 18,500 to HKD 8,000 (2018: HKD 18,500 ) per month.

### 23. 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.

#### (c) Liquidity risks

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.

<b>2019</b>	<b>On demand or not later than 1 year HKD'000</b>	<b>Later than 1 year and not later than 5 years HKD'000</b>
Trade and other payables	38,567	-
Borrowings	-	-
	38,567	-
	38,567	-
<b>2018</b>	<b>On demand or not later than 1 year HKD'000</b>	<b>Later than 1 year and not later than 5 years HKD'000</b>
Trade and other payables	27,795	-
Borrowings	-	-
	27,795	-
	27,795	-

**(d) Credit risk**

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

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

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

**(e) Financial instruments by category**

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

	<b>2019 HKD'000</b>	<b>2018 HKD'000</b>
Financial assets:		
Loans and receivables:		
Trade receivables	12,100	11,440
Deposits and other receivables	7,204	9,961

Bank balances and cash		
- denominated in HKD	1,011	383
- denominated in USD	2,112	11,295
- denominated in CNY	5,810	596
- denominated in JPY	5	1
- denominated in GBP	5	-
	28,247	33,676
	28,247	33,676
Financial liabilities:		
Financial liabilities measured at amortised cost:		
Trade payables	12,958	18,295
Accrued liabilities and other payables	25,609	9,500
	38,567	27,795
	38,567	27,795

**(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 2018 and 2019.

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:

	<b>2019</b>	<b>2018</b>
	<b>HKD'000</b>	<b>HKD'000</b>
Total liabilities	47,669	36,969
Less: Cash and bank balances	(8,943)	(12,275)
	38,726	24,694
Net debt	38,726	24,694
Total equity	1,200	66,862
	39,926	91,556
Total capital	39,926	91,556
	97%	27%
Gearing ratio	97%	27%

**24. 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.

## 25. Controlling Party

The ultimate controlling party is Wenjie Zhou.

## 26. Cash generated from operations

	2019 HKD'000	2018 HKD'000
<b>Cash flows from operating activities before changes in working capital and provisions</b>		
(Loss)/Profit before income tax	(64,765)	1,795
Adjustments for:		
Depreciation on property, plant and equipment	1,525	1,590
Amortisation	101	100
Provision for obsolete inventories	15,722	-
Impairment of property, plant and equipment	19,778	-
Impairment of goodwill	1,355	-
(Increase) / decrease in inventories	7,016	9,361
Decrease/(Increase) in trade receivables	(660)	(9,755)
Decrease / (increase) in prepayments, deposits and other receivables	4,789	(4,405)
(Decrease) / Increase in trade payables	(5,338)	12,190
Increase in accrued liabilities and other payables	16,492	2,216
	<hr/>	<hr/>
<b>Cash used in operations</b>	<b>(3,985)</b>	<b>13,092</b>
	<hr/> <hr/>	<hr/> <hr/>

## 27. 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 2017	525,000	£0.08	5 years
Options issued in the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2018	525,000	£0.08	5 years
Options issued in the period	-	-	-
	<hr/>	<hr/>	<hr/>
At 31 March 2019	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 (2018: HKD nil) has been recognised for the share-based payments during the year.

## 28. 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 2017	2,917,500	£0.08	5 years
Warrants issued in the period	-	-	-
At 31 March 2018	2,917,500	£0.08	5 years
Warrants issued in the period	-	-	-
At 31 March 2019	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 (2018: HKD nil) has been recognised for the share-based payments in the period as the warrants vested immediately in the prior year upon listing.

**29. Events subsequent to 31 March 2019**

There were no subsequent events.

~ END ~