

TS ASIA (HONG KONG) LIMITED

DIRECTORS' REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2020

TS ASIA (HONG KONG) LIMITED

REPORT OF THE DIRECTORS

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

Principal activity

The principal activity of TS Asia (Hong Kong) Limited (the “Company”) is trading of ferro alloys and minerals products.

Results and appropriations

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

The directors do not recommend the payment of a dividend.

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

Arun MISRA	(resigned on 6 November 2019)
Maliackal Cherian THOMAS	
Raghav SUD	(appointed on 16 December 2019)
Sundara Ramam DWARAKA BHAMIDIPATI	(appointed on 16 December 2019)
Simran SETHI	(resigned on 30 November 2019)

The Company’s Articles of Association do not provide for the mandatory retirement of directors and, accordingly, 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 Company’s business to which the Company, 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 2020, 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 Company were entered into or existed during the year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this Directors' Report, there was or is, any permitted indemnity provisions being in force for the benefit of any of the directors of the Company (whether made by the Company or otherwise) or an associated company (if made by the Company).

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retires and, being eligible offers itself for re-appointment.

On behalf of the Board

A handwritten signature in black ink that reads "M. Thomas". The signature is written in a cursive style. Below the signature is a horizontal line, and two small dots are placed below the line.

Maliackal Cherian THOMAS
Director

Hong Kong, 28 May 2020

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TS ASIA (HONG KONG) LIMITED**
(Incorporated in Hong Kong with limited liability)

Opinion

What we have audited

The financial statements of TS Asia (Hong Kong) Limited (the "Company") set out on pages 7 to 24, which comprise:

- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2020;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

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

Independence

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.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TS ASIA (HONG KONG) LIMITED (CONTINUED)**
(Incorporated in Hong Kong with limited liability)

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 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.

Responsibilities of Directors 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TS ASIA (HONG KONG) LIMITED (CONTINUED)**
(Incorporated in Hong Kong with limited liability)

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. 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 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 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.



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBER OF TS ASIA (HONG KONG) LIMITED (CONTINUED)**
(Incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the 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.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 May 2020

TS ASIA (HONG KONG) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 US\$	2019 US\$
Revenue	5	216,162,411	357,637,125
Cost of sales		(212,867,866)	(350,140,141)
Gross profit		3,294,545	7,496,984
Other income	6	1,366,848	1,572,103
Selling and distribution costs		(1,437,049)	(2,494,997)
Other operating expenses		(153,880)	(126,793)
Administrative expenses		(1,547,440)	(2,141,706)
Operating profit		1,523,024	4,305,591
Finance costs	7	(15,994)	(69,434)
Profit before taxation	8	1,507,030	4,236,157
Taxation	9	(213,186)	(662,872)
Profit and total comprehensive income for the year		1,293,844	3,573,285

The notes on pages 11 to 24 are integral part of these financial statements.

TS ASIA (HONG KONG) LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Note	2020 US\$	2019 US\$
Non-current assets			
Property, plant and equipment	11	15,758	15,335
Current assets			
Account receivables, deposits and prepayments	12	15,831,544	45,340,220
Amounts due from a fellow subsidiary	13	4,280,320	6,729,895
Advance payment to a fellow subsidiary	14	14,000,000	14,000,000
Loan to a fellow subsidiary	15	8,662,229	410,816
Income tax recoverable		266,937	-
Cash and cash equivalents		438,489	1,758,213
		43,479,519	68,239,144
Current liabilities			
Account payables and accruals	18	1,742,929	8,664,717
Amount due to ultimate holding company	16	1,174,548	16,488,297
Amount due to a fellow subsidiary	13	17,402	-
Loan from a fellow subsidiary	13	14,000,000	14,000,000
Bank borrowings	17	-	3,621,079
Income tax payable		-	213,832
		16,934,879	42,987,925
Net current assets		26,544,640	25,251,219
Net assets		26,560,398	25,266,554
EQUITY			
Share capital	19	1,140,668	1,140,668
Retained profits		25,419,730	24,125,886
Total equity		26,560,398	25,266,554

The financial statements on pages 7 to 24 were approved by the Board of Directors on 28 May 2020 and were signed on its behalf:



Maliackal Cherian THOMAS
Director



Sundara Ramam DWARAKA BHAMIDIPATI
Director

The notes on pages 11 to 24 are integral part of these financial statements.

TS ASIA (HONG KONG) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Share capital US\$	Retained profits US\$	Total US\$
Balance at 1 April 2018	1,140,668	20,552,601	21,693,269
Profit and total comprehensive income for the year	-	3,573,285	3,573,285
Balance at 31 March 2019	1,140,668	24,125,886	25,266,554
Profit and total comprehensive income for the year	-	1,293,844	1,293,844
Balance at 31 March 2020	1,140,668	25,419,730	26,560,398

The notes on pages 11 to 24 are integral part of these financial statements.

TS ASIA (HONG KONG) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	2020 US\$	2019 US\$
Cash flows from operating activities		
Profit before taxation	1,507,030	4,236,157
Depreciation on property, plant and equipment	12,399	10,327
Interest expense	15,994	69,434
Interest income	(31,783)	(48,298)
	<hr/>	<hr/>
Operating profit before changes in working capital	1,503,640	4,267,620
Decrease/(increase) in account receivables, deposits and prepayments	29,508,676	(14,712,957)
Decrease in amounts due from fellow subsidiaries	2,449,575	6,702,320
(Decrease)/increase in account payables and accruals	(6,921,788)	5,457,287
Decrease in amount due to ultimate holding company	(15,313,749)	(13,235,964)
Increase in amount due to a fellow subsidiary	17,402	-
	<hr/>	<hr/>
Cash generated from/(used in) operations	11,243,756	(11,521,694)
Income tax paid	(693,955)	(1,001,187)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	10,549,801	(12,522,881)
	<hr/>	<hr/>
Cash flows from investing activities		
(Increase)/decrease in loan to a fellow subsidiary	(8,251,413)	11,490,278
Purchase of property, plant and equipment	(12,822)	(1,915)
Interest received	31,783	48,298
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(8,232,452)	11,536,661
	<hr/>	<hr/>
Cash flows from financing activities		
Drawdown of bank borrowings	33,949,453	151,376,734
Repayments of bank borrowings	(37,570,532)	(149,311,323)
Interest paid	(15,994)	(69,434)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(3,637,073)	1,995,977
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,319,724)	1,009,757
Cash and cash equivalents at the beginning of the year	1,758,213	748,456
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	438,489	1,758,213
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 11 to 24 are integral part of these financial statements

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1 General information

TS Asia (Hong Kong) Limited (the “Company”) is a private limited liability company incorporated in Hong Kong. Its parent company is NatSteel Asia Pte Ltd., a limited liability company incorporated in Singapore. The directors consider that the Company’s ultimate holding company is Tata Steel Limited, a limited liability company incorporated in India with its shares listed on The Stock Exchange of Mumbai, National Stock Exchange of India Limited. The address of the registered office and principal place of business of the Company is at Room 807, 8th Floor, Enterprise Square Tower III, 9 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong.

The principal activity of the Company is trading of ferro alloys and minerals products.

The financial statements are presented in United States dollars, unless otherwise stated.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company 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 preparation of 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 accounting policies of the Company. 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.

(i) New and amended standards adopted by the Company

The Company has adopted the following new and amended standards for the first time for its financial year beginning 1 April 2019.

Annual improvements 2015-2017 Cycle	Improvements to HKFRSs
HKAS 19 (amendment)	Plan amendment, curtailment or settlement
HKAS 28 (amendment)	Long-term interests in associates and joint ventures
HKFRS 9 (amendment)	Prepayment features with negative compensation
HKFRS 16	Leases
HK(IFRIC) Int 23	Uncertainty over income tax treatments

The adoption of such new, revised and amended standards did not have material impact on the financial statements except as described below:

HKFRS 16, “Leases”

HKAS 17 defines a lease as being an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New and amended standards adopted by the Company (Continued)

Operating leases as the lessee

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases, net of any incentives from the leasing company, are recognized in the income statement on a straight-line basis over the lease term.

The Company has adopted HKFRS 16 “Leases” retrospectively from 1 April 2019, but has not restated comparatives for the year ended 30 March 2019, as permitted under the specific transitional provisions in the standard.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office premises and staff premises. Therefore, HKFRS 16 has no material effect on the Company’s results and financial position for the current and prior accounting periods.

(ii) New standards and interpretations not yet adopted

Certain new standards and amendments to existing standards have been published that are mandatory for the Company’s accounting periods beginning on or after 1 April 2020 or later periods are as follows:

Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting ¹
HKAS 1 (amendment) and HKAS 8 (amendment)	Definition of material ¹
HKFRS 3 (amendment)	Definition of business ¹
HKFRS 10 (amendment) and HKAS 28 (amendment)	Sale or contribution of assets between an investor and its associate or joint venture ³
HKFRS 17	Insurance contracts ²

Note:

(1) Effective for annual periods beginning on or after 1 January 2020

(2) Effective for annual periods beginning on or after 1 January 2021

(3) To be determined

The Company is in the process of making an assessment of the impact of these amendments to existing standards, new standards and new interpretations in the period of initial application. In addition to the above, there are a number of minor amendments to HKAS/HKFRS under the annual improvement project of HKICPA. The Company has analysed these amendments and these amendments are not likely to have a significant impact on the Company’s financial statements.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the “functional currency”). The financial statements are presented in United States dollars, which is the Company’s functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(c) Property, plant and equipment

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

Depreciation is recognised so as to write off of assets over their estimated useful lives, using the straight-line method at below rates per annum:

Office equipment	33.33%
Furniture and equipment and leasehold improvements	33.33%

The estimated useful lives 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 disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(d) Financial assets

(i) Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(d) Financial assets (Continued)

(iii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iv) Impairment

Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Company is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The company has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

(f) Account receivables

Account receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore all classified as current.

Account receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the account receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 12 for further information about the group's accounting for trade receivables and note 2(d) for a description of the company's impairment policies.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(h) Share capital

Ordinary shares are classified as equity.

(i) Financial liabilities

(i) Classification and measurement

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(ii) Derecognition

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

(j) Account payables

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(k) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

(l) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the statement of comprehensive income in the period in which they are incurred, except for costs related to funding of construction or acquisition of qualifying assets which are capitalised as part of the cost of that asset during the construction period and up to the date of completion of construction.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(m) Current and deferred tax

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted by the reporting date in the jurisdictions where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

(n) 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.

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

(ii) Defined contribution plan

The Company operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as staff cost when they are due.

(iii) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(n) Employee benefits (Continued)

(iv) Bonus plans

The Company recognises a liability and an expense for bonuses when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of such obligation can be made.

(o) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) 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.

Commission 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 Financial risk management

(a) Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Company's management under the supervision of the board of directors. The Company's management identifies, evaluates and manages significant financial risks in the Company's individual operating units. The board of directors provides guidance for overall financial risk management.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Credit risk

The carrying amounts of accounts receivables, amounts due from fellow subsidiaries, advance payment to a fellow subsidiary, loan to a fellow subsidiary and cash and cash equivalents represent the Company's maximum exposure to credit risk in relation to financial assets. The Company reviews the recoverable amount on a regular basis and at the end of each reporting period and an allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

The Company applies the HKFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the historical payment profiles and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors and industry trends affecting the ability of the debtors to settle the outstanding balance.

Management considered the credit risk of amounts due from fellow subsidiaries, advance payment to a fellow subsidiary and loan to a fellow subsidiary as low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Company has assessed that the expected credit losses for these amounts due from fellow subsidiaries, advance payment to a fellow subsidiary and loan to a fellow subsidiary were nil under 12 months expected losses method and no provision was recognised.

The credit risk on cash and cash equivalents is limited as they are placed in a bank with high credit ranking.

(ii) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its current obligations when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of credit facilities. The Company aims to maintain flexibility in funding by keeping credit lines available through its ultimate holding company, a fellow subsidiary and bank borrowings.

The following tables detail the contractual maturity of the Company for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

	Within 1 year or on demand US\$
At 31 March 2020	
Creditors	51,262
Accruals	931,745
Amount due to ultimate holding company	1,174,548
Amount due to a fellow subsidiary	17,402
Loan from a fellow subsidiary	<u>14,000,000</u>
At 31 March 2019	
Creditors	5,095,932
Accruals	2,332,392
Amount due to ultimate holding company	16,488,297
Loan from a fellow subsidiary	14,000,000
Bank borrowings	<u>3,621,079</u>

(b) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to its shareholder through the optimisation of the loan and equity balance.

The directors of the Company regularly monitor the capital structure, which consists of the total equity as disclosed in the statement of financial position. The directors of the Company also balance its overall capital structure through the payment of dividends, new share issues as well as drawdown and repayment of borrowings.

(c) Fair value estimation

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

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may not equal the related actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Tax

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates may not equal the related actual results. Management assessed and determined that there is no critical accounting estimates and judgements that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

TS ASIA (HONG KONG) LIMITED**NOTES TO THE FINANCIAL STATEMENTS****5 Revenue**

Revenue recognised during the year is as follows:

	2020 US\$	2019 US\$
Sales of goods	216,162,411	356,851,434
Commission income	-	785,691
	<u>216,162,411</u>	<u>357,637,125</u>

6 Other income

	2020 US\$	2019 US\$
Interest income from bank deposit	1,350	2,057
Interest income from a fellow subsidiary	30,433	46,241
Management fee income from ultimate holding company	658,422	892,219
Freight refund	84,693	-
Waiver of commission payables	-	311,452
Tariff refund	-	133,204
Reversal of provisions made in prior years	591,950	186,930
	<u>1,366,848</u>	<u>1,572,103</u>

7 Finance costs

	2020 US\$	2019 US\$
Interest on bank borrowings	<u>15,994</u>	<u>69,434</u>

8 Profit before taxation

Profit before taxation has been arrived at after charging:

	2020 US\$	2019 US\$
Auditor's remuneration – audit services	38,183	36,093
Depreciation on property, plant and equipment	12,399	10,327
Rental expenses under leases	84,682	87,090
Staff costs		
- Salaries and other allowances	1,008,738	1,094,319
- Contributions to defined contribution retirement benefit schemes	13,217	11,131
	<u>1,146,619</u>	<u>1,245,060</u>

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year.

The amount of taxation charged to the statement of comprehensive income represents:

	2020 US\$	2019 US\$
Hong Kong profits tax		
- Current year	248,660	698,966
- Over-provision in prior year	(35,474)	(36,094)
	<u>213,186</u>	<u>662,872</u>

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

	2020 US\$	2019 US\$
Profit before taxation	<u>1,507,030</u>	<u>4,236,157</u>
Calculated at taxation rate of 16.5% (2019: 16.5%)	248,660	698,966
Income not subject to taxation	(223)	(339)
Expenses not deductible for taxation purpose	1,837	1,041
Temporary difference not recognised	(1,614)	(702)
Over-provision in prior year	(35,474)	(36,094)
Taxation	<u>213,186</u>	<u>662,872</u>

10 Benefits and interests of directors

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Companies Ordinance Cap. 622 and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation Cap. 622G:

- During the year, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2019: Nil).
- There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2019: None).
- During the year and at the year end, no director of the Company had or has a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party (2019: Nil).
- The directors of the Company received emoluments from the intermediate holding company amounting to Nil (2019: Nil), part of which is in respect of their services to the intermediate holding company and the Company. No apportionment has been made as the directors consider that it is impracticable to apportion this amount between their services to the intermediate holding company and the Company.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

11 Property, plant and equipment

	Furniture and fixtures US\$	Office equipment US\$	Total US\$
At 1 April 2018			
Cost	83,691	18,822	102,513
Accumulated depreciation	(67,335)	(11,431)	(78,766)
	<u>16,356</u>	<u>7,391</u>	<u>23,747</u>
Year ended 31 March 2019			
Opening net book amount	16,356	7,391	23,747
Additions	-	1,915	1,915
Depreciation charge	(7,111)	(3,216)	(10,327)
	<u>9,245</u>	<u>6,090</u>	<u>15,335</u>
At 31 March 2019			
Cost	83,691	20,737	104,428
Accumulated depreciation	(74,446)	(14,647)	(89,093)
	<u>9,245</u>	<u>6,090</u>	<u>15,335</u>
Year ended 31 March 2020			
Opening net book amount	9,245	6,090	15,335
Additions	9,763	3,059	12,822
Depreciation charge	(7,748)	(4,651)	(12,399)
	<u>11,260</u>	<u>4,498</u>	<u>15,758</u>
At 31 March 2020			
Cost	93,454	23,796	117,250
Accumulated depreciation	(82,194)	(19,298)	(101,492)
	<u>11,260</u>	<u>4,498</u>	<u>15,758</u>

12 Account receivables, deposits and prepayments

	2020 US\$	2019 US\$
Trade debtors	15,691,416	45,208,807
Deposits and prepayments	140,128	131,413
	<u>15,831,544</u>	<u>45,340,220</u>

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

12 Accounts receivable, deposits and prepayments (Continued)

The carrying amounts of accounts receivable approximate their fair value.

The Company maintains defined credit policies and applies those appropriate to the particular business circumstances of the Company. It normally allows an average credit period of 30 days to its trade customers. It has a policy in place to evaluate customers' credit risk by considering their current financial position and past repayment history. Management monitors overdue accounts to identify and resolve collection issues. Trade receivables are written off when there is no reasonable expectation of recovery.

The impairment of trade receivables as of 31 March 2020 was determined using the forward looking expected credit loss method, resulting in the expected loss rate below:

	2020 US\$
Within 30 days	0%

The trade receivables and deposits do not contain impaired asset.

13 Amounts due from/to a fellow subsidiary and loan from a fellow subsidiary

The amounts are unsecured, interest-free and repayable on demand.

14 Advance payment to a fellow subsidiary

The balance is unsecured, interest-free and repayable on demand.

15 Loan to a fellow subsidiary

The amount is unsecured, interest bearing at prevailing market rate and repayable on demand.

16 Amount due to ultimate holding company

The amount is unsecured, interest-free and repayable within 60 days after the dates of invoices.

17 Bank borrowings

As at 31 March 2019, bank borrowings, comprising discounted bills, were unsecured and carried interest rates at prevailing market rate. The borrowings were repayable within one year.

18 Account payables and accruals

	2020 US\$	2019 US\$
Trade creditor	-	4,538,438
Other creditors	51,262	557,494
Accruals	1,691,667	3,568,785
	<u>1,742,929</u>	<u>8,664,717</u>

TS ASIA (HONG KONG) LIMITED
NOTES TO THE FINANCIAL STATEMENTS

19 Share capital

	2020 US\$	2019 US\$
Issued and fully paid:		
8,879,211 shares	<u>1,140,668</u>	<u>1,140,668</u>

20 Related party transactions

Except as disclosed elsewhere in the financial statements, the Company had the following related party transactions in the normal course of business during the year:

	2020 US\$	2019 US\$
Management fee income from ultimate holding company (note a)	658,422	892,219
Sales of goods to a fellow subsidiary (note b)	7,900,277	10,519,474
Interest income from a fellow subsidiary (note 15)	30,433	46,241
Commission income from a fellow subsidiary (note a)	-	785,691
Purchases from ultimate holding company (note c)	(202,929,947)	(329,954,390)
Address commission on freight from ultimate holding company (note d)	(10,659)	(16,803)
Freight charges from fellow subsidiaries (note d)	-	(239,707)
Staff costs to a fellow subsidiary (note e)	<u>(197,867)</u>	<u>-</u>

Notes:

- (a) Management fee income and commission income were charged in accordance with the terms of contracts signed between the parties involved.
- (b) Sales of goods were charged according to the terms as agreed by the parties involved.
- (c) Purchases were conducted in accordance with the terms agreed between the parties involved.
- (d) Address commission on freight and freight charges were paid in accordance with the terms of contracts signed between the parties involved.
- (e) Staff costs were charged according to the terms as agreed by the parties involved.