TATA STEEL INTERNATIONAL (ASIA) LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2019

TATA STEEL INTERNATIONAL (ASIA) LIMITED

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements of Tata Steel International (Asia) Limited (the "Company") for the year ended 31 March 2019.

Principal activity

The principal activity of the Company is to provide sales, purchasing and marketing services for iron and steel products.

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

Results and appropriations

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

Particulars of dividend paid during the year are set out in the note 10 to the financial statements.

Business review

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

Directors

The directors who held the office in the Company during the year and up to the date of this report are:

Sarah Lai Chun Law	
Arnoldus Joannes Theodorus Antonius Bolten	
Philip Leslie Hancox	(resigned on 1 June 2018)

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

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

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

Directors' rights to acquire shares or debentures

At 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

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

Auditor

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

On behalf of the Board

Arnoldus Joannes Theodorus Antonius Bolten
Director

Hong Kong, 7 May 2019

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

Opinion

What we have audited

The financial statements of Tata Steel International (Asia) Limited (the "Company") set out on pages 7 to 28, which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- 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 ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We 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.

Other matter

The comparative information as at and for the year ended 31 March 2018 has not been audited.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBER OF TATA STEEL INTERNATIONAL (ASIA) LIMITED (CONTINUED)
(incorporated in Hong Kong with limited liability)

Emphasis of matter

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

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 of the Company 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 TATA STEEL INTERNATIONAL (ASIA) 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 TATA STEEL INTERNATIONAL (ASIA) 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.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 7 May 2019

TATA STEEL INTERNATIONAL (ASIA) LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

	Notes	2019 HK$	2018 HK$ (unaudited)
Revenue	5	276,442,602	134,439,195
Cost of sales		(268,066,473)	(125,155,631)
Gross profit		8,376,129	9,283,564
Other income	6	17,425,071	23,880,573
Other (losses)/gains	7	(2,366,036)	8,633,873
Selling and marketing expenses		(1,240,079)	(5,535,427)
Administrative expenses		(16,391,927)	(9,323,302)
Profit before taxation	8	5,803,158	26,939,281
Taxation	9	(156,347)	(190,298)
Profit for the year		5,646,811	26,748,983

The notes on pages 11 to 28 are integral part of these financial statements.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2019

	Notes	2019 HK$	2018 HK$ (unaudited)
Non-current assets			
Property, plant and equipment	11	-	-
Deferred tax assets	12	-	-
		-	-
Current assets			
Investment in a subsidiary	13	-	2,400,000
Other receivables		-	257,272
Loan to an intermediate holding company	14	-	117,204,472
Amounts due from fellow subsidiaries	14	-	357,305
Amount due from an intermediate holding company	14	-	215,527,507
Short-term bank deposits with original maturity of more than three months	15	-	26,617,321
Cash and cash equivalents	15	7,094,424	278,544,938
		7,094,424	640,908,815
Current liabilities			
Other payables and accruals		-	10,651,086
Amounts due to a subsidiary	14	-	5,546,022
Amounts due to fellow subsidiaries	14	-	93,146,289
		-	109,343,397
Net current assets		7,094,424	531,565,418
Net assets		7,094,424	531,565,418
Capital and reserves			
Share capital	16	1,000	1,000
Retained profits		7,093,424	531,564,418
Total equity		7,094,424	531,565,418

The notes on pages 11 to 28 are integral part of these financial statements.

The financial statements on pages 7 to 28 were approved by the Board of Directors on 7 May 2019 and were signed on its behalf by:

....
Arnoldus Joannes Theodorus Antonius Bolten
Director

....
Sarah Lai Chun Law
Director

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

	Share capital HK$	Retained profits HK$	Total HK$
Balance at 1 April 2017 (unaudited)	1,000	645,569,635	645,570,635
Profit for the year	-	26,748,983	26,748,983
Dividend paid (Note 10)		(140,754,200)	(140,754,200)
Balance at 31 March 2018 and 1 April 2018 (unaudited)	1,000	531,564,418	531,565,418
Profit for the year	-	5,646,811	5,646,811
Dividend paid (Note 10)	-	(530,117,805)	(530,117,805)
Balance at 31 March 2019	1,000	7,093,424	7,094,424

The notes on pages 11 to 28 are integral part of these financial statements.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019

	2019 HK$	2018 HK$ (unaudited)
Cash flows from operating activities		
Profit before taxation	5,803,158	26,939,281
Gain on disposal of a subsidiary	(3,967,972)	-
Dividend income	(3,160,860)	-
Depreciation of property, plant and equipment	-	97,289
Interest income	(1,810,439)	(5,881,120)
Write off of property, plant and equipment	-	248,280
Impairment loss on amount due from immediate holding company	9,833,664	-
Reversal of provision for impairment of trade receivables	-	(448,550)
Operating profit before changes in working capital	6,697,551	20,955,180
Decrease in trade and other receivables	257,272	5,545,812
Decrease in amounts due from fellow subsidiaries	357,305	2,025,431
Decrease in other payables and accruals	(10,651,086)	(16,424,286)
(Decrease)/increase in amount due to a subsidiary	(5,546,022)	1,856,821
(Decrease)/increase in amounts due to fellow subsidiaries	(93,146,289)	18,377,164
Cash (used in)/generated from operations	(102,031,269)	32,336,122
Current income tax paid	-	-
Withholding tax paid	(156,347)	-
Net cash (used in)/generated from operating activities	(102,187,616)	32,336,122
Cash flows from investing activities		
Interest received	1,810,439	5,881,120
Decrease in loan to an intermediate holding company	117,204,472	77,105,471
Decrease in amount due from an intermediate holding company	205,693,842	240,729,094
Dividend income from a subsidiary	3,160,860	-
Decrease in short-term deposits with original maturity of more than three months	26,617,321	37,836,824
Net cash generated from investing activities	354,486,934	361,552,509
Cash flows from financing activity		
Dividend paid	(523,749,832)	(140,754,200)
Net cash used in financing activity	(523, 749,832)	(140,754,200)
Net (decrease)/increase in cash and cash equivalents	(271,450,514)	253,134,431
Cash and cash equivalents at the beginning of the year	278,544,938	25,410,507
Cash and cash equivalents at the end of the year	7,094,424	278,544,938

The notes on pages 11 to 28 are integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

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

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

The Company is a limited liability company incorporated in Hong Kong. The address of the registered office and principal place of business of the Company is Unit 15-055, Level 15, Langham Place, 8 Argyle Street, Mongkok, Kowloon, Hong Kong.

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

2 Basis of preparation and summary of significant accounting policies

(a) Basis of preparation

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

The management of the Company intended to liquidate the remaining assets of the Company subsequent to the end of the reporting period, subject to approval from the Company's shareholders. As a result, the financial statements for the year ended 31 March 2019 have been prepared on a break-up basis. All assets have been written down to their recoverable amounts and additional liabilities that may crystallise in winding up have been recognised in the financial statements in order to reflect the fact that the Company is required to realise its assets or to extinguish its liabilities other than in the normal course of business.

No consolidated financial statements have been prepared for the Company as the subsidiary was disposed during the year. For comparative figures, references are made to the audited consolidated financial statements for the year ended 31 March 2018.

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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2 Basis of preparation and summary of significant accounting policies (Continued)

(b) Changes in accounting policy and disclosures

(i) Amendments adopted by the Company

The Company has adopted all amendments issued by the HKICPA that are relevant to the Company's operations and mandatory for annual accounting periods beginning 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers

The impact of the adoption of these standards and the new accounting policies are disclosed as below. The other standards effective for the financial year ended 31 March 2019 do not have a material impact on the Company.

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.

2 Basis of preparation and summary of significant accounting policies (Continued)

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

(i) Amendments adopted by the Company (Continued)

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.

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.

2 Basis of preparation and summary of significant accounting policies (Continued)

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

(i) Amendments adopted by the Company (Continued)

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.

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

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

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1st January 2019
Amendments to HKFRS 9	Prepayment Features with Negative Compensation	1st January 2019
Annual Improvements Project	Annual Improvements 2015-2017 Cycle	1st January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019
HKAS 1 (amendment) and HKAS 8 (amendment)	Definition of material	1st January 2020
HKFRS 3 (amendment)	Definition of business	1st January 2020
HKFRS 17	Insurance Contracts	1st January 2021
HKFRS 10 (amendment) and HKAS 28 (amendment)	Sale or contribution of assets between and investor and its associate or joint venture	To be determined

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.

2 Basis of preparation and summary of significant accounting policies (Continued)

(c) 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' goods.

Management fee and service income are 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.

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

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

(e) Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in statement of comprehensive income in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purposes of presenting the financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

2 Basis of preparation and summary of significant accounting policies (Continued)

(f) Retirement benefit costs

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

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the comprehensive income because 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.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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 statement of comprehensive income, except when they relate to items that are also recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

2 Basis of preparation and summary of significant accounting policies (Continued)

(h) Impairment losses on tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

(i) 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).

<u>Accounting policies applied until 31 March 2018</u>

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.

2 Basis of preparation and summary of significant accounting policies (Continued)

(i) 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.

(j) 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.

2 Basis of preparation and summary of significant accounting policies (Continued)

(k) Provisions

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

(l) Investment in a subsidiary

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

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

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

(a) Market risk

(i) Interest rate risk

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

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

At 31 March 2019, if interest rates had been 50 basis points higher/lower and all other variables were held constant, there would be no material impact on the Company's profit for the year ended 31 March 2019 (2018: would increase/decrease by HK$1,548,504). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank balances.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Currency risk

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

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

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

	2019 HK$	2018 HK$ (unaudited)
Assets		
British Pound	-	28,985,013
Euro	-	28,764,054
United States dollars	4,410	548,680,787
Liabilities		
United States dollars	-	93,146,289

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

For a 5% weakening/strengthening of British Pound and Euro against the relevant functional currency of the Company and all other variables were held constant, there would be no impact on the Company's profit for the year ended 31 March 2019 (2018:profit would decrease/increase by HK$1,449,251 and HK$1,438,203 accordingly).

(b) Credit risk

The Company is exposed to credit risk on trade and other receivables, amounts due from Company companies, and deposits with banks. The carrying amounts of these balances represent the Company's maximum exposure to credit risk as at 31 March 2018 and 2019. The exposures to these credit risks are closely monitored on an ongoing basis by management. Deposits with banks are mainly placed with high-credit-quality financial institutions. The Company carries out regular review on minimising exposures to credit risk.

3 Financial risk management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

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

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

As 31 March 2019, there were no financial liabilities.

	Within 1 year or on demand
At 31 March 2018 (unaudited)	HK$
Other payables and accruals	10,651,086
Amounts due to a subsidiary	5,546,022
Amounts due to fellow subsidiaries	93,146,289

3.2 Capital management

The management of the Company intended to liquidate the remaining assets of the Company subsequent to the end of the reporting period, subject to approval from the Company's shareholders. As a result, the financial statements for the year ended 31 March 2019 have been prepared on a break-up basis. All assets have been written down to their recoverable amounts and additional liabilities that may crystallise in winding up have been recognised in the financial statements in order to reflect the fact that the Company is required to realise its assets or to extinguish its liabilities other than in the normal course of business.

3.3 Fair value estimation

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

4 Critical accounting estimates and judgements

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

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

Recoverable amount of assets and additional liabilities that may crystallise

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

5 Revenue

Revenue recognised during the year are as follows:

	2019 HK$	2018 HK$ (unaudited)
Income from sale of goods	276,442,602	130,130,261
Agency commission income	-	5,308,934
	276,442,602	135,439,195

6 Other income

	2019 HK$	2018 HK$ (unaudited)
Service fee income	1,538,894	5,453,726
Interest income from bank deposits	899,752	1,070,670
Interest income from an intermediate holding company	910,687	4,810,449
Dividend income from a subsidiary	3,160,860	-
Gain on disposal of a subsidiary	3,967,972	-
Reversal of provisions made in prior years	6,939,010	12,545,466
Miscellaneous income	7,896	262
	17,425,071	23,880,573

7 Other (losses)/gains

	2019 HK$	2018 HK$ (unaudited)
Net foreign exchange (losses)/gains	(2,366,036)	8,633,873

8 Profit before taxation

Profit before taxation is stated after charging the following:

	2019 HK$	2018 HK$ (unaudited)
Auditors' remuneration (Note)	-	20,062
Depreciation (note 11)	-	97,289
Loss on realisation of property, plant and equipment	-	248,280
Operating lease in respect of land and buildings	528,268	1,333,791
Impairment loss on amount due from immediate holding company	9,833,664	-
Provision for bad and doubtful debts	-	141,450
Staff costs		
- salaries and other benefits	2,195,789	3,584,999
- contributions to retirement benefits scheme	198,619	268,038
Directors' remuneration		
- fees	-	-
- other emoluments	1,812,105	1,338,502
- contributions to retirement benefits scheme	210,425	187,390

Note: The auditors' remuneration for audit services amounting to HK$60,000 was borne by immediate holding company.

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. Taxation on Mainland China profit has been calculated on the estimated taxable profit for the year at 25% (2018: 25%).

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

	2019 HK$	2018 HK$ (unaudited)
Deferred taxation (Note 12)	-	190,298

9 Taxation (Continued)

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

	2019 HK$	2018 HK$ (unaudited)
Profit before taxation	5,803,158	26,939,281
Calculated at a taxation rate of 16.5% (2018: 16.5%)	957,521	4,444,981
Income not subject to taxation	(1,561,072)	(3,959,039)
Expenses not deductible for tax purposes	2,396,095	-
Temporary difference not recognised	-	52,160
Reversal of previously unrecognised temporary difference	-	(97,350)
Utilisation of previously unrecognized tax losses	(1,792,544)	(440,752)
Reversal of previously recognised temporary difference	-	190,298
Withholding tax paid	156,347	-
Taxation	156,347	190,298

Deferred tax assets are recognised for tax losses to the extent that realisation of the related tax benefits through the future taxable profits is probable. The Company has unrecognised tax losses of approximately HK$5,348,131 (2018: HK$16,212,034) to carry forward against future taxable income. The unrecognised tax losses have yet to be agreed with the Hong Kong Inland Revenue Department but once agreed, these have no expiry dates.

10 Dividends

	2019 HK$	2018 HK$ (unaudited)
2019 first interim dividend of USD200,000 per share (2018: USD80,000 per share)	157,000,000	62,557,000
2019 second interim dividend of USD260,000 per share (2018: USD100,000 per share)	204,100,000	78,197,200
2019 third interim dividend of USD208,000 per share (2018: NIL)	163,280,000	-
2019 fourth interim dividend of USD7,860 per share (2018: NIL)	5,737,805	-
	530,117,805	140,754,200

11 Property, plant and equipment

	Office equipment HK$	Leasehold improvements HK$	Total HK$
Year ended 31 March 2018 (unaudited)			
Opening net book amount	77,833	267,736	345,569
Depreciation charge	(77,833)	(19,456)	(97,289)
Written-off (Note)	-	(248,280)	(248,280)
Closing net book amount	-	-	-
At 31 March 2018 (unaudited)			
Cost	723,341	444,810	1,168,151
Accumulated depreciation	(723,341)	(444,810)	(1,168,151)
	-	-	-
Year ended 31 March 2019			
Opening net book amount & Closing net book amount	-	-	-
At 31 March 2019			
Cost	-	-	-
Accumulated depreciation	-	-	-

Note: The amount represents loss on realisation of property, plant and equipment (Note 8).

12 Deferred taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% for the year ended 31 March 2019 (2018: 16.5%).

The movement in the deferred tax assets is as follows:

	Accelerated tax depreciation HK$	Provisions HK$	Total HK$
At 31 March 2017 (unaudited)	21,227	169,071	190,298
Charged to statement of comprehensive income	(21,227)	(169,071)	(190,298)
At 31 March 2018 (unaudited)	-	-	-
Charged to statement of comprehensive income	-	-	-
At 31 March 2019	-	-	-

13 Investment in a subsidiary

	2019 HK$	2018 HK$ (unaudited)
Investment in a subsidiary	-	2,400,000

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

Name	Place of incorporation	Interest held 2019	Interest held 2018	Particulars of issued share capital/registered capital	Principal activities
Tata Steel International (Shanghai) Limited	Mainland China	NIL	100%	RMB4,881,203	Sales, purchasing and marketing services for iron and steel products

14 Amounts due from/to group companies

As at 31 March 2019, there was no amount due from/to group companies. As at 31 March 2018 (unaudited), the amounts due from/to group companies are unsecured, non-interest bearing and repayable on demand, except for the loan to an intermediate holding company which carries interests at 2.04% per annum and amount due from an intermediate holding company carries interests ranging from 0.03% to 0.5% per annum.

15 Cash and cash equivalents and short-term bank deposits

	2019 HK$	2018 HK$ (unaudited)
Bank balances and cash	7,094,424	238,827,600
Short-term bank deposits with original maturity of less than three months	-	39,717,338
Cash and cash equivalents	7,094,424	278,544,938
Short-term bank deposits with original maturity of more than three months	-	26,617,321
Total	7,094,424	305,162,259

16 Share capital

	2019 HK$	2018 HK$ (unaudited)
Issued and fully paid:		
100 shares	1,000	1,000

17 Commitments under operating leases

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

	2019 HK$	2018 HK$ (unaudited)
Within one year	17,500	150,036
In the second to fifth year inclusive	-	-
	17,500	150,036

18 Major non-cash transaction

During the year ended 31 March 2019, dividend of USD814,100 was settled through the outstanding considerable receivable related to a disposed subsidiary from immediate holding company.

19 Related party transactions

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

	2019 HK$	2018 HK$ (unaudited)
Agency commission income from fellow subsidiaries (Note a)	-	1,931,223
Service fee income from fellow subsidiaries (Note a)	1,538,894	5,443,989
Interest income from an intermediate holding company (Note 6 & 14)	910,687	4,810,449
Dividend income from a subsidiary (Note 6)	3,160,860	-
Gain from disposal of a subsidiary to immediate holding company (Note e)	3,967,972	-
Management fee to a subsidiary (Note c)	(1,210,778)	(5,448,659)
Purchases of goods from fellow subsidiaries (Note b)	(268,066,473)	(127,193,822)

Notes:

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

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

(c) Management fee were charged in accordance with the terms agreed between the parties involved.

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

(e) The subsidiary was sold to immediate holding company at a consideration of US$814,100 (equivalent to HK$6,367,972) in accordance with the share transfer agreement, resulting in the gain from disposal of HK$3,160,860.