

20 June 2014

FIRST DAY OF DEALINGS ON AIM FOR RECYCLABLE METALS GROUP ZIBAO

Hong Kong based, recyclable metal trader Zibao Metals Recycling Holdings (TDIM: ZBO), announces the admission today of its ordinary shares to trading on the AIM Market of the London Stock Exchange. The £1.3 million raised through the float will be used to support working capital, facilitate potential acquisitions and secure a stronger source of supply and an enhanced margin. The Group's Nominated Advisor and Joint Broker is ZAI Corporate Finance Ltd.

Admission and Placing statistics

Placing Price	£0.08
Number of Ordinary Shares in issue immediately following Admission	97,250,000
Market Capitalisation at the Placing Price on Admission	£7.78 million
Gross Proceeds of the Placing receivable by the Group	£1.3 million

Joe Zhou, Zibao Chairman commented: 'In the three years to March 2013 our turnover has more than trebled and our profits quadrupled. With the growth potential for our business proven, we see our listing on AIM as a springboard to raise our profile overseas providing greater access to European suppliers and speed our growth plans. The money raised will enable us to expand our overseas supplier network, principally through the acquisition or establishment of recycling yards, and also help us to pursue possible acquisitions with China.'

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About Zibao Metals Recycling Holdings PLC

Established in its current form in 2009, and incorporated as a UK registered company in 2013, Zibao is a trader in non-ferrous metals – principally aluminium and copper. It imports these from a variety of international sources and resells them into the People’s Republic of China to operators who process them into a ‘clean’ form for sale to foundries.

In the three years to March 2013 sales have increased more than threefold to HK\$436m (HK\$135.9m, 2011) and profits more than four times to HK\$14.7m (HK\$3.2m, 2011).

The Company was formed by Wenjie ‘Joe’ Zhou, whose family has had interests in recyclable metals for nearly twenty years. During this period he has established good relationships with a range of overseas suppliers and developed an in-depth knowledge of the PRC rules and regulations for the metals recycling industry.

The Group has all of the necessary import certification essential to bring its materials into China.

Metals recycling is a multi-million pounds global industry and China is the world’s leading importer of copper and aluminium and needs recycling to supplement its growing demand. Zibao’s success is being fuelled by a number of factors:

1. Significant and established relationships with overseas suppliers through long standing family presence in the sector.
2. A growing demand for copper and aluminium in the PRC
3. Price of metals
4. China’s growing concern with environmental matters – recycled metal has a significantly smaller carbon footprint than metal produced by primary processes -95% in the case of aluminium.

History of the Group

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

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

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

Until November 2012, the Group also operated a stock yard in Hong Kong holding scrap metal for resale.

However, the operation was closed in November 2012 because of high operational costs and the Group no longer takes positions in the metal in which it deals.

Business Model

In the three years ended 31 March 2013, copper has accounted for between 46 per cent. and 71 per cent of Zibao's sales with the balance coming from aluminium. The Group trades on a back-to-back basis matching individual purchases and sales. It does not seek to hold open positions in the metals that it trades. Typically it will seek to apply a 5 per cent. mark-up on its trades taking account of transportation and insurance cost.

The Group purchases goods from suppliers, who are commonly, scrap merchants or metal trading groups, on the basis of weight and metal content. The majority of goods are shipped by containers direct to the destination in the PRC. On delivery of goods into the PRC port, a CCIC certificate is issued to release the shipment from customs. The CCIC certificate documents comply with Chinese import regulations but do not specify the detailed quantity or quality of the shipment. Accordingly payment to suppliers is normally made for the goods, sight unseen and before delivery to the customer's yard, usually with a deposit paid on shipping and with the balance payable as the goods near the port of delivery.

The Group bills its own customers when it receives the bill of lading, after final payment to the supplier. It extends 30 days credit to its own customers. Thus typically on a US\$50,000 purchase, the Group may require finance for a deposit of US\$15,000 for the period of shipping – say 30 days - and then an additional US\$35,000 for a further 30 days until payment is received from the customer. Since July 2013 the Group has, on occasion, started to request deposits from its own customers. These deposits are payable on billing and would have the effect of reducing the net credit extended in the example above to approximately US\$35,000.

More than 90 per cent. of the Group's purchases and sales are conducted in US\$ and therefore exposure to currency risk on individual trades is minimal. Because the Group and its customers are dependent upon the integrity and reliability of the suppliers in terms of quality and delivery, strong relationships are essential to the development of the business. These extend both up and down the supply chain. This is especially the case in China where credit referencing is unreliable and the Group is dependent upon its relationships with its customers and its local knowledge of those customers and of the metal recycling market in the PRC.

Market Opportunity

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

Aluminium production is estimated to account for 1 per cent. of the world's greenhouse gases but recycled scrap takes only 5 per cent. of the energy to produce and releases only 5 per cent. of greenhouse gases compared with an equivalent weight of aluminium from primary production. The

global aluminium recycling industry is believed to have quadrupled since 1980 and 75 per cent. of all aluminium ever produced is estimated still to be in use.

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

The world's refined copper consumption in 2012 is estimated to have been 20.5mt. In 2011, China's production of refined copper is estimated to have been 5.8mt of which 35 per cent. was believed to have been from recycled metal. This is in line with the country's 11th five-year plan, 2006-2010, which encouraged.

An increase in recycled metal usage to 35 per cent. and which saw the removal of certain import restrictions and a reduction in import duties on copper.

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

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