



上海华皓会计师事务所  
Shanghai Well C.P.A. Partnership

报告书

REPORT





上海华皓会计师事务所  
Shanghai Well C.P.A. Partnership

地址: 上海市黄浦区汉口路300号20楼(解放日报大厦) 总机: 021-63687866/63687868 传真: 021-63687832

## Auditor's Report

HHSC(2017) No. 54

### To the Shareholders of Tata Steel International (Shanghai) Limited

We have audited the accompanying financial statements of Tata Steel International (Shanghai) Limited (hereinafter referred to as the "Company") including the Balance Sheet as at December 31, 2016 and the Income Statement, Cash Flow Statement and Statement of Changes in Owner's Equity for the year then ended as well as the notes to these financial statements.

#### I. Management's Responsibility for the Financial Statements

It is the responsibility of the Company's management to prepare and fairly present these financial statements. This includes (1) preparing these financial statements in accordance with the Accounting Standards for Business Enterprises and the *Accounting System for Business Enterprises*; and (2) designing, implementing and maintaining the necessary internal control to avoid any material misstatement present in these financial statements due to frauds or mistakes.

#### II. Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the *Auditing Standards for China Certified Public Accountants*. Those standards require that we comply with the professional ethical requirements for China certified public accountants, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of the audit procedure depends on the discretion of the certified public accountant including the assessment on the risk of material misstatement present in the financial statements due to frauds or mistakes. In making those risk assessments, the auditors consider the internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. An audit also includes assessing the adequacy of accounting principles used and the rationality of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

### **III. Audit Opinion**

In our opinion, the financial statements of the Company have been prepared in accordance with the Accounting Standards for Business Enterprises and the *Accounting System for Business Enterprises* in all material respects, and present fairly the financial position of the Company as at December 31, 2016 and the results of its operations and cash flow for the year then ended.

#### **Encl.:**

1. Balance Sheet of the Company as at December 31, 2016;
2. Income Statement of the Company for the year ended December 31, 2016;
3. Cash Flow Statement of the Company for the year ended December 31, 2016;
4. Statement of Changes in Owner's Equity of the Company for the year ended December 31, 2016;
5. Notes to the Financial Statements of the Company for the year ended December 31, 2016;
6. Statement of Adjustments to Taxable Amount of Income of the Company for the year ended December 31, 2016.

**Shanghai Well C.P.A. Partnership** China Certified Public Accountant: **Cheng Hao**  
*(Special General Partnership)*

China Certified Public Accountant: **Chen Ying**

**Shanghai, China**

**March 2, 2017**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]



# Balance Sheet

Company Name: Tata Steel International (Shanghai) Limited as at December 31, 2016  
 Currency Unit: CNY

Row	Item	Ending Balance	Beginning Balance	Item	Ending Balance	Beginning Balance	Row
1	<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>			72
2	Cash & Cash Equivalents	1,570,839.60	3,449,116.39	Short-term Loan			73
3	△ Balances with clearing companies			△ Borrowing from the Central Bank			74
4	△ Placements with banks and other financial institutions			△ Due to customers and due from banks			75
5	Financial assets at fair value through profit or loss			△ Placements from banks and other financial institutions			76
6	Derivative financial assets			Financial liability at fair value through profit or loss			77
7	Notes Receivable			Derivative financial liabilities			78
8	Accounts Receivable	137,394.39	4,090.97	Notes payable		1,004,846.37	79
9	Advances to suppliers			Accounts Payable			80
10	△ Premium receivables			Advances from customers			81
11	△ Receivables from reinsurers			△ Debt securities sold under repurchase agreements			82
12	△ Reinsurance contract reserve receivable			△ Handling charges and commission payable			83
13	Interest receivable			Employee Benefits Payable			84
14	Dividends receivable			Including: Accrued wages			85
15	Other Receivables	8,476,117.09	5,052,403.07	Accrued welfare expenses			86
16	△ Debt securities purchased under resale agreements			Including: Staff's bonus & welfare fund			87
17	Inventories	70,265.26	556,388.17	Tax Payable		75,084.95	88
18	Including: Raw materials			Including: Tax payable		75,084.95	89
19	Commodity stocks	70,265.26	556,388.17	Interest payable		20,235.94	90
20	Classified as available for sale assets			Dividends payable			91
21	Non-current assets due within 1 year			Other Payables		633,917.06	92
22	Other current assets	31,093.81	32,350.00	△ Due to reinsurers			93
23	<b>Total Current Assets</b>	<b>8,265,680.75</b>	<b>9,094,359.20</b>	△ Insurance contract reserve			94
24				△ Customer deposits			95
25	<b>NON-CURRENT ASSETS:</b>			△ Underwriting proceeds payables			96
26	△ Loans and receivables			Classified as available for sale liability			97
27	Available-for-sale financial assets			Non-current liabilities due within 1 year			98
28	Held-to-maturity investments			Other current liabilities		708,702.01	99
29	Long-term receivables			<b>Total Current Liabilities</b>			100
30	Long-term equity investments			<b>NON-CURRENT LIABILITIES:</b>			101
31	Investment properties	124,652.86	147,443.20	Long-term Loans			102
32	Original value of fixed assets	65,364.16	92,756.20	Bonds payable			103
33	Less: Accumulated depreciation	39,268.70	54,687.09	Long-term payables			104
34	Net value of fixed assets			Specific payables			105
35	Less: Provision for impairment of fixed assets	59,268.70	54,687.09	Estimated liabilities			106
36	Construction in Progress			Deferred income			107
37	Construction supplies			Deferred tax liabilities			108
38	Disposal of Fixed Assets			Other non-current liabilities			109
39	Productive biological assets			Including: Special reserve fund			110
40	Oil and gas assets			<b>Total Non-Current Liabilities</b>			111
41	Intangible Assets			<b>Total Liabilities</b>		708,702.01	112
42	R&D expenses			<b>OWNER'S SHAREHOLDER'S EQUITY</b>			113
43	Goodwill			Paid-in capital/capital stock			114
44	Long-term Prepaid Expenses	5,389.04	37,722.32	State-owned capital		4,881,202.70	115
45	Deferred tax assets			Including: State-owned corporate capital			116
46	Other non-current assets			Collective capital			117
47	Including: Special reserve materials			Private capital			118
48	<b>Total Non-Current Assets</b>	<b>84,657.74</b>	<b>92,409.41</b>	Including: Individual capital			119
49				Foreign capital		4,881,202.70	120
50				# Less: Returned investment			121
51				Net Paid-in capital/capital stock		4,881,202.70	122
52				Other equity instruments			123
53				Including: Preferred stock			124
54				Perpetual capital securities			125
55				Capital Reserve		60,000.00	126
56				Less: Treasury stock			127
57				Other comprehensive income			128
58				Including: Foreign currency translated reserves			129
59				Special reserve			130
60				Surplus Reserve		200,864.16	131
61				Including: Statutory surplus reserve			132
62				Discretionary surplus reserve			133
63				# Reserve funds			134
64				# Enterprise expansion funds			135
65				# Profits capitalized on return of investment			136
66				△ General risk provision			137
67				Undistributed Profits		2,439,409.02	138
68				Total equity attributable to owners of the parent company		7,841,638.48	139
69				* Minority interests			140
70	<b>Total Assets</b>	<b>8,350,338.49</b>	<b>9,186,768.61</b>	<b>Total Owner's Equity</b>		7,841,638.48	141
71				<b>Total Liabilities &amp; Owner's Equity</b>		8,350,338.49	142



# Income Statement

CKNQ Form 02  
Currency Unit: CNY

for the year ended December 31, 2016

Company Name: Tata Steel International (Shanghai) Limited

Item	Row	2016	2015	Item	Row	2016	2015
<b>I. Total operating income</b>	1	6,915,252.37	6,948,900.71		31		
Including: Operating income	2	6,915,252.37	6,948,900.71	Including: Gain from disposal of non-current assets	32		
△Interest income	3			Gains from exchange of non-monetary assets	33		
△Premiums earned	4			Governmental subsidy	34		
△Handling charges and commission income	5			Gain from debt restructuring	35	5,844.50	811.40
<b>II. Total operating costs</b>	6	6,847,972.90	6,845,197.54	Less: Non-operating expenses	36	5,844.50	811.40
Including: Operating cost	7	2,657,843.85	2,102,139.90	Including: Loss from disposal of non-current assets	37		
△Interest expense	8			Loss from exchange of non-monetary assets	38		
△Handling charges and commission expenditure	9			Loss from debt restructuring	39	66,807.30	194,281.69
△Payments on surrenders	10			<b>IV. Total Profits (loss carried with "-")</b>	40	159,981.96	74,765.86
△Net compensation expenses	11			Less: Income tax	41	-93,174.66	119,515.83
△Net transfer to insurance contract reserve	12			<b>V. Net Profit (net loss carried with "-")</b>	42		
△Policyholder dividends	13			Net profit attributable to owners of the parent company	43		
△Expenses for reinsurance accepted	14			*Minority interests	44		
Taxes and Additions of Operations	15	32,842.93	29,243.64	<b>VII. Other comprehensive income</b>	45		
Sales expenses	16	275,659.93	173,186.20	(-) Other comprehensive income cannot reclassified into the profit and loss	46		
Administration Expenses	17	3,840,245.71	4,560,611.86	1. Remeasure the variation of net indebtedness or net asset of defined benefit plans	47		
Including: R&D cost	18			2. Share in other comprehensive income that cannot be classified into profit and loss under equity method	48		
Financial Expenses	19	41,380.48	-19,984.06	(-) Other comprehensive income that will be reclassified into the profit and loss	49		
Including: Interest expense	20			1. Share in other comprehensive income that will be classified into profit and loss under equity method	50		
Interest income	21	6,442.34	6,643.16	2. Changes in fair value through profit and loss of available-for-sale financial assets	51		
Net exchange loss (Net exchange gains carried with "-")	22	39,238.97	-20,625.66	3. Held-to-maturity investment reclassified into available-for sale financial assets	52		
Loss of impairment of assets	23			4. Effective part of cash-flow hedge profit and loss	53		
Other	24			5. Balance arising from the translation of foreign currency financial statements	54	-93,174.66	119,515.83
Plus: Gains on the changes in fair value (loss carried with "-")	25			<b>VIII. Total Comprehensive Income</b>	55		
Investment income (loss carried with "-")	26			Total comprehensive income attributable to owners of the parent company	56		
Including: Income from investment in associates and joint ventures	27			*Total comprehensive income attributable to minority	57		
△Exchange gains (loss carried with "-")	28			<b>VI. Earnings per share</b>	58		
<b>III. Operating profit (loss carried with "-")</b>	29	67,279.47	103,703.17	Basic earnings per share	59		
Plus: Non-operating income	30	5,372.33	91,389.92	Diluted earnings per share			

Note: Items prefixed with △ are used by financial enterprises only.

# Cash Flow Statement

Company Name: Tata Steel International (Shanghai) Limited for the year ended December 31, 2016

CKNQ Form 03  
Currency Unit: CNY

Item	Row	2016	2015	Item	Row	2016	2015
<b>I. Cash Flows from Operating Activities</b>							
Cash received from sale of goods or rendering of services	1	—	—	Net cash received from disposal of fixed assets, intangible assets & other long-term assets	30	150.00	
△Net increase of deposits from customers and other banks	2	6,046,935.96	4,024,338.44	Net cash received from disposal of subsidiaries and other business units	31		
△Net increase of borrowings from central bank	3			Other cash received relating to investing activities	32		
△Net increase of loans from other financial institutions	4			<b>Subtotal cash inflow of investing activities</b>	33	150.00	
△Cash received from receiving insurance premium of original insurance contract	5			Cash paid to acquire fixed assets, intangible assets & other long-term assets	34	22,517.20	30,196.87
△Net cash received from reinsurance business	6			Cash paid for investment	35		
△Net increase of policy holder deposits and investment funds	7			△Net increase of pledge loans	36		
△Net increase of disposal of trading financial assets	8			Net cash paid by subsidiaries and other business units	37		
△Cash received from interests, handling charges and commissions	9			Other cash paid relating to investing activities	38		
△Net increase of placements from banks and other financial institutions	10			<b>Subtotal cash outflow of investing activities</b>	39	22,517.20	30,196.87
△Net capital increase of repurchase business	11			<b>Net cash flows from investing activities</b>	40	-22,367.20	-30,196.87
Return of tax payment	12	35,307.69	5,067.07	<b>III. Cash Flows from Financing Activities</b>	41	—	—
Other cash received relating to operating activities	13	62,804.67	5,913,205.16	Cash received from capital contributions	42		
<b>Subtotal cash inflow of operating activities</b>	14	6,145,048.32	9,942,610.67	Including: Cash received by subsidiaries from capital contributions made by minority	43		
Cash paid for goods purchased and services accepted	15	3,547,882.83	1,909,474.39	Cash received from borrowings	44		
△Net increase in loans of and advances for customers	16			△Cash received from issuing debentures	45		
△Net increase of deposits in central bank and other banks	17			Other cash received relating to financing activities	46		
△Cash paid for indemnity of original insurance contract	18			<b>Subtotal cash inflow of financing activities</b>	47		
△Cash paid for interests, handling charges and commissions	19			Cash paid for repayment debts	48		
△Cash paid for policyholder dividends	20			Cash paid for distribution of dividends or profits, or interest repayment	49		
Cash paid to and on behalf of staff	21	2,463,134.29	2,143,051.26	Including: dividends and profits paid by subsidiaries to minority	50		
Payments of various taxes	22	296,391.53	300,990.16	Other cash paid relating to financing activities	51		
Other cash paid relating to operating activities	23	1,654,310.29	2,612,753.01	<b>Subtotal cash outflow of financing activities</b>	52		
<b>Subtotal cash outflow of operating activities</b>	24	7,961,718.94	6,966,268.82	<b>Net cash flows from financing activities</b>	53		
<b>Net cash flow from operating activities</b>	25	-1,816,670.62	2,976,341.85	<b>IV. Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	54	-39,238.97	20,625.66
<b>Net cash flow from investing activities</b>	26			<b>V. Net Increase in Cash &amp; Cash Equivalents</b>	55	-1,878,276.79	2,966,770.64
<b>Net cash flow from financing activities</b>	27			<b>Plus: Beginning balance of cash &amp; cash equivalents</b>	56	3,449,116.39	482,345.75
<b>Net cash flow from operating activities</b>	28			<b>VI. Ending Balance of Cash &amp; Cash Equivalents</b>	57	1,570,839.60	3,449,116.39
Cash received from investment recovered	29				58		
Cash received from investment income							

Note: Items prefixed with △ are used by financial enterprises only.



# Statement of Changes in Owner's Equity

CKNG Form 04  
Cuzapacu, Unit, CNY

Item	Row	Equity attributable to owners of the parent company										Minority Interests	Total Owner's Equity	
		Paid-in capital/ capital stock	Other equity instruments	Capital Reserve	Less: Treasury stock	Other comprehensive income	Special reserve	Surplus Reserve	Δ General risk provision	Undistributed Profits	Other			Subtotal
		1	2	3	4	5	6	7	8	9	10	11	12	13
I. Ending balance of last year	1	4,881,202.70		60,000.00		0.00	0.00	260,964.16	0.00	2,532,644.28	0.00	7,734,811.14	0.00	7,734,811.14
Plus: Change in accounting policies	2													
Correct of former errors	3													
Other	4													
II. Beginning balance of this year	5	4,881,202.70		60,000.00		0.00	0.00	260,964.16	0.00	2,532,644.28	0.00	7,734,811.14	0.00	7,734,811.14
III. Change amount of increase/decrease in this year (carried with "+", for decrease)	6	0.00		0.00		0.00	0.00	0.00	0.00	-93,174.66	0.00	-93,174.66	0.00	-93,174.66
(I) Comprehensive Income	7													
(II) Capital invested and reduced by owners	8	0.00		0.00		0.00	0.00	0.00	0.00	-93,174.66	0.00	-93,174.66	0.00	-93,174.66
1. Capital invested by owners	9													
2. Holders of other equity instruments Invested capital	10													
3. Amount of share payment taken to owner's equity	11													
4. Other	12													
(IV) Allocation to and use of special reserve	13			0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Transfer to special reserve	14													
2. Use of special reserve	15													
(V) Profit distribution	16			0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Transfer to surplus reserve	17			0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Including: Statutory surplus reserve	18													
Discretionary surplus reserve	19													
# Reserve funds	20													
# Enterprise expansion funds	21													
# Profits capitalized on return of investment	22													
2. Transfer to general risk provision	23													
3. Distribution to owners/shareholders	24													
4. Other	25													
(VI) Internal transfer of owner's equity	26			0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1. Capital reserve turned to paid-in capital/capital stock	27													
2. Surplus reserve turned to paid-in capital/capital stock	28													
3. Covering loss by surplus reserve	29													
4. Carry over the set of changes in the net profit or net assets	30													
4. Other	31													
IV. Ending balance of this year	32	4,881,202.70		60,000.00		0.00	0.00	260,964.16	0.00	2,439,469.62	0.00	7,641,636.48	0.00	7,641,636.48

Note: Items prefixed with Δ are used by financial enterprises only, and items prefixed with # are used by foreign investment enterprises only.



## Statement of Changes in Owner's Equity

CKNG Form 04  
Currency Unit: CNY

Item	Row	Equity attributable to owners of the parent company											Minority interests	Total Owner's Equity
		Paid-in capital/ capital stock	Other equity instruments	Capital Reserve	Less: Treasury stock	Other comprehensively income	Special reserve	Surplus Reserve	Δ General risk provision	Undistributed Profits	Other	Subtotal		
		14	15	16	17	18	19	20	21	22	23	24	25	26
Column														
I. Ending balance of last year	1	4,881,202.70		60,000.00				249,012.58		2,425,080.03		7,615,295.31		7,615,295.31
Plus: Change in accounting policies	2													
Correct of former errors	3													
Other:	4													
II. Beginning balance of this year	5	4,881,202.70		60,000.00				249,012.58		2,425,080.03		7,615,295.31		7,615,295.31
III. Change amount of increase/decrease in this year (carried with "+", for decrease)	6	0.00		0.00				0.00		107,564.25		119,515.83		119,515.83
(I) Comprehensive Income	7													
(II) Capital invested and reduced by owners	8	0.00		0.00				0.00		0.00		0.00		0.00
1. Capital invested by owners	9													
2. Holders of other equity instruments invested capital	10													
3. Amount of share payment taken to owner's equity	11													
4. Other:	12													
(IV) Allocation to and use of special reserve	13	0.00		0.00				0.00		0.00		0.00		0.00
1. Transfer to special reserve	14													
2. Use of special reserve	15													
(V) Profit distribution	16	0.00		0.00				11,951.58		-11,951.58		0.00		0.00
1. Transfer to surplus reserve	17	0.00		0.00				11,951.58		-11,951.58		0.00		0.00
Including: Statutory surplus reserve	18													
Discretionary surplus reserve	19													
#Reserve funds	20													
#Enterprise expansion funds	21													
#Profits capitalized on return of investment	22													
2. Transfer to general risk provision	23													
3. Distribution to owners/shareholders	24													
4. Other:	25													
(VI) Internal transfer of owner's equity	26	0.00		0.00				0.00		0.00		0.00		0.00
1. Capital reserve turned to paid-in capital/capital stock	27													
2. Surplus reserve turned to paid-in capital/capital stock	28													
3. Covering loss by surplus reserve	29													
4. Carry over the net of changes in the net profit or net assets	30													
4. Other:	31													
IV. Ending balance of this year	32	4,881,202.70		60,000.00				260,964.16		2,532,644.28		7,734,811.14		7,734,811.14

Note: Items prefixed with Δ are used by financial enterprises only, and items prefixed with # are used by foreign investment enterprises only.





## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

### I. Company Profile

Tata Steel International (Shanghai) Limited (hereinafter referred to as the Company) is a limited liability company (a WFOE with the investment from Taiwan, Hong Kong or Macao) incorporated and invested by Corus Asia Limited (a Hong Kong company, hereinafter referred to as the Investor) on June 08, 2006 under the approval of the Ministry of Commerce of the People's Republic of China [No. SZP(2006)18] and registered with Shanghai Administration for Industry and Commerce Huangpu Branch. The Investor of the Company was changed to Tata Steel International (Asia) Limited under the approval of Shanghai Municipal Commission of Commerce [No. HSWZP(2010)1369] on May 31, 2010; the Company has obtained the *Certificate of Approval for Establishment of Enterprises with Investment of Taiwan, Hong Kong, Macao and Overseas Chinese in the People's Republic of China* [No. SWZHDZZ(2010)1412] and the *Business License for Enterprises as Legal Persons* [No. 310000400468934(Huangpu)]; the total investment of the Company amounts to USD 880,000.00, the registered capital amounts to USD620,000.00, and the paid-in capital amounts to USD 620,000.00; the registered address of the Company is Room 2006, No. 568, Hengfeng Road, Zhabei District, Shanghai. ALAN ROY BRIDGER is the legal representative of the Company. The operating period of the Company is 30 years.

#### Principal Activities:

The wholesale, commission agency (excluding auction), import and export of steel, aluminum products, construction products and other relevant products, and rendering of the relevant supporting service and after service (operate the products involved in quota license administration or specific stipulation administration in accordance with the relevant provisions of the State) (operate with administrative license as required).

### II. Basis of Preparation of Financial Statements

These financial statements are prepared in accordance with the *Accounting System for Business Enterprises* and other pertinent regulations on the basis that the Company is operating as a going concern and subject to the transactions and events occurred actually.

### III. Notes to Significant Accounting Policies and Estimates

#### 1. Accounting Standards Adopted Currently by the Company

The Company adopts the *Accounting System for Business Enterprises* and other pertinent regulations.

#### 2. Accounting Year



## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

Calendar year from January 01 to December 31.

### 3. Functional Currency

Chinese Yuan (CNY) is used by the Company as its functional currency.

### 4. Book-Keeping Basis and Valuation Principle

Book-keeping is made on accrual basis. Valuating is based on actual cost.

### 5. Accounting and Translation Methods for Transactions in Foreign Currency

Transactions denominated in foreign currencies shall, at the time of initial recognition, be carried in the functional currency translated at the exchange rates at the beginning of the transaction period. At the balance sheet date, the balance of foreign currency accounts shall be carried in CNY translated at the reference exchange rates, and the exchange differences thus incurred other than those arising from the foreign currency loan for the acquisition, construction or production of inventories and fixed assets eligible for capitalization which shall be treated in accordance with the criteria for capitalization of borrowing costs, shall be recognized in the profit or loss for the period.

### 6. Bad Debt Loss of Receivables

#### (1) Recognition of Bad Debts:

Receivables that cannot be recovered due to the bankruptcy or death of the debtor after the liquidation of such debtor's property or legacy, and that cannot be recovered because of the debtor's delay in performing its obligation of debt redemption which has been proved conclusively, will be recognized as bad debt loss subject to the approval of the management.

#### (2) Accounting Method for Bad Debt Loss:

Using allowance method. The bad debt provision is made for receivables (including accounts receivable and other receivables). The bad debt provision is made using the specific identification method.

### 7. Inventories

Inventories are carried at their actual costs at acquisition.

The delivered inventories are valued using the specific identification method.

The perpetual inventory system is adopted as the inventory system of inventories.

Low-value consumables are amortized using the one-time amortization method.

### 8. Fixed Assets

#### (1) Definition of Fixed Assets:

House, building, machine, machinery, transport equipment and other equipment, tools and appliances related to production and operation with useful life over one year;



## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

Any item that is not the main equipment of production and operation but with the unit value above CNY2,000 and the useful life over two years.

### (2) Classification of Fixed Assets:

The fixed assets are classified as house & building, machinery equipment, transport equipment and other equipment.

### (3) Depreciation of Fixed Assets:

The depreciation of fixed assets is calculated using the straight-line method, and the depreciation rates are formulated on the basis of the original value and estimated economic life of the fixed assets deducting their residual value (at 10% of their original value). With regard to the value of the land-use right included in the house and building, if the estimated useful life of the land-use right is more than the estimated useful life of the house and building, then it shall be considered at the time of estimating the net residual value of the relevant house and building, and the depreciation rates and net residual value shall be adjusted accordingly.

The estimated useful life and annual depreciation rates of fixed assets are set out as follows:

Type of fixed assets	Estimated useful life	Annual depreciation rate
Office equipment	5 years	18%
Transport equipment	5 years	18%

## 9. Intangible Assets

### (1) Valuation of Intangible Assets:

Intangible assets are carried at their actual costs at acquisition.

### (2) Amortization Method and Period of Intangible Assets:

An intangible asset is amortized evenly over its beneficial period or statutory useful life whichever is shorter from the month of acquisition (10 years at most).

## 10. Long-Term Prepaid Expenses

Long-term prepaid expenses consist of the expenditures on improvement of fixed assets acquired under operating leasing which shall be capitalized and other paid expenses which shall be amortized over a period more than one year. They are amortized evenly over their estimated beneficial periods.

## 11. Recognition of Revenue

### (1) Sale of Goods:

Revenues from sale of goods are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; retains neither continuing managerial involvement to the degree usually associated with ownership nor





## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

effective control over the goods sold; it is probable that the economic benefits associated with the transaction can flow to the Company; and the relevant amount of revenues and costs can be measured reliably.

### (2) Rendering of Service:

For any service started and completed within the same accounting year, revenues are recognized when the service has been rendered, the price has been received or the evidence supporting the receipt of such price has been obtained. For any service started and completed in different accounting years, the relevant service revenues are recognized at the balance sheet date using the percentage of completion method when the results of the rendering of service can be estimated reliably.

### (3) Transfer of the right to the use of assets

Revenues from the transfer of the right to the use of assets are recognized when it is probable that the economic benefits associated with the transaction can flow to the Company and the relevant amount of revenues can be measured reliably;

The interest income is calculated and determined at the time for transfer of the right to the use of cash and the applicable rate;

The income from charge for use is calculated and determined at the time and in the method for charging specified in the applicable contracts or agreements.

## 12. Accounting Treatment of Income Tax

The accounting treatment of income tax is made using tax payable method.

## IV. Taxes

### Tax categories and rates

VAT	Paid in an amount equal to the difference got by subtracting the permitted deductible input tax amount for the period from the output tax amount on the revenues from sale of goods and taxable service calculated at the tax rate of 17% or 6%
Urban Maintenance & Construction Tax	Paid at 7% of the circulating tax paid actually.
Educational surtax	Paid at 3% of the circulating tax paid actually.
Local educational surtax	Paid at 2% of the circulating tax paid actually.
River management charge	Paid at 1% of the circulating tax paid actually.
Income tax	Paid at 25% of the taxable amount of income.

## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

### V. Notes to the Main Items of the Financial Statements

#### 1. Cash & Cash Equivalents

Item	Closing Balance			Opening Balance		
	Amount in original currency	Exchange rate	Equivalent to CNY	Amount in original currency	Exchange rate	Equivalent to CNY
Cash in bank			1,570,839.60			3,449,116.39
Including: CNY	802,491.51		802,491.51	2,733,471.28		2,733,471.28
USD	110,760.86	6.9370	768,348.09	110,207.76	6.4936	715,645.11
Total			1,570,839.60			3,449,116.39

#### 2. Accounts Receivable

##### (1) Analysis on accounts receivable by aging

Item	Closing Balance		Opening Balance	
	Balance	Bad debt provision	Balance	Bad debt provision
Within 1 year (inclusive)	137,364.39		4,090.97	
1-2 years (inclusive)				
2-3 years (inclusive)				
Over 3 years				
Total	137,364.39		4,090.97	

##### (2) Accounts with larger amount

Business name	Amount
Schuler (Tianjin) Metal Forming Technology Center Co., Ltd	137,364.39

#### 3. Other Receivables

##### (1) Analysis on other receivables by aging

Item	Closing Balance		Opening Balance	
	Balance	Bad debt provision	Balance	Bad debt provision
Within 1 year (inclusive)	6,376,394.96		4,900,580.94	
1-2 years (inclusive)	-		139,822.73	
2-3 years (inclusive)	97,722.73		10,000.00	
Over 3 years	2,000.00		2,000.00	
Total	6,476,117.69		5,052,403.67	

##### (2) Accounts with larger amount

Business name	Description	Amount
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## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

Tata Steel International (Asia) Limited	Receivable service charges and advances	6,375,046.45
Jetgood Development Real Estate (Shanghai) Co.,Ltd.	Deposit	95,641.21
Total	Proportion to other receivables	99.92%

### 4. Inventories

Item	Opening Balance	Closing Balance
Commodity stocks	556,398.17	70,265.26
Total	556,398.17	70,265.26

### 5. Other Current Assets

Item	Ending book value	Beginning book value
Prepaid expenses – broadband fee	5,970.00	5,970.00
Prepaid expenses – rent for office	25,123.81	26,380.00
Total	31,093.81	32,350.00

### 6. Fixed Assets

Item	Opening Balance	Increased for the year	Decreased for the year	Closing Balance
1. Total original value	147,443.29	21,809.57	44,600.00	124,652.86
Including: Office equipment	147,443.29	21,809.57	44,600.00	124,652.86
2. Total accumulated depreciation	92,756.20	11,233.46	38,605.50	65,384.16
Including: Office equipment	92,756.20	11,233.46	38,605.50	65,384.16
3. Total net carrying value of fixed assets	54,687.09			59,268.70
Including: Office equipment	54,687.09			59,268.70

### 7. Other Long-term Assets

Item	Initial cost	Beginning Balance	Increased this year	Decrease this year (amortized)	Ending Balance	Remaining period for amortization
Long-term prepaid expenses house decoration expenses	97,000.00	37,722.32		32,333.28	5,389.04	2 Months

### 8. Accounts Payable

Item	Ending Balance		Beginning Balance	
	Amount	% total amount	Amount	% total amount
Within 1 year			813,983.69	81.01%
1-2 years			190,862.68	18.99%



## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

2-3 years				
Over 3 years				
Total			1,004,846.37	100.00%

### 9. Other Payables

Item	Ending Balance		Beginning Balance	
	Amount	% total amount	Amount	% total amount
Within 1 year	633,017.06	100.00%	426,875.16	100.00%
1-2 years				
2-3 years				
Over 3 years				
Total	633,017.06	100.00%	426,875.16	100.00%

Note: the prepaid bonus CNY626,809.16.

### 10. Tax Payable

Item	Opening Balance	Payable this year	Paid this year	Closing Balance
VAT	11,105.13	249,472.20	252,638.09	7,939.24
Enterprise income tax	9,130.81	69,525.41	10,910.51	67,745.71
Total	20,235.94	318,997.61	263,548.60	75,684.95

Note: the paid urban maintenance & construction tax, educational surtax, local educational surtax, and river management charge were deducted from taxes and additions of operations directly instead of taxes payable.

### 11. Paid-in Capital

Item	Opening Balance		Increased this year	Decreased this year	Closing Balance	
	Amount	Proportion (%)			Amount	Proportion (%)
Tata Steel International (Asia) Limited	USD 620,000 Equivalent to CNY 4,881,202.70	100.00%			USD 620,000 Equivalent to CNY 4,881,202.70	100.00%

The above paid-in capital had been verified by No. SXSWYZ (2007) 6 Capital Verification Report issued by Shanghai Xiaotiancheng Certified Public Accountants Firm on January 25, 2007. The Investor was changed from Corus Asia Limited to Tata Steel International (Asia) Limited under the approval of Shanghai Municipal Commission of Commerce [No. HSWZP(2010)1369].

### 12. Capital Reserve

Item	Opening Balance	Increased this year	Decreased this year	Closing Balance
Allocation from capital reserve under former system (provision for accepting non-monetary asset donation)	60,000.00			60,000.00
Total	60,000.00			60,000.00

## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

### 13. Surplus Reserve

Item	Opening Balance	Increased this year	Decreased this year	Closing Balance
Statutory surplus reserve	260,964.16			260,964.16
Total	260,964.16			260,964.16

### 14. Undistributed Profit

Item	Amount this year	Amount last year
Balance at the beginning of the year	2,532,644.28	2,425,080.03
Increased for the year	-93,174.66	119,515.83
Including: Allocation from net profit for the year	-93,174.66	119,515.83
Decreased for the year		11,951.58
Including: Allocation to surplus reserve for the year		11,951.58
Balance at the end of the year	2,439,469.62	2,532,644.28

### 15. Operating Income

Item	Actual this year		Actual last year	
	Income	Cost	Income	Cost
1. Subtotal main operations	3,093,383.05	2,657,843.85	2,589,303.61	2,078,860.82
Including: External sales			279,272.80	240,092.31
Domestic sale	3,093,383.05	2,657,843.85	2,310,030.81	1,838,768.51
2. Subtotal other operations	3,821,869.32		4,359,597.10	23,279.08
Including: Service charge	3,821,869.32		4,359,597.10	23,279.08
Total	6,915,252.37	2,657,843.85	6,948,900.71	2,102,139.90

### 16. Non-operating Income and Expense

Item	Amount
Service charge for refund of personal income tax withheld and remitted	5,042.33
Special VAT invoice full deduction of equipment	330.00
Total non - operating income	5,372.33
Loss from disposal of non-current assets	5,844.50
Total non - operating expenses	5,844.50

### 17. Foreign Currency Translation

The net exchange loss recognized in the profit or loss for the period is CNY39,238.97.

## VI. Notes to Contingent Events

As at December 31, 2016, the Company has no significant contingent events influencing the reading and understanding of the financial statements.

## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

### VII. Non-adjusting Events after the Balance Sheet Date

As at the date on which this financial report is authorized for issue (March 2, 2017), the Company has no significant non-adjusting events after the balance sheet date influencing the reading and understanding of these financial statements.

### VIII. Relationship and Transactions with Related Parties

#### 1. Information about the Company's Parent Company

Name of parent company	Registered address	Business nature
Tata Steel International (Asia) Limited	Unit 2313-15, Floor 23, BEA Tower, Millennium City 5,418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong	Trade

#### 2. Proportion of shareholdings of the Parent Company in the Company

Item	Beginning Balance	Increased this year	Decreased this year	Ending Balance
Proportion of shareholdings	100.00%			100.00%
Proportion of voting rights	100.00%			100.00%

#### 3. Subsidiaries of the Company

Name of subsidiary	Registered address	Business nature	Registered capital	Total proportion of shareholdings of the Company		Total proportion of voting rights owned by the Company at the end of the year
				This year	Last year	

##### 1. Subsidiary formed by the consolidation of entities under common control

None						
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##### 2. Subsidiary formed by the consolidation of entities not under common control

None						
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#### 4. Joint Ventures and Associates of the Company

Name of invested entity	Registered address	Business nature	Proportion of shareholdings of the Company	Total assets at the end of year	Total liabilities at the end of year	Total equity at the end of year	Total operating income for the year	Net profit for the year
1. Joint venture								
None								
2. Associate								
None								

#### 5. Transactions with Related Parties

##### (1) Purchase and Sale Transactions



## Notes to the Financial Statements for the Year ended December 31, 2016

Tata Steel International (Shanghai) Limited (Unless otherwise stated specially, the currency unit is CNY)

Type of transaction	Name of entity	Nature of relationship	Amount of transaction	Open account	Bad debt provision for open accounts	Pricing policy
<b>1. Transactions with related parties for purchase of goods and acceptance of service</b>						
Purchase of goods	Tata Steel International (Asia) Limited	Parent Company	723,602.06	0.00		Market price
Purchase of goods	Tata Steel Ijmuiden BV	Under the same control	1,312,984.96	0.00		Market price
<b>2. Transactions with related parties for sale of goods and rendering of service</b>						
Rendering of service	Tata Steel International (Asia) Limited	Parent Company	4,051,181.46	6,375,046.45	not made	Management fee plus 5%

(2) Security for Related Parties: None

(3) Balance of Accounts with Related Parties

Item and Entity	Ending Balance	Proportion to total amount of the project
Other Receivables		
Tata Steel International (Asia) Limited	6,375,046.45	98.44%

### IX. Approval on Financial Statements

These financial statements of the Company for the year ended December 31, 2016 and their notes were prepared by the Company in accordance with the *Accounting System for Business Enterprises* and other pertinent regulations, and have been approved by the management of the Company.

**Name of Enterprise: Tata Steel International (Shanghai) Limited**

**Enterprise Principal: ALAN ROY BRIDGER**

**Financial Principal: Sarah Lai Chun Law**

**Date: March 2, 2017**

**Date: March 2, 2017**



**Tata Steel International (Shanghai) Limited**  
**Statement of Adjustments to Taxable Amount of Income**  
**for the year ended December 31, 2016**

Unit: CNY

Item	Amount	Remark
I. Total Profits (tax returns)	66,807.30	
II. Plus: Adjusted increase	258,340.32	
1. Entertainment expenses over allowed limit	2,340.32	
2. Accrued bonus	256,000.00	
III. Less: Adjusted decrease	47,046.00	
1. Last-year accrued bonus	47,046.00	
IV. Taxable amount of income after adjustment	278,101.62	

Note: The above taxable amount of income after adjustment is the opinion of the auditors, and the final determination on the taxable amount of income shall be subject to the final approval of the competent tax authority.



