

**TATA STEEL INTERNATIONAL (ASIA) LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2020**

**黃龍德會計師事務所有限公司**

香港執業會計師、英國特許會計師

**PATRICK WONG C.P.A. LIMITED**

*Certified Public Accountants (Practising), Hong Kong Chartered Accountants*



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(All amounts in Hong Kong Dollars unless otherwise stated)

# TATA STEEL INTERNATIONAL (ASIA) LIMITED

## DIRECTORS' REPORT

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 March 2020.

### ***PRINCIPAL ACTIVITY***

The principal activity of Tata Steel International (Asia) Limited (the "company") was to provide sales, purchasing and marketing services for iron and steel products. The company has ceased business operations from the beginning of 2019, following the Head Office management decision, as part of the group Asian restructuring exercise.

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 financial statements have been prepared on a break-up basis of accounting.

### ***RESULTS AND RECOMMENDED DIVIDEND***

The financial performance of the company for the year ended 31 March 2020 and its financial position at that date are set out in the financial statements on pages 4 to 22. The directors do not recommend payment of a dividend for the year.

### ***DIRECTORS***

The directors of the company during the financial year were as follows:-

Sarah Lai Chun Law  
Arnoldus Joannes Theodorus Antonius Bolten

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

### ***DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE***

No transactions, arrangement and contracts of significance in relation to the company'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 no time during the year was the company or its group companies, a party to any arrangement to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate.

### ***BUSINESS REVIEW***

In accordance with section 388(3)(a) 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.

### ***MANAGEMENT CONTRACTS***

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

TATA STEEL INTERNATIONAL (ASIA) LIMITED

DIRECTORS' REPORT  
(CONTINUED)

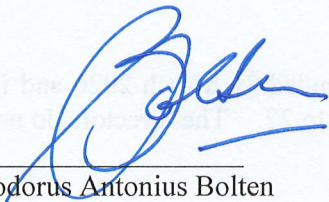
**PERMITTED INDEMNITY PROVISION**

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**

PricewaterhouseCoopers, Certified Public Accountants, resigned and Patrick Wong C.P.A. Limited, Chartered Accountants, Certified Public Accountants (Practising) was appointed as auditor of the company. A resolution will be submitted to the annual general meeting to re-appoint the auditor, Patrick Wong C.P.A. Limited, Chartered Accountants, Certified Public Accountants (Practising).

FOR AND ON BEHALF OF THE BOARD

  
x \_\_\_\_\_  
Arnoldus Joannes Theodorus Antonius Bolten  
Chairman

Hong Kong,  
26 May 2020

# 黃龍德會計師事務所有限公司 3

香港執業會計師、英國特許會計師

## PATRICK WONG C.P.A. LIMITED

Certified Public Accountants (Practising), Hong Kong Chartered Accountants

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黃龍德會計師

### 董事 Directors

黃龍德執業資深會計師

銅紫荊星章、太平紳士

劉旭明執業資深會計師

黃俊碩執業資深會計師

曾卓鋒執業資深會計師

**PATRICK WONG, PhD, BBS, JP**

FCPA(Practising), FCA, FCCA, FAIA, MSCA, FCIS, FCS, CTA(HK), FTIHK, FHKIoD

**LAU YUK MING, HAROLD**

FCPA(Practising), MSCA

**WONG CHUN SEK, EDMUND**

FCPA(Practising), ACA, ACCA, FCIS, FCS, CGP, MSCA, FTIHK, BComm(Hons), MSc, MCG, MBA

**TSANG CHEUK FUNG, ANDY**

FCPA(Practising), MSCA, BBA(Hons), BEng(Hons)

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電話 Tel : 3187 8250 電郵 E-mail : andytsang@pwcpa.com.hk

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF TATA STEEL INTERNATIONAL (ASIA) LIMITED (INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)

#### Opinion

We have audited the financial statements of **Tata Steel International (Asia) Limited** (the "company") set out on pages 5 to 22, which comprise the statement of financial position as at 31 March 2020, and the income statement, the statement in changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the company as at 31 March 2020, and of its financial performance and its 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.

#### 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 financial statements section of our report. We are independent of the company 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

We draw attention to note 3 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 financial statements have therefore been prepared on a break-up basis of accounting. Our opinion is not qualified in respect of this matter.

The opening figures of the comparative information as at 1 April 2018 have not been audited.

#### Information other than the financial statements and auditor's report thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

(to be continued, P.T.O.)

聯營公司：  
Associated :

龍德商務顧問有限公司  
LT Business Consultants Limited

江門市龍德諮詢服務有限公司  
Jiangmen Longde Consultants Limited

澳門黃林梁郭有限公司  
Macau Wong Lam Leung & Kwok Limited



INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
**TATA STEEL INTERNATIONAL (ASIA) LIMITED**  
(INCORPORATED IN HONG KONG WITH LIMITED LIABILITY)  
(CONTUNUED)

**Responsibilities of directors and those charged with governance for the financial statements**

The directors are responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

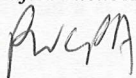
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Hong Kong Companies Ordinance, and for no other purposes. 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 company'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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

**PATRICK WONG C.P.A. LIMITED**  
黃龍德會計師事務所有限公司  
Certified Public Accountants



曾卓鋒, 香港執業資深會計師  
TSANG CHEUK FUNG ANDY  
FCPA (Practising), MSCA  
Certified Public Accountant (Practising), Hong Kong  
Practising Certificate Number: P06369

Hong Kong, 26 May 2020

Ref: T826/A/PW/AT/1110/1554/486

## TATA STEEL INTERNATIONAL (ASIA) LIMITED

### INCOME STATEMENT YEAR ENDED 31 MARCH 2020

	<u>Notes</u>	<u>2020</u> \$	<u>2019</u> \$
<b>Revenue</b>	5	-	276,442,602
Cost of revenue		-	(268,066,473)
<b>Gross profit</b>		-	8,376,129
Other income	6	-	17,425,071
Other losses	7	-	(2,366,036)
Selling and marketing expenses		-	(1,240,079)
Administrative expenses		(5,274,336)	(16,391,927)
<b>(Loss)/profit before tax</b>	8	(5,274,336)	5,803,158
Income tax expense	9	-	(156,347)
<b>(Loss)/profit for the year</b>		(5,274,336)	5,646,811

(Loss)/profit for the year represents the total comprehensive (expense)/income for the year presented, accordingly, no statement of comprehensive income is presented.

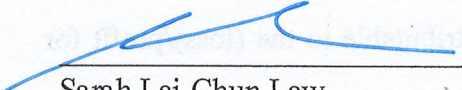
Details of dividend paid to the equity members of the company attributable to the (loss)/profit for the year are set out in note 11.

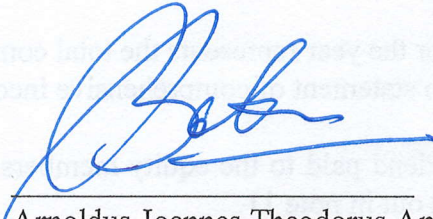
## TATA STEEL INTERNATIONAL (ASIA) LIMITED

### STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2020

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
		\$	\$
<b>Current asset</b>			
Cash and cash equivalents	12	1,820,088	7,094,424
		1,820,088	7,094,424
<b>Net assets</b>		1,820,088	7,094,424
<b>Equity</b>			
Share capital	13	1,000	1,000
Accumulated profits		1,819,088	7,093,424
		1,820,088	7,094,424
<b>Total equity</b>		1,820,088	7,094,424

APPROVED BY:-

  
\_\_\_\_\_  
Sarah Lai Chun Law  
Director

  
\_\_\_\_\_  
Arnoldus Joannes Theodorus Antonius Bolten  
Director



## TATA STEEL INTERNATIONAL (ASIA) LIMITED

### STATEMENT OF CHANGES IN EQUITY YEAR ENDED 31 MARCH 2020

	Share capital \$	Accumulated profits \$	Total \$
<b>Balance at 1 April 2018 (unaudited)</b>	1,000	531,564,418	531,565,418
Dividend paid	-	(530,117,805)	(530,117,805)
Profit for the year	-	5,646,811	5,646,811
<hr/>			
<b>Balances at 31 March 2019 and at 1 April 2019</b>	1,000	7,093,424	7,094,424
Loss for the year	-	(5,274,336)	(5,274,336)
<hr/>			
<b>Balance at 31 March 2020</b>	1,000	1,819,088	1,820,088
<hr/> <hr/>			

The notes on pages 9 to 22 form an integral part of these financial statements.  
Independent Auditor's Report – Pages 3 and 4

## TATA STEEL INTERNATIONAL (ASIA) LIMITED

### STATEMENT OF CASH FLOWS YEAR ENDED 31 MARCH 2020

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
<b>Operating activities</b>			
(Loss)/profit before tax		(5,274,336)	5,803,158
Gain on disposal of a subsidiary		-	(3,967,972)
Dividend income		-	(3,160,860)
Interest income		-	(1,810,439)
Impairment loss on amount due from immediate holding company		-	9,833,664
		-----	-----
Operating (loss)/profit before changes in working capital		(5,274,336)	6,697,551
Decrease in trade and other receivables		-	257,272
Decrease in amounts due from fellow subsidiaries		-	357,305
Decrease in other payables and accruals		-	(10,651,086)
Decrease in amount due to a subsidiary		-	(5,546,022)
Decrease in amount due to fellow subsidiaries		-	(93,146,289)
		-----	-----
Cash used in operating activities		(5,274,336)	(102,031,269)
Withholding tax paid		-	(156,347)
		-----	-----
Net cash used in operating activities		(5,274,336)	(102,187,616)
		-----	-----
<b>Investing activities</b>			
Interest received		-	1,810,439
Decrease in loan to an intermediate holding company		-	117,204,472
Decrease in amount due from an intermediate holding company		-	205,693,842
Dividend income from a subsidiary		-	3,160,860
Decrease in short-term deposits with original maturity of more than three months		-	26,617,321
		-----	-----
Net cash generated from investing activities		-	354,486,934
		-----	-----
<b>Financing activity</b>			
Dividend paid		-	(523,749,832)
		-----	-----
Net cash used in financing activity		-	(523,749,832)
		-----	-----
<b>Net decrease in cash and cash equivalents</b>		(5,274,336)	(271,450,514)
<b>Cash and cash equivalents at beginning of the year</b>		7,094,424	278,544,938
		-----	-----
<b>Cash and cash equivalents at end of the year</b>	12	1,820,088	7,094,424
		=====	=====

The notes on pages 9 to 22 form an integral part of these financial statements.  
Independent Auditor's Report – Pages 3 and 4

# TATA STEEL INTERNATIONAL (ASIA) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS 31 MARCH 2020

### 1. GENERAL INFORMATION

Tata Steel International (Asia) Limited (the “company”) is a limited liability company domiciled and incorporated in Hong Kong. The address of its registered office and principal place of business is Unit 15-055, Level 15, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong. The principal activity of the company was to provide sales, purchasing and marketing services for iron and steel products. The company has ceased business operations from the beginning of 2019, following the Head Office management decision, as part of the group Asian restructuring exercise.

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

### 2. STATEMENT OF COMPLIANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS

The company’s financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong, and the requirements of the Hong Kong Companies Ordinance. A summary of significant accounting policies is set out in note 3.

In the year ended 31 March 2020, the company has initially applied the new and revised HKFRSs issued by the HKICPA that are first effective for accounting periods beginning on or after 1 April 2019. The standards effective for the financial year ended 31 March 2020 do not have a material impact on the company.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of preparation of the financial statements

The measurement basis used in preparing the financial statements is historical cost.

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 shareholder. As a result, the financial statements for the year ended 31 March 2020 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 financial statements in order to reflect the fact that the company is required to realise its assets or to extinguish its liabilities other than in the normal course of business.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the company becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the company transfers substantially all the risks and rewards of ownership of the assets; or the company neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the assets' carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### (c) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the company are classified under financial assets at amortised cost.

Financial assets (including deposits) are classified under financial assets at amortised cost if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method less loss allowances for expected credit losses.

#### (d) Loss allowances for expected credit losses

The company recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Loss allowances for expected credit losses (continued)**

At the end of each reporting period, the company measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the company measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

**(e) Cash and cash equivalents**

Cash comprises cash on hand and at bank and demand deposits with bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(f) Income tax**

Income tax for the year includes current tax and deferred tax. Current tax and deferred tax are recognised in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity. In the case if the tax relates to items that are recognised directly in equity, current tax and deferred tax are also recognised directly in equity.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax is the amount of income taxes payable or recoverable in respect of the taxable profit or loss for a period.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively. Temporary differences are the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which is not a business combination; and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Income tax (continued)**

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

At the end of each reporting period, the company reviews and assesses the recognised and unrecognised deferred tax assets and the future taxable profit to determine whether any recognised deferred tax assets should be derecognised and any unrecognised deferred tax assets should be recognised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted.

**(g) 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 assets 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.

**(h) Revenue recognition**

Revenue from sales of goods is recognised at a point in time when performance obligation under the terms of a contract is satisfied, which generally occurs with transfer of control of the company's goods.

Service fee income is recognised over time 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(i) Foreign currency translation**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. At the end of each reporting period, monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates ruling at that date. Non-monetary assets and liabilities that are measured at fair value in foreign currencies are translated at the foreign exchange rates ruling at the date when the fair value was determined. Exchange gains and losses are recognised in profit or loss.

**(j) Employee benefits****(i) Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period by reference to the possibility that employees may leave before they use accumulated non-vesting entitlements.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

**(ii) Retirement benefit costs**

The company has joined the Mandatory Provident Fund Scheme (the MPF Scheme) established under the Mandatory Provident Fund Ordinance. The company contributes 5% of the relevant income of staff members under the MPF Scheme. The assets of the MPF Scheme are held separately from those of the company, in funds under the control of trustee.

Payments to the MPF Scheme are charged as an expense as they fall due.

**(k) Related parties**

For the purposes of these financial statements, a party is considered to be related to the company if:-

**(a) A person or a close member of that person's family is related to the company if that person:**

- (i) has control or joint control over the company;
- (ii) has significant influence over the company; or
- (iii) is a member of the key management personnel of the company or of a parent of the company.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

## (k) Related parties (continued)

(b) An entity is related the company if any of the following conditions applies:

- (i) The entity and the company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) The entity is controlled or jointly controlled by a person identified in (a).
- (v) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the company or to the parent of the company.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENT**

The company's management makes assumptions, estimates and judgements in the process of applying the company's accounting policies that affect the assets, liabilities, income and expenses in the financial statements prepared in accordance with HKFRSs. The assumptions, estimates and judgements are based on historical experience and other factors that are believed to be reasonable under the circumstances. While the management reviews their judgements, estimates and assumptions continuously, the actual results will seldom equal to the estimates.

Certain key assumptions and risk factors in respect of the financial risk management are set out in note 16. There are no other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**5. REVENUE**

Revenue recognised during the year was as follows:-

	<u>2020</u>	<u>2019</u>
	\$	\$
Income from sale of goods	-	276,442,602
	=====	=====



**6. OTHER INCOME**

	<u>2020</u>	<u>2019</u>
	\$	\$
Service fee income	-	1,538,894
Interest income from bank deposits	-	899,752
Interest income from an intermediate holding company	-	910,687
Dividend income from a subsidiary	-	3,160,860
Gain on disposal of a subsidiary	-	3,967,972
Reversal of provision made in prior years	-	6,939,010
Miscellaneous income	-	7,896
	-----	-----
	-	17,425,071
	=====	=====

**7. OTHER LOSSES**

	<u>2020</u>	<u>2019</u>
	\$	\$
Net foreign exchange losses	-	2,366,036
	=====	=====

**8. (LOSS)/PROFIT BEFORE TAX**

(Loss)/profit before tax is arrived at after charging the following:-

	<u>2020</u>	<u>2019</u>
	\$	\$
Auditors' remuneration	62,355	-
Operating lease in respect of land and buildings	-	528,628
Impairment loss on amount due from immediate holding company	-	9,833,664
Staff costs		
- salaries, wages and other benefits	1,977,552	2,195,789
- contributions to retirement benefits scheme	342,969	198,619
Directors' remuneration		
- fees	-	-
- other emoluments	1,350,372	1,812,105
- contributions to retirement benefits scheme	159,352	210,425
	=====	=====

**9. INCOME TAX IN THE INCOME STATEMENT**

No Hong Kong profits tax has been provided in the financial statements as the company did not derive any assessable profits for the year (2019: Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated profits arising in Hong Kong during the year).

	<u>2020</u>	<u>2019</u>
	\$	\$
Tax charge for the year	-	156,347

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

	<u>2020</u>	<u>2019</u>
	\$	\$
(Loss)/profit before taxation	(5,274,336)	5,803,158
Calculated at a taxation rate of 16.5% (2019:16.5%)	(870,265)	957,521
Income not subject to taxation	-	(1,561,072)
Expenses not deductible for tax purposes	870,265	2,396,095
Utilisation of previously recognised tax losses	-	(1,792,544)
Withholding tax paid	-	156,347
Income tax expense	-	156,347

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 company has unrecognised tax losses of approximately HK\$5,348,131 (2019 : HK\$5,348,131) to carry forward against future taxable income. The recognised tax losses have yet to be agreed with the Hong Kong Inland Revenue Department but once agreed, these have no expiry dates.

**10. EMOLUMENTS AND OTHER MATTERS RELATING TO DIRECTORS**

- (a) Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation for the year are as follows:-

	<u>2020</u>	<u>2019</u>
	\$	\$
Director's emoluments		
- Directors' fees	-	-
- Salaries and allowances	1,350,372	1,812,105
- Contribution to defined contribution scheme	159,352	210,425
	-----	-----
	<u>1,509,724</u>	<u>2,022,530</u>
	=====	=====

There were no payments made or benefit provided in respect of the termination of the service of director whether in the capacity of director or in any other capacity while director.

- (b) There were no loans, quasi-loans and other dealings in favour of director, controlled bodies corporate and other connected entities.
- (c) Directors' material interests in transactions, arrangement or contracts of significance  
The directors were of the opinion that, except for details as disclosed in note 14 to the financial statements, no other transactions, arrangement and contracts of significance in relation to the company's business to which the company was a party and in which directors 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 and the previous years.
- (d) Guarantees to bank for loans granted to directors of the company  
The company had not paid or incurred any liability for the purpose of fulfilling the guarantee or discharging the security given to banks for loans granted to the directors during the year and the previous years.
- (e) There were no consideration provided to or receivable by third parties for making available the services of a person as director in any other capacity while director.

**11. DIVIDENDS**

Dividends payable attributable to the current year:-

	<u>2020</u>	<u>2019</u>
	\$	\$
2019 first interim dividend of USD200,000 per share	-	157,000,000
2019 second interim dividend of USD260,000 per share	-	204,100,000
2019 third interim dividend of USD208,000 per share	-	163,280,000
2019 fourth interim dividend of USD7,860 per share	-	5,737,805
	-----	-----
	-	530,117,805
	=====	=====

**12. CASH AND CASH EQUIVALENTS**

	<u>2020</u>	<u>2019</u>
	\$	\$
Cash at bank and on hand	1,820,088	7,094,424
	=====	=====
Cash and cash equivalents in the statement of financial position and in the statement of cash flows	1,820,088	7,094,424
	=====	=====

**13. SHARE CAPITAL**

	<u>2020</u>		<u>2019</u>	
	No. of shares	\$	No. of shares	\$
Issued and fully paid:				
Ordinary shares				
at 1 April and 31 March	100	1,000	100	1,000
	=====	=====	=====	=====

**14. MATERIAL RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the company had the following material related party transactions during the year:-

	<u>2020</u>	<u>2019</u>
	\$	\$
Service fee income from fellow subsidiaries (Note a)	-	1,538,894
Interest income from an intermediate holding company	-	910,687
Dividend income from a subsidiary	-	3,160,860
Gain from disposal of a subsidiary to immediate holding company (Note d)	-	3,967,972
Management fee to a subsidiary (Note c)	-	(1,210,778)
Purchase of goods from fellow subsidiaries (Note b)	-	(268,066,473)
	=====	=====

Note:

- (a) Service fee income were charged in accordance with the terms of contracts signed between the parties involved.
- (b) Purchase of goods were conducted in accordance with the terms agreed between the parties involved.
- (c) Management fee were charged in accordance with the terms agreed between the parties involved.
- (d) The subsidiary was sold to immediate holding company at a consideration of US\$814,100 (equivalent to HK\$6,367,972) in accordance with the share transfer agreement, resulting in the gain from disposal of HK\$3,160,860.

**15. OPERATING LEASES COMMITMENTS**

The total future minimum lease payments in respects of office premises under non-cancellable short-term operating lease were as follows:-

	<u>2020</u>	<u>2019</u>
	\$	\$
Within one year	45,000	17,500
	=====	=====

**16. FINANCIAL INSTRUMENT**

The company has classified its financial asset in the following category:-

	Financial asset at amortised cost	
	<u>2020</u>	<u>2019</u>
	\$	\$
Cash and cash equivalents	1,820,088	7,094,424

Financial instrument is carried at amount not materially different from its fair value as at 31 March 2019 and 2020.

The company is exposed to credit risk and market risk arising in the normal course of its business and financial instruments. The company's risk management objectives, policies and processes mainly focus on minimizing the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

**(a) Credit risk**

The company is exposed to credit risk on financial asset, mainly attributable to deposits with bank. Cash is deposited with financial institute with sound credit ratings and the company maintains stringent policies for monitoring its credit risk continuously.

Summary quantitative data

	<u>2020</u>	<u>2019</u>
	\$	\$
Cash at bank	1,819,825	7,094,424

At 31 March 2020, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

**16. FINANCIAL INSTRUMENTS (CONTINUED)**

## (b) Market risk

## (i) Interest rate risk

The company's exposure on cash flow interest rate risk which is mainly arising from its deposits with bank.

Summary quantitative data

	<u>2020</u>	<u>2019</u>
	\$	\$
<u>Floating-rate financial assets</u>		
Deposits with bank	1,819,825	7,094,424
	=====	=====

No sensitivity analysis from the company's exposure to interest rate risk arising from cash at bank is prepared since based on the management's assessment the exposure is considered not significant.

## (ii) Currency risk

The company did not expose to any currency risk.

## (c) Financial instruments carried at fair value

At the end of the reporting period, there were no financial instruments stated at fair value.

**17. PARENT AND ULTIMATE HOLDING COMPANY**

The directors consider 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.

**18. HONG KONG FINANCIAL REPORTING STANDARDS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR**

HKFRSs that have been issued but are not yet effective for the year include the following HKFRSs which may be relevant to the company's business and financial statements:-

	Effective for annual periods beginning on or after
HKFRS 17, <i>Insurance Contracts</i>	1 January 2021
Amendments to HKFRS 3, <i>Definition of a Business</i>	1 January 2020
Amendments to HKFRS 10 and HKAS 28, <i>Sales or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
Amendments to HKAS 1 and HKAS 8, <i>Definition of Material</i>	1 January 2020

The company has not early adopted these HKFRSs. Initial assessment has indicated that the adoption of these HKFRSs would not have a significant impact on the company's financial statements in the year of initial application. The company will be continuing with the assessment of the impact of these HKFRSs and other significant changes may be identified as a result.

**19. APPROVAL OF FINANCIAL STATEMENTS**

These financial statements were authorized for issue by the company's board of directors on 26 May 2020.