

TS ASIA (HONG KONG) LIMITED
DIRECTORS' REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

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 2019.

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	(appointed on 23 November 2018)
Chanakya CHAUDHARY	(appointed on 28 June 2018 and resigned on 19 November 2018)
Maliackal Cherian THOMAS	
Rajeev SINGHAL	(resigned on 11 June 2018)
Sanjib NANDA	(resigned on 25 June 2018)
Simran SETHI	(appointed on 28 June 2018)

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 2019, 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.

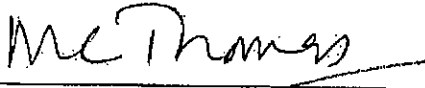
Permitted indemnity provisions

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



Maliackal Cherian THOMAS
Director

Hong Kong, 15 May 2019



**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 27, which comprise:

- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2019;
- 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 2019, 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 HKSA's 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 HKSA's, 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.



羅兵咸永道

**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, 15 May 2019

TS ASIA (HONG KONG) LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

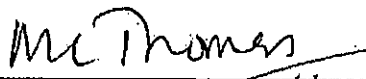
	Note	2019 US\$	2018 US\$
Revenue	5	357,637,125	337,607,790
Cost of sales		(350,140,141)	(330,380,644)
Gross profit		7,496,784	7,227,146
Other income	6	1,572,103	477,885
Selling and distribution costs		(2,494,997)	(2,321,468)
Other operating expenses		(126,793)	(99,660)
Administrative expenses		(2,141,706)	(1,097,371)
Operating profit		4,305,591	4,186,532
Finance costs	7	(69,434)	(117,701)
Profit before taxation	8	4,236,157	4,068,831
Taxation	9	(662,872)	(154,217)
Total comprehensive income and profit for the year		3,573,285	3,914,614


The notes on pages 11 to 27 are integral part of these financial statements.

TJS ASIA (HONG KONG) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 US\$	2018 US\$
Non-current assets			
Property, plant and equipment	11	15,335	23,747
Current assets			
Accounts receivable, deposits and prepayments	12	45,340,220	30,627,263
Amounts due from fellow subsidiaries	13	6,729,895	13,432,215
Advance payment to a fellow subsidiary	14	14,000,000	14,000,000
Loan to a fellow subsidiary	15	410,816	11,901,094
Cash and cash equivalents		1,758,213	748,456
		<u>68,239,144</u>	<u>70,709,028</u>
Current liabilities			
Accounts payable and accruals	18	8,664,717	3,207,430
Amount due to ultimate holding company	16	16,488,297	29,724,261
Loan from a fellow subsidiary	13	14,000,000	14,000,000
Bank borrowings	17	3,621,079	1,555,668
Income tax payable		213,832	552,147
		<u>42,987,925</u>	<u>49,039,506</u>
Net current assets		<u>25,251,219</u>	<u>21,669,522</u>
Net assets		<u>25,266,554</u>	<u>21,693,269</u>
EQUITY			
Share capital	19	1,140,668	1,140,668
Retained profits		24,125,886	20,552,601
Total equity		<u>25,266,554</u>	<u>21,693,269</u>

The financial statements on pages 7 to 27 were approved by the Board of Directors on 15 May 2019 and were signed on its behalf:


Maliackal Cherian THOMAS
Director


Arun MISRA
Director

The notes on pages 11 to 27 are integral part of these financial statements.

TS ASIA (HONG KONG) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Share capital US\$	Retained profits US\$	Total US\$
Balance at 1 April 2017	1,140,668	16,637,987	17,778,655
Profit and total comprehensive income for the year	-	3,914,614	3,914,614
Balance at 31 March 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

The notes on pages 11 to 27 are integral part of these financial statements.

TS ASIA (HONG KONG) LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	2019 US\$	2018 US\$
Cash flows from operating activities		
Profit before taxation	4,236,157	4,068,831
Depreciation on property, plant and equipment	10,327	10,040
Interest expense	69,434	117,701
Interest income	(48,298)	(54,658)
	<hr/>	<hr/>
Operating profit before changes in working capital	4,267,620	4,141,914
(Increase)/decrease in accounts receivable, deposits and prepayments	(14,712,957)	30,317,235
Decrease/(increase) in amounts due from fellow subsidiaries	6,702,320	(8,618,329)
Increase/(decrease) in accounts payable and accruals	5,457,287	(6,199,988)
Decrease in amount due to ultimate holding company	(13,235,964)	(5,852,896)
Decrease in amounts due to fellow subsidiaries	-	(160,376)
	<hr/>	<hr/>
Cash (used in)/generated from operations	(11,521,694)	13,627,560
Income tax paid	(1,001,187)	-
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(12,522,881)	13,627,560
	<hr/>	<hr/>
Cash flows from investing activities		
Decrease/(increase) in loan to a fellow subsidiary	11,490,278	(7,278,917)
Purchase of property, plant and equipment	(1,915)	(30,821)
Interest received	48,298	54,658
	<hr/>	<hr/>
Net cash generated from/(used in) investing activities	11,536,661	(7,255,080)
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Cash flows from financing activities		
Drawdown of bank borrowings	151,376,734	286,724,050
Repayments of bank borrowings	(149,311,323)	(292,837,025)
Interest paid	(69,434)	(117,701)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	1,995,977	(6,230,676)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,009,757	141,804
Cash and cash equivalents at the beginning of the year	748,456	606,652
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Cash and cash equivalents at the end of the year	1,758,213	748,456
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The notes on pages 11 to 27 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, which is also the functional currency of the Company.

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) Adoption of standards, amendments and interpretation to existing standards

The following standards, amendments and interpretation to existing standards, which are relevant to the operations of the Company, have been published that are effective for the accounting period of the Company beginning on 1 April 2018:

- HKFRS 9, ‘Financial instruments’
- HKFRS 15, ‘Revenue from contracts with customers’
- Amendments to HKFRS 15, ‘Clarifications to HKFRS 15’
- HK(IFRIC)-Int 22, ‘Foreign currency transactions and advance consideration’

The adoption of the above standards, amendments and interpretation to existing standards had no material impact on the financial statements of the Company except for the followings:

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

- (i) Adoption of standards, amendments and interpretation to existing standards (Continued)

HKFRS 9 – Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies. The new accounting policies are set out in below.

The Company has applied the transition exemptions, which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 April 2018 and that comparatives will not be restated.

There is no impact on the Company's retained earnings as at 1 April 2018.

Other financial assets

Classification

From 1 April 2018, the Company classifies its financial assets to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other (losses)/gains, together with foreign exchange (losses)/gains.

Impairment

From 1 April 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For financial assets at amortised cost at 1 April 2018, the Company applies 12 months expected credit losses permitted by HKFRS 9, no resulted loss allowance were recognised on 1 April 2018.

The adoption of HKFRS 9 does not have a significant financial impact to the Company's financial instruments.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) Adoption of standards, amendments and interpretation to existing standards (Continued)

HKFRS 15 – Revenue from Contracts with Customers

The Company has used the modified retrospective approach for transition to the new revenue standard, which means that the cumulative impact of the adoption has been recognised in retained earnings as of 1 April 2018 and that comparatives have not been restated.

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to be recognised through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognise revenue when a performance obligation is satisfied. The core principle is that a company should recognise revenue when control of a good or service is transferred to a customer.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Company's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Company performs; or
- does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on the Company's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs, which best depict the Company's performance in satisfying the performance obligation.

The timing of revenue recognition and accounting policies under HKFRS 15 for the Company is not materially different from the prior reporting periods.

Incremental costs incurred to obtain a contract or the costs incurred to generate/enhance resources of the Company that will be used in satisfying performance obligations of a specifically identified contract in the future, if recoverable, are capitalised as contract acquisition and fulfilment costs and subsequently amortised when the related revenue is recognised. There were no contract acquisition and fulfilment costs as at 1 April 2018 and 31 March 2019 respectively, as a result of the adoption of HKFRS 15.

A contract liability is recognised when a customer pays consideration, or the Company has a right to an amount of consideration that is unconditional, preceding the Company's performance. There were no contract liabilities as at 1 April 2018 and 31 March 2019 respectively, as a result of the adoption of HKFRS 15.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Standards, amendments and interpretation to existing standards which are not yet effective

The following standards, amendments and interpretation to existing standards, which are relevant to the operations of the Company, have been published and are mandatory for the Company's accounting periods beginning on or after 1 April 2019, but the Company has not early adopted them:

	Applicable for accounting periods beginning on/after
Annual Improvements 2015-2017 Cycle, Improvements to HKFRSs	1 January 2019
HKFRS 16, 'Leases'	1 January 2019
Amendments to HKFRS 9, 'Prepayment features with negative compensation'	1 January 2019
Amendments to HKAS 19, 'Plan amendment, curtailment or settlement'	1 January 2019
Annual improvements to HKFRSs 2015-2017 cycle	1 January 2019
HK(IFRIC)-Int 23, 'Uncertainty over income tax treatments'	1 January 2019
Amendments to HKAS 1 and HKAS 8, 'Definition of material'	1 January 2020
Conceptual Framework for Financial Reporting 2018, Revised conceptual framework for financial reporting	1 January 2020

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

(b) 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.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(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) 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 terms.

(e) Foreign currencies

Transactions in currencies other than the functional currency (foreign currencies) are recognised 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

(f) 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 before tax" as reported in the statement of profit or loss and other comprehensive income because it exclude items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(f) Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary 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 the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 rates (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 Company 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 profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(g) Financial assets

The Company has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's following accounting policy. The accounting policies after adoption of HKFRS 9 from 1 April 2018 are detailed in note 2(b).

Accounting policies applied until 31 March 2018

Classification

Until 31 March 2018, the Company classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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. The Company's loans and receivables comprise of "amounts due from related companies" (Note 14) and "cash and cash equivalents" (Note 15) in the statement of financial position.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(g) Financial assets (Continued)

Recognition and measurement

Regular 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.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there 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 legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

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.

(h) Impairment of financial assets

The Company has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's following accounting policy. The accounting policies after adoption of HKFRS 9 from 1 April 2018 are detailed in note 2(b).

Assets carried at amortised cost

Until 31 March 2018, the Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. 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.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(i) 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.

(j) 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.

(k) 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.

(l) 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.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

(m) 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.

(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.

(n) 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.

(o) Borrowing costs

Borrowing costs are accounted for on the accrual basis and charged to the income statement 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

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.

(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.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Liquidity risk (Continued)

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.

	Within 1 year or on demand US\$
At 31 March 2019	
Creditors	5,095,932
Amount due to ultimate holding company	16,488,297
Loan from a fellow subsidiary	14,000,000
Bank borrowings	<u>3,621,079</u>
At 31 March 2018	
Creditors	40,557
Amount due to ultimate holding company	29,724,261
Loan from a fellow subsidiary	14,000,000
Bank borrowings	<u>1,555,668</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 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 risk of causing a material adjustment to the carrying amounts of assets and liabilities are as follow:

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

4 Critical accounting estimates and judgements (Continued)

Income taxes

Significant judgement is required in determining the provision for income tax. There are many transactions and calculations for which the ultimate determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact the income tax and deferred tax provision in the period in which such determination is made.

5 Revenue

Revenue recognised during the year is as follows:

	2019 US\$	2018 US\$
Sales of goods	356,851,434	336,544,226
Commission income	785,691	1,063,564
	<u>357,637,125</u>	<u>337,607,790</u>

6 Other income

	2019 US\$	2018 US\$
Interest income from bank deposit	2,057	236
Interest income from a fellow subsidiary	46,241	54,422
Management fee income from ultimate holding company	892,219	423,227
Waiver of commission payables	311,452	-
Tariff refund	133,204	-
Reversal of provisions made in prior years	186,930	-
	<u>1,572,103</u>	<u>477,885</u>

7 Finance costs

	2019 US\$	2018 US\$
Interest on bank borrowings	69,434	117,701

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

8 Profit before taxation

Profit before taxation has been arrived at after charging:

	2019 US\$	2018 US\$
Auditor's remuneration – audit services	36,093	36,286
Depreciation on property, plant and equipment	10,327	10,040
Operating lease payments on rented premises	87,090	116,356
Staff costs		
- Salaries and other allowances	1,094,319	623,106
- Contributions to defined contribution retirement benefit schemes	11,131	9,693
	<u>11,131</u>	<u>9,693</u>

9 Taxation

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year.

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

	2019 US\$	2018 US\$
Hong Kong profits tax		
- Current year	698,966	671,357
- Over-provision in prior year	(36,094)	(517,140)
	<u>662,872</u>	<u>154,217</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:

	2019 US\$	2018 US\$
Profit before taxation	4,236,157	4,068,831
Calculated at taxation rate of 16.5% (2018: 16.5%)	698,966	671,357
Income not subject to taxation	(339)	(1,725)
Expenses not deductible for taxation purpose	1,041	-
Temporary difference not recognised	(702)	1,725
Over-provision in prior year	(36,094)	(517,141)
Taxation	<u>662,872</u>	<u>154,217</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:

- (a) 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 (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil).

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

10 Benefits and interests of directors (Continued)

- (b) There are no loans, quasi-loans or other dealings in favour of directors, their controlled bodies corporate and connected entities (2018: None).
- (c) 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 (2017: Nil).
- (d) The directors of the Company received emoluments from the intermediate holding company amounting to Nil (2017: 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.

11 Property, plant and equipment

	Furniture and fixtures US\$	Office equipment US\$	Total US\$
At 1 April 2017			
Cost	62,359	9,333	71,692
Accumulated depreciation	(59,393)	(9,333)	(68,726)
	<u>2,966</u>	<u>-</u>	<u>2,966</u>
Year ended 31 March 2018			
Opening net book amount	2,966	-	2,966
Additions	21,332	9,489	30,821
Depreciation charge	(7,942)	(2,098)	(10,040)
Closing net book amount	<u>16,356</u>	<u>7,391</u>	<u>23,747</u>
At 31 March 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)
Closing net book amount	<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>

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

12 Accounts receivable, deposits and prepayments

	2019 US\$	2018 US\$
Trade debtors	45,208,807	30,532,634
Deposits and prepayments	131,413	94,629
	<u>45,340,220</u>	<u>30,627,263</u>

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 2019 was determined using the forward looking expected credit loss method, resulting in the expected loss rate below:

	2019 US\$
Within 30 days	0%
31 - 90 days	-
Over 90 days	-

The trade receivables and deposits do not contain impaired asset.

In the prior year, the impairment of the trade receivable was assessed based on the incurred loss model. The results of the adopted new impairment model as of 1 April 2018 have not resulted in material impact on the carrying amount of the impairment of trade receivable.

13 Amounts due from fellow subsidiaries 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.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

17 Bank borrowings

Bank borrowings, comprising discounted bills, are unsecured and carry interest rates at prevailing market rate. The borrowings are repayable within one year.

18 Accounts payable and accruals

	2019 US\$	2018 US\$
Trade creditor	4,538,438	-
Other creditors	557,494	40,557
Accruals	3,568,785	3,166,873
	<u>8,664,717</u>	<u>3,207,430</u>

19 Share capital

	2019 US\$	2018 US\$
Issued and fully paid:		
8,879,211 shares	<u>1,140,668</u>	<u>1,140,668</u>

20 Operating lease commitments

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2019 US\$	2018 US\$
Within one year	<u>-</u>	<u>31,148</u>

Operating lease payments represent rentals payable by the Company for certain of its office premises and staff quarters. Leases are negotiated for terms of one to three years (2018: one to three years) and rentals are fixed over the respective leases.

TS ASIA (HONG KONG) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

21 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:

	2019 US\$	2018 US\$
Management fee income from ultimate holding company (note a)	892,219	423,227
Sales of goods from a fellow subsidiary (note b)	10,519,474	19,580,298
Interest income from a fellow subsidiary (note 15)	46,241	54,442
Commission income from a fellow subsidiary (note a)	785,691	1,063,564
Purchases from ultimate holding company (note c)	(329,954,390)	(312,774,490)
Address commission on freight from ultimate holding company (note d)	(16,803)	(21,677)
Freight charges from fellow subsidiaries (note d)	(239,707)	(2,869,527)
	<u> </u>	<u> </u>

Notes:

- (a) Management fee income, commission income and market development fee 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.