TATA STEEL INTERNATIONAL (ASIA) LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2018

TATA STEEL INTERNATIONAL (ASIA) LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited consolidated financial statements of Tata Steel International (Asia) Limited (the "Company") and its subsidiary (collectively the "Group") for the year ended 31 March 2018.

Principal activity

The principal activity of the Company is to provide sales, purchasing and marketing services for iron and steel products. The activities of its subsidiary is set out in note 21 to the consolidated financial statements.

The management of the Company intended to liquidate the remaining assets of the Company subsequent to the end of the reporting period, subject to approval from the Company's shareholders. Accordingly, the consolidated financial statements have been prepared on a break-up basis of accounting.

Results and appropriations

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 7.

Particulars of dividend paid during the year are set out in the note 11 to the consolidated financial statements.

Business review

In accordance with section 388(3) of the Hong Kong Companies Ordinance, the Company is itself a wholly owned subsidiary of another body corporate in the financial year and therefore exempt from preparing business review in the directors' report as required by Schedule 5 of the Hong Kong Companies Ordinance.

Directors

The directors during the year and up to the date of this report were:

Alan Roy Bridger	(resigned on 2 November 2017)
Sarah Lai Chun Law	
Arnoldus Joannes Theodorus Antonius Bolten	
Philip Leslie Hancox	(appointed on 2 November 2017)

There being no provision in the Company's Articles of Association for retirement by rotation, all directors continue in office.

Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, its subsidiary, its fellow subsidiaries or its holding companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' rights to acquire shares or debentures

At 31 March 2018, none of the directors nor their associates had an interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

Permitted indemnity provisions

The Company’s ultimate holding company has taken out and maintained directors’ liability insurance throughout the year, which covers the directors of the Company.

Auditor

During the year, Messrs. Deloitte Touche Tohmatsu resigned as auditor of the Company and PricewaterhouseCoopers were appointed as the auditor of the Company to fill the causal vacancy.

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible offer themselves for re-appointment.

On behalf of the Board

Arnoldus Joannes Theodorus Antonius Bolten
Director

Hong Kong,

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TATA STEEL INTERNATIONAL (ASIA) LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The consolidated financial statements of Tata Steel International (Asia) Limited (the "Company") and its subsidiary (the "Group") set out on pages 7 to 29, which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Emphasis of matter

We draw attention to note 2 to these financial statements, which refers to the intention of the management of the Company to liquidate the remaining assets of the Company subsequent to the end of the reporting period, subject to approval from the Company's shareholders. The consolidated financial statements have therefore been prepared on a break-up basis of accounting. Our opinion is not qualified in respect of this matter.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis for Opinion (Continued)

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Report of the Directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TATA STEEL INTERNATIONAL (ASIA) LIMITED (CONTINUED)
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TATA STEEL INTERNATIONAL (ASIA) LIMITED
(CONTINUED)
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong,

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 HK$	2017 HK$
Revenue	5	141,808,791	19,618,725
Cost of sales		(132,077,887)	(8,759,096)
Gross profit		9,730,904	10,859,629
Other income	6	23,893,475	10,454,011
Other gains/(losses)	7	8,300,284	(2,419,034)
Selling and marketing expenses		(5,535,427)	(5,149,672)
Administrative expenses		(9,007,016)	(13,646,325)
Profit before taxation	8	27,382,220	98,609
Taxation	9	(163,266)	438,105
Profit for the year		27,218,954	536,714
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		593,081	(582,033)
Total comprehensive income for the year		27,812,035	(45,319)

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2018

	Notes	2018 HK$	2017 HK$
Non-current assets			
Property, plant and equipment	10	-	408,962
Deferred tax assets	12	-	190,298
		-	599,260
Current assets			
Property, plant and equipment	10	64,098	-
Inventories	13	87,705	79,265
Trade and other receivables	14	433,898	5,511,773
Loan to an intermediate holding company	15	117,204,472	194,309,943
Amounts due from fellow subsidiaries	15	357,305	2,382,735
Amount due from an intermediate holding company	15	215,527,507	456,256,601
Tax recoverable		25,349	-
Short-term bank deposits with original maturity of more than three months	16	26,617,321	64,454,145
Cash and cash equivalents	16	283,083,433	30,904,790
		643,401,088	753,899,252
Current liabilities			
Other payables and accruals		11,361,128	27,821,857
Amounts due to fellow subsidiaries	15	93,146,289	35,916,625
Tax payable		-	71,694
Dividend payable		-	38,852,500
		104,507,417	102,662,676
Net current assets		538,893,671	651,236,576
Net assets		538,893,671	651,835,836
Capital and reserves			
Share capital	17	1,000	1,000
Translation reserve		1,072,032	478,951
Retained profits		537,820,639	651,355,885
Total equity		538,893,671	651,835,836

The consolidated financial statements on pages 7 to 29 were approved by the Board of Directors on and were signed on its behalf by:

……………………………… ………………………………

Arnoldus Joannes Theodorus Antonius Bolten
Director

Sarah Lai Chun Law
Director

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Share capital HK$	Translation reserve HK$	Retained profits HK$	Total HK$
Balance at 1 April 2016	1,000	1,060,984	689,671,671	690,733,655
Comprehensive income				
Profit for the year	-	-	536,714	536,714
Other comprehensive income for the year				
Exchange differences arising on translation of foreign operations	-	(582,033)	-	(582,033)
Total comprehensive income	-	(582,033)	536,714	(45,319)
Transactions with owners in their capacity as owners				
Dividend paid (Note 11)	-	-	(38,852,500)	(38,852,500)
Balance at 31 March 2017	1,000	478,951	651,355,885	651,835,836
Balance at 1 April 2017	1,000	478,951	651,355,885	651,835,836
Comprehensive income				
Profit for the year	-	-	27,218,954	27,218,954
Other comprehensive income for the year				
Exchange differences arising on translation of foreign operations	-	593,081	-	593,081
Total comprehensive income	-	593,081	27,218,954	27,812,035
Transactions with owners in their capacity as owners				
Dividend paid (Note 11)	-	-	(140,754,200)	(140,754,200)
Balance at 31 March 2018	1,000	1,072,032	537,820,639	538,893,671

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	2018 HK$	2017 HK$
Cash flows from operating activities		
Profit before taxation	27,382,220	98,609
Depreciation of property, plant and equipment	111,988	217,796
Interest income	(5,894,024)	(4,334,262)
Write off of property, plant and equipment	248,280	-
Reversal of provision for impairment of trade receivables	(448,550)	-
Operating profit/(loss) before changes in working capital	21,399,914	(4,017,857)
(Increase)/decrease in inventories	(8,440)	1,276,986
Decrease/(increase) in trade and other receivables	5,526,425	(145,858)
Decrease in amounts due from fellow subsidiaries	2,025,430	4,254,875
(Decrease)/increase in other payables and accruals	(16,460,729)	1,049,723
Increase/(decrease) in amounts due to fellow subsidiaries	57,229,664	(72,459,922)
Cash generated from/(used in) operations	69,712,264	(70,042,053)
Tax paid	(72,042)	(122,629)
Net cash generated from/(used in) operating activities	69,640,222	(70,164,682)
Cash flows from investing activities		
Interest received	5,894,024	4,334,262
Decrease/(increase) in loan to an intermediate holding company	77,105,471	(194,309,943)
Decrease/(increase) in amount due from an intermediate holding company	240,729,094	(293,421,423)
Purchase of property, plant and equipment	(8,976)	(45,660)
Net cash generated from/(used in) investing activities	323,719,613	(483,442,764)
Cash flows from financing activity		
Dividend paid	(179,606,700)	-
Net cash used in financing activity	(179,606,700)	-
Net increase/(decrease) in cash and cash equivalents	213,753,135	(553,607,446)
Cash and cash equivalents at the beginning of the year	95,358,935	649,652,924
Exchange differences on cash and cash equivalents	588,684	(686,543)
Cash and cash equivalents at the end of the year	309,700,754	95,358,935

1 General information

Tata Steel International (Asia) Limited (the "Company") and its subsidiary (collectively the "Group") are principally engaged to provide sales, purchasing and marketing services for iron and steel products.

The immediate holding company is Tata Steel International (Singapore) Holdings Pte. Ltd., a company incorporated in Singapore. The ultimate holding company is Tata Steel Limited, a company incorporated in India and listed on the Bombay Stock Exchange.

The Company is a limited liability company incorporated in Hong Kong. The address of the registered office and principal place of business of the Company is Unit 603B, Empire Centre, 68 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2 Summary of significant accounting policies

(a) Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and requirements of the Hong Kong Companies Ordinance (Cap. 622).

The management of the Group intended to liquidate the remaining assets of the Group subsequent to the end of the reporting period, subject to approval from the Company's shareholders. As a result, the consolidated financial statements for the year ended 31 March 2018 have been prepared on a break-up basis. All assets have been written down to their recoverable amounts and additional liabilities that may crystallise in winding up have been recognised in the consolidated financial statements in order to reflect the fact that the Group is required to realise its assets or to extinguish its liabilities other than in the normal course of business.

The preparation of consolidated financial statements in conformity with HKFRS 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 judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(b) Changes in accounting policy and disclosures

(i) Amendments adopted by the Group

The Group has adopted all amendments issued by the HKICPA that are relevant to the Group's operations and mandatory for annual accounting periods beginning 1 April 2017:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Clarification of the Scope of the Standard

The adoption of the amendments in the current year did not have any significant effect on the financial statements or results in any substantial changes in the Group's significant accounting policies.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policy and disclosures (Continued)

(ii) New standards and amendments that are not yet effective for accounting periods beginning after 1 April 2018 and have not been early adopted by the Group

The HKICPA has issued the following new and revised standards and amendments which are not yet effective for the year ended 31 March 2019, and relevant to the Group and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
Amendments to HKFRS 1	Deletion of Short-term Exemptions for First Time Adopters	1st January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1st January 2018
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1st January 2018
Amendments to HKFRS 15	Clarification to HKFRS 15	1st January 2018
Amendments to HKAS 28	Measuring an Associate or Joint Venture at Fair Value	1st January 2018
Amendments to HKAS 40	Transfers of Investment Property	1st January 2018
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HKFRS 16	Leases	1st January 2019
Amendments to HKAS 28	Long-term Interests in an Associate or Joint Venture	1st January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1st January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1st January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined

The Group will adopt the above new and amended standards and interpretation as and when they become effective. The Group has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of the financial information will be resulted.

2 Summary of significant accounting policies (Continued)

(c) Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiary). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiary to bring its accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group when specific criteria have been met for each of the Group's activities as described below.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Agency commission income is recognised on an accrual basis in accordance with the substance of the relevant agency contracts.

Management fee and service income are recognised when services are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2 Summary of significant accounting policies (Continued)

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and office equipment	3 years
Motor vehicles	3 - 4 years
Leasehold improvements	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of comprehensive income. The carrying value is written down immediately to recoverable amount if the carrying value is lower than its recoverable amount.

(f) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(g) 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 cost in a foreign currency are not retranslated.

2 Summary of significant accounting policies (Continued)

(g) Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in statement of comprehensive income in the period in which they arise. Exchange 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, the 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 year, unless exchange rates fluctuate significantly during the period, in which case, 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 under the heading of translation reserve.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(i) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

(j) 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 profit as reported in the consolidated comprehensive income because of income or expense that are taxable or deductible in other years and 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 amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises 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.

2 Summary of significant accounting policies (Continued)

(j) Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, 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 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 is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets 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 and deferred tax are recognised in statement of comprehensive income, except when they relate to items that are also 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.

(k) Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

2 Summary of significant accounting policies (Continued)

(l) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

(m) Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to statement of comprehensive income.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent 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.

2 Summary of significant accounting policies (Continued)

(n) Provisions

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, and a reliable estimate can be made of the amount of the obligations. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

(o) Investment in a subsidiary

Subsidiary is entity (including structured entity) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investment in a subsidiary is accounted for at cost less provision for impairment losses. Cost includes direct attributable costs of investment. The results of a subsidiary are accounted by the Company on the basis of dividend received and receivable.

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Company'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.

(a) Market risk

(i) Interest rate risk

The Group's interest rate risk arises from the impact of rate changes on interest bearing financial assets. Interest bearing financial assets are mainly balances with banks which are mainly short-term in nature. Therefore, any future variations in interest rates will not have a significant impact on the results of the Group.

The sensitivity analysis has been determined based on the exposure to interest rates at the end of the reporting period. For variable-rate bank balances, the analysis is prepared assuming the amount at the end of the reporting period was the amount for the whole year. A 50 basis point increase or decrease represents management's assessment of the possible change in interest rates.

At 31 March 2018, if interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 March 2018 would increase/decrease by HK$1,548,504 (2017: HK$476,795). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the relevant group entities. The currency giving rise to this risk is primarily United States dollars.

The management manages foreign currency risk by matching assets and liabilities in the same currency denomination and supplemented with appropriate financial instruments where necessary. The management uses derivative financial instruments to mitigate the financial impact associated with foreign currency fluctuation relating to certain forecasted transactions.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2018 HK$	2017 HK$
Assets		
British Pound	28,985,013	13,483,566
Euro	28,764,054	7,270,610
United States dollars	549,549,168	685,699,939
Liabilities		
United States dollars	93,146,289	74,769,125

No sensitivity analysis is presented for United States dollars because Hong Kong dollars is pegged to United State dollars and hence the impact is considered to be insignificant.

For a 5% weakening/strengthening of British Pound and Euro against the relevant functional currency of each group entity and all other variables were held constant, the Group's profit for the year ended 31 March 2018 would decrease/increase by HK$1,449,251 (2017: HK$674,178) and HK$1,438,203 (2017: HK$363,530) accordingly.

(b) Credit risk

The Group is exposed to credit risk on trade and other receivables, amounts due from group companies, and deposits with banks. The carrying amounts of these balances represent the Company's maximum exposure to credit risk as at 31 March 2017 and 2018. The exposures to these credit risks are closely monitored on an ongoing basis by management. Deposits with banks are mainly placed with high-credit-quality financial institutions. The Group carries out regular review on minimise exposures to credit risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Group's policy is to regularly monitor its liquidity requirements and its compliance with leading covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liability requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Within 1 year or on demand HK$
At 31 March 2018	
Other payables and accruals	11,361,128
Amounts due to fellow subsidiaries	93,146,289
At 31 March 2017	
Other payables and accruals	27,821,857
Amounts due to fellow subsidiaries	35,916,625

3.2 Capital management

The management of the Group intended to liquidate the remaining assets of the Group subsequent to the end of the reporting period, subject to approval from the Company's shareholders. As a result, the consolidated financial statements for the year ended 31 March 2018 have been prepared on a break-up basis. All assets have been written down to their recoverable amounts and additional liabilities that may crystallise in winding up have been recognised in the consolidated financial statements in order to reflect the fact that the Group is required to realise its assets or to extinguish its liabilities other than in the normal course of business.

3.3 Fair value estimation

The fair values of the Group's financial assets and liabilities approximate their carrying amounts due to their short-term maturities.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstance.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant effect on carrying amounts of assets and liabilities are as follows:

Recoverable amount of assets and additional liabilities that may crystallise

In preparing the financial statements based on break-up basis of accounting, the Company's management determined the estimated recoverable amount of assets. This estimate is determined based on the conditions of the assets of the Company and selling prices of the assets as agreed with third party, if any. It could change significantly as a result of changes in these factors. The carrying value of an asset is written down immediately to recoverable amount if the carrying value is lower than its recoverable amount. In addition, management determined the additional liabilities that may crystallise based on the contracts already signed and other committed liabilities.

5 Revenue

Revenue recognised during the year are as follows:

	2018 HK$	2017 HK$
Income from sale of goods	136,499,857	10,025,992
Agency commission income	5,308,934	9,592,733
	141,808,791	19,618,725

6 Other income

	2018 HK$	2017 HK$
Service fee income	5,453,726	6,110,550
Interest income from bank deposits	1,083,575	3,158,519
Interest income from an intermediate holding company	4,810,449	1,175,743
Reversal of provisions made in prior years	12,545,466	-
Miscellaneous income	259	9,199
	23,893,475	10,454,011

7 Other gains/(losses)

	2018 HK$	2017 HK$
Net foreign exchange gains/(losses)	8,300,284	(2,419,034)

8 Profit before taxation

Profit before taxation is stated after charging/(crediting) the following:

	2018 HK$	2017 HK$
Auditors' remuneration	213,954	79,625
Depreciation of property, plant and equipment (Note 10)	111,988	217,796
Operating lease in respect of land and buildings	1,333,791	2,246,811
Reversal of provision for impairment of trade receivables	(448,550)	-
Staff costs		
- salaries and other benefits	6,796,722	7,703,430
- contributions to retirement benefits scheme	896,517	979,797
Directors' remuneration		
- fees	-	-
- other emoluments	1,338,502	1,216,002
- contributions to retirement benefits scheme	187,390	170,093

The consolidated financial statements for the year ended 31 March 2018 has been prepared on a break-up basis. Property, plant and equipment of HK$248,280 has been written down to its recoverable amount.

9 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year. Taxation on Mainland China profit has been calculated on the estimated taxable profit for the year at 25% (2017: 25%).

The amount of taxation charged/(credited) to the statement of comprehensive income represents:

	2018 HK$	2017 HK$
Current tax		
PRC enterprise income tax	21,874	292,845
Over-provision in prior years	(48,906)	(726,137)
	(27,032)	(433,292)
Deferred taxation (Note 12)	190,298	(4,813)
	163,266	(438,105)

9 Taxation (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	2018 HK$	2017 HK$
Profit before taxation	27,382,220	98,609
Calculated at a taxation rate of 16.5% (2017: 16.5%)	4,518,066	16,270
Tax effect of different taxation rates in other countries	7,438	288,032
Income not subject to taxation	(4,821,242)	(719,548)
Expenses not deductible for tax purposes	-	476,455
Temporary difference not recognised	52,161	-
Reversal of previously recognised temporary difference	116,287	-
Tax losses not recognised	354,260	-
Over-provision in prior years	(48,906)	(726,137)
Others	(14,798)	226,823
Taxation	163,266	(438,105)

Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefits through the future taxable profits is probable. The Group has unrecognised tax losses of approximately HK$25,181,000 (2017: HK$23,034,000) to carry forward against future taxable income. The unrecognised tax losses have yet to be agreed with the Hong Kong Inland Revenue Department but once agreed, these have no expiry dates.

10 Property, plant and equipment

	Furniture and fixtures HK$	Office equipment HK$	Leasehold improvements HK$	Total HK$
Year ended 31 March 2017				
Opening net book amount	55,428	110,584	420,063	586,075
Addition	25,205	20,455	-	45,660
Depreciation charge	(13,603)	(53,206)	(150,987)	(217,796)
Exchange adjustment	(3,637)	-	(1,340)	(4,977)
Closing net book amount	63,393	77,833	267,736	408,962
At 31 March 2017				
Cost	163,485	723,341	693,090	1,579,916
Accumulated depreciation	(100,092)	(645,508)	(425,354)	(1,170,954)
	63,393	77,833	267,736	408,962

10 Property, plant and equipment (Continued)

	Furniture and fixtures HK$	Office equipment HK$	Leasehold improvements HK$	Total HK$
Year ended 31 March 2018				
Opening net book amount	63,393	77,833	267,736	408,962
Additions	8,976	-	-	8,976
Depreciation charge	(14,699)	(77,833)	(19,456)	(111,988)
Written-off	-	-	(248,280)	(248,280)
Exchange adjustment	6,428	-	-	6,428
Closing net book amount	64,098	-	-	64,098
At 31 March 2018				
Cost	172,461	723,341	444,810	1,340,612
Accumulated depreciation	(108,363)	(723,341)	(444,810)	(1,276,514)
	64,098	-	-	64,098

11 Dividends

	2018 HK$	2017 HK$
2018 interim dividend of USD180,000 per share (2017: USD50,000 per share)	140,754,200	38,852,500

12 Deferred taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% for the year ended 31 March 2018 (2017: 16.5%).

The movement in the deferred tax assets is as follows:

	Accelerated tax depreciation HK$	Provisions HK$	Total HK$
At 1 April 2016	14,499	170,986	185,485
Credited/(charged) to statement of comprehensive income	6,728	(1,915)	4,813
At 31 March 2017	21,227	169,071	190,298
Charged to statement of comprehensive income	(21,227)	(169,071)	(190,298)
At 31 March 2018	-	-	-

13 Inventories

	2018 HK$	2017 HK$
Trading goods	87,705	79,265

14 Trade and other receivables

	2018 HK$	2017 HK$
Trade receivables	-	5,334,919
Less: provision for impairment (Note b)	-	(448,550)
Trade receivables, net of provision (Note a)	-	4,886,369
Other receivables	433,898	625,404
	433,898	5,511,773

(a) As of 31 March 2017, trade receivables of the Group of HK$4,549,204 were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows.

	2018 HK$	2017 HK$
Past due by:		
Under three months	-	2,704,661
Between three and six months	-	1,291,947
Over six months	-	552,596
	-	4,549,204

As at 31 March 2017, trade receivables of the Group of HK$448,550 were overdue and were subject to impairment provision.

(b) Movement on the provision for impairment of trade receivables are as follows:

	2018 HK$	2017 HK$
As at 1 April	448,550	500,808
Reversal of provision for impairment	(448,550)	-
Receivables written-off during the year as uncollectible	-	(52,258)
As at 31 March	-	448,550

(c) The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

15 Amounts due from/to group companies

The amounts due from/to group companies are unsecured, non-interest bearing and repayable on demand, except for the loan to an intermediate holding company which carries interests at 2.04% per annum (2017: 1.70% to 2.11%) and amount due from an intermediate holding company carries interests ranging from 0.03% to 0.5% per annum (2017: 0.03% to 0.5% per annum).

16 Cash and cash equivalents and short-term bank deposits

	2018 HK$	2017 HK$
Bank balances and cash	243,366,095	19,257,920
Short-term bank deposits with original maturity of less than three months	39,717,338	11,646,870
Cash and cash equivalents	283,083,433	30,904,790
Short-term bank deposits with original maturity of more than three months	26,617,321	64,454,145
Total	309,700,754	95,358,935

17 Share capital

	2018 HK$	2017 HK$
Issued and fully paid:		
100 shares	1,000	1,000

18 Commitments under operating leases

The future aggregate lease payments in respect of office premises under non-cancellable operating leases are as follows:

	2018 HK$	2017 HK$
Within one year	258,401	1,147,005
In the second to fifth year inclusive	3,444	935,390
	261,845	2,082,395

19 Related party transactions

In addition to the related party information shown elsewhere in the consolidated financial statements, the following is a summary of significant related party transactions which in the opinion of the directors were carried out in the normal course of the Group's business:

	2018 HK$	2017 HK$
Agency commission income from fellow subsidiaries (Note a)	1,931,223	3,270,108
Service fee income from fellow subsidiaries (Note a)	5,443,989	6,086,675
Interest income from an intermediate holding company (Note 15)	4,810,449	1,175,743
Purchases of goods from fellow subsidiaries (Note b)	(127,193,822)	(6,625,662)

Notes:

(a) Agency commission income and service fee income were charged in accordance with the terms of contracts signed between the parties involved.

(b) Purchases of goods were conducted in accordance with the terms agreed between the parties involved.

(c) Details of remuneration of the directors of the Company representing the key management personnel of the Company are set out in note 8.

20 Company statement of financial position

	2018 HK$	2017 HK$
Non-current assets		
Property, plant and equipment	-	345,569
Investment in a subsidiary	-	2,400,000
Deferred tax assets	-	190,298
	-	2,935,867
Current assets		
Investment in a subsidiary	2,400,000	-
Trade and other receivables	257,272	5,354,535
Loan to an intermediate holding company	117,204,472	194,309,943
Amounts due from fellow subsidiaries	357,305	2,382,735
Amount due from an intermediate holding company	215,527,507	456,256,601
Short-term bank deposits with original maturity of more than three months	26,617,321	64,454,145
Cash and cash equivalents	278,544,938	25,410,507
	640,908,815	748,168,466
Current liabilities		
Other payables and accruals	10,651,086	27,075,372
Amounts due to a subsidiary	5,546,022	3,689,201
Amounts due to fellow subsidiaries	93,146,289	35,916,625
Dividend payable	-	38,852,500
	109,343,397	105,533,698
Net current assets	529,165,418	642,634,768
Net assets	531,565,418	645,570,635
Capital and reserves		
Share capital	1,000	1,000
Retained profits (Note)	531,564,418	645,569,635
Total equity	531,565,418	645,570,635

The Company statement of financial position was approved by the Board of Directors on and was signed on its behalf by:

....	....
Arnoldus Joannes Theodorus Antonius Bolten	Sarah Lai Chun Law
Director	Director

20 Company statement of financial position (Continued)

Note:

Retained profits movement of the Company

	HK$
At 1 April 2016	683,943,133
Profit for the year	479,002
Dividend paid	(38,852,500)
At 31 March 2017	645,569,635
Profit for the year	26,748,983
Dividend paid	(140,754,200)
At 31 March 2018	531,564,418

21 Principal subsidiary

Particulars of the subsidiary as at 31 March 2018 and 2017 are set out as below:

Name	Place of incorporation	Interest held		Particulars of issued share capital/registered capital	Principal activities
		2018	2017		
Tata Steel International (Shanghai) Limited	Mainland China	100%	100%	RMB4,881,203	Sales, purchasing and marketing services for iron and steel products