

TATA STEEL INTERNATIONAL (ASIA) LIMITED

**Reports and Consolidated Financial Statements
For the year ended March 31, 2017**

TATA STEEL INTERNATIONAL (ASIA) LIMITED

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

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TATA STEEL INTERNATIONAL (ASIA) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended March 31, 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is to provide sales, purchasing and marketing services for iron and steel products. The activities of its subsidiaries are set out in note 13 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended March 31, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 6.

The directors recommend the payment of an interim dividend of USD50,000 per ordinary share in respect of the current year to the ordinary shareholders on the register of members on March 24, 2017 amounting to HK\$38,852,500 in aggregate.

BUSINESS REVIEW

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

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 9.

The amount of the Company's reserves available for distribution to shareholders as at March 31, 2017 was HK\$645,569,635 (2016: HK\$683,943,133).

DIRECTORS

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

Alan Roy Bridger
Sarah Lai Chun Law
Arnoldus Joannes Theodorus Antonius Bolten

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

TATA STEEL INTERNATIONAL (ASIA) LIMITED

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company, subsidiaries or fellow subsidiaries 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.

AUDITOR

A resolution will be submitted to the annual general meeting to appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Arnoldus Joannes Theodorus
Antonius Bolten

Hong Kong

[Date]

INDEPENDENT AUDITOR'S REPORT

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

We have audited the consolidated financial statements of Tata Steel International (Asia) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 35, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at March 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
TATA STEEL INTERNATIONAL (ASIA) LIMITED - continued
(incorporated in Hong Kong with limited liability)

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA that are relevant to these financial statements and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

TATA STEEL INTERNATIONAL (ASIA) LIMITED - continued
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
[Date]

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED MARCH 31, 2017

	<u>NOTES</u>	<u>2017</u> <u>HK\$</u>	<u>2016</u> <u>HK\$</u>
Revenue	7	19,618,725	341,835,597
Cost of sales		(8,759,096)	(327,977,117)
Gross profit		10,859,629	13,858,480
Other income	8	10,454,011	10,022,759
Fair value changes on derivative financial instruments		-	(26,633,255)
Selling and marketing expenses		(5,149,672)	(6,045,857)
Administrative expenses		(16,065,359)	(9,336,370)
Profit (loss) before taxation		98,609	(18,134,243)
Taxation credit (charge)	9	438,105	(556,244)
Profit (loss) for the year	10	536,714	(18,690,487)
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(582,033)	(206,844)
Total comprehensive expense for the year		(45,319)	(18,897,331)

TATA STEEL INTERNATIONAL (ASIA) LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2017**

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Non-current assets			
Property, plant and equipment	12	408,962	586,075
Deferred tax assets	14	190,298	185,485
		<u>599,260</u>	<u>771,560</u>
Current assets			
Inventories	15	79,265	1,356,251
Trade and other receivables	16	5,511,773	5,365,915
Loan to an intermediate holding company	17	194,309,943	-
Amounts due from fellow subsidiaries	17	2,382,735	6,637,610
Amount due from an intermediate holding company	17	456,256,601	162,835,178
Bank balances, deposits and cash	18	95,358,935	649,652,924
		<u>753,899,252</u>	<u>825,847,878</u>
Current liabilities			
Trade and other payables	19	27,821,857	26,772,134
Amounts due to fellow subsidiaries	17	35,916,625	108,376,547
Tax payable		71,694	737,102
Dividend payable		38,852,500	-
		<u>102,662,676</u>	<u>135,885,783</u>
Net current assets		<u>651,236,576</u>	<u>689,962,095</u>
Net assets		<u>651,835,836</u>	<u>690,733,655</u>
Capital and reserves			
Share capital	20	1,000	1,000
Translation reserve		478,951	1,060,984
Retained profits		651,355,885	689,671,671
Total equity		<u>651,835,836</u>	<u>690,733,655</u>

The consolidated financial statements on pages 6 to 35 were approved and authorised for issue by the Board of Directors on [Date] and are signed on its behalf by:

Arnoldus Joannes Theodorus
Antonius Bolten

Sarah Lai Chun Law

TATA STEEL INTERNATIONAL (ASIA) LIMITED

**STATEMENT OF FINANCIAL POSITION
AT MARCH 31, 2017**

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Non-current assets			
Property, plant and equipment	12	345,569	495,053
Investment in a subsidiary	13	2,400,000	2,400,000
Deferred tax assets	14	190,298	185,485
		<u>2,935,867</u>	<u>3,080,538</u>
Current assets			
Trade and other receivables	16	5,354,535	4,550,622
Loan to an intermediate holding company	17	194,309,943	-
Amounts due from a subsidiary	17	-	350,333
Amounts due from fellow subsidiaries	17	2,382,735	6,637,610
Amount due from an intermediate holding company	17	456,256,601	162,835,178
Bank balances, deposits and cash	18	89,864,652	647,831,103
		<u>748,168,466</u>	<u>822,204,846</u>
Current liabilities			
Trade and other payables	19	27,075,372	26,055,341
Amounts due to a subsidiary	17	3,689,201	7,127,751
Amounts due to fellow subsidiaries	17	35,916,625	107,432,022
Tax payable		-	726,137
Dividend payable		38,852,500	-
		<u>105,533,698</u>	<u>141,341,251</u>
Net current assets		<u>642,634,768</u>	<u>680,863,595</u>
Net assets		<u>645,570,635</u>	<u>683,944,133</u>
Capital and reserves			
Share capital	20	1,000	1,000
Retained profits	21	645,569,635	683,943,133
Total equity		<u>645,570,635</u>	<u>683,944,133</u>

Arnoldus Joannes Theodorus
Antonius Bolten

Sarah Lai Chun Law

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED MARCH 31, 2017

	<u>Share capital</u> HK\$	<u>Translation reserve</u> HK\$	<u>Retained profits</u> HK\$	<u>Total</u> HK\$
At April 1, 2015	1,000	1,267,828	708,362,158	709,630,986
Loss for the year	-	-	(18,690,487)	(18,690,487)
Other comprehensive expense for the year	-	(206,844)	-	(206,844)
At March 31, 2016	1,000	1,060,984	689,671,671	690,733,655
Profit for the year	-	-	536,714	536,714
Dividends recognised as distribution (Note 11)	-	-	(38,852,500)	(38,852,500)
Other comprehensive expense for the year	-	(582,033)	-	(582,033)
At March 31, 2017	1,000	478,951	651,355,885	651,835,836

TATA STEEL INTERNATIONAL (ASIA) LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2017

	<u>2017</u> HK\$	<u>2016</u> HK\$
OPERATING ACTIVITIES		
Profit (loss) before taxation	98,609	(18,134,243)
Adjustments for:		
Depreciation of property, plant and equipment	217,796	204,133
Fair value changes on derivative financial instruments	-	26,633,255
Interest income	(4,334,262)	(2,566,752)
Loss on disposal of property, plant and equipment	-	8,806
Operating cash flows before movements in working capital	(4,017,857)	6,145,199
Decrease in inventories	1,276,986	973,644
(Increase) decrease in trade and other receivables	(145,858)	181,287,673
Decrease in amounts due from fellow subsidiaries	4,254,875	188,139,724
Increase in trade and other payables	1,049,723	1,659,379
(Decrease) increase in amounts due to fellow subsidiaries	(72,459,922)	80,738,337
Cash generated from operations	(70,042,053)	458,943,956
Income taxes paid	(122,629)	(5,063,009)
Net cash (used in) from operating activities	(70,164,682)	453,880,947
INVESTING ACTIVITIES		
Interest received	4,334,262	2,566,752
Proceeds on disposal of property, plant and equipment	-	696
Loan to an intermediate holding company	(194,309,943)	-
Purchase of property, plant and equipment	(45,660)	(191,011)
Net cash (used in) from investing activities	(190,021,341)	2,376,437
NET CASH USED IN FINANCING ACTIVITIES		
Advance to intermediate holding company under cash pooling	(293,421,423)	(82,954,660)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(553,607,446)	373,302,724
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	649,652,924	276,350,906
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(686,543)	(706)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	95,358,935	649,652,924
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	95,358,935	649,652,924

TATA STEEL INTERNATIONAL (ASIA) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. GENERAL

The Company is a private limited company incorporated in Hong Kong. Its ultimate holding company is Tata Steel Limited, a company which is incorporated in India. Its immediate holding company is Tata Steel International (Singapore) Holdings Pte Ltd. which is incorporated in Singapore. The address of the registered office and principal place of business of the Company is Unit 13-15, 23rd Floor, BEA Tower, Millennium City 5, 418 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

The principal activity of the Company is to provide sales, purchasing and marketing services for iron and steel products. The activities of its subsidiaries are set out in note 13 to the financial statements.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the first time in current year the following amendments to HKFRSs and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and amendments to HKFRSs in issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs and HKASs that have been issued but are not yet effective:

HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers and the related amendments ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKAS 7	Disclosure initiative ¹
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ¹
Amendments to HKAS 40	Transfers of investment property ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 - 2016 cycle ⁵
HK(IFRIC) - Int 22	Foreign currency transaction and advance consideration ²

¹ Effective for annual periods beginning on or after January 1, 2017.

² Effective for annual periods beginning on or after January 1, 2018.

³ Effective for annual periods beginning on or after January 1, 2019.

⁴ Effective for annual periods on or after a date to be determined.

⁵ Effective for annual periods beginning on or after January 1, 2017 or January 1, 2018, as appropriate.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

TATA STEEL INTERNATIONAL (ASIA) LIMITED

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 15 Revenue from contracts with customers - continued

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The management of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the management of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group shall recognise an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 16 Leases - continued

Furthermore, extensive disclosures are required by HKFRS 16.

As at March 31, 2017, the Group has non-cancellable operating lease commitments of HK\$2,082,395 as disclosed in note 22. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the management of the Company complete a detailed review.

Except as describe above, the management of the Company do not anticipate that the application of the other new and amendments to HKFRSs and HKASs will have a material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group when specific criteria have been met for each of the Group's activities as described below.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Agency commission income is recognised on an accrual basis in accordance with the substance of the relevant agency contracts.

Management fee and service income are recognised 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.

Property, plant and equipment

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

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and office equipment	3 years
Motor vehicles	3 - 4 years
Leasehold improvements	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Leasing

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.

The Group as lessee

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.

Foreign currencies

In preparing the financial statements of each individual group entity, 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 profit or loss 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 consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group'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 consolidated 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 Group 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment losses on tangible assets

At the end of the reporting period, the Group 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries, amounts due from fellow subsidiaries, amount due from an intermediate holding company and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group entities after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liabilities are either held for trading or those designated as FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near term; or
- on initial recognition it is a part of portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with gains or losses arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss is included in the consolidated statement of profit or loss and other of comprehensive income.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to subsidiaries and amounts due to fellow subsidiaries are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derivative financial instruments

In the ordinary course of its operations, the Group may enter into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognised financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group 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).

TATA STEEL INTERNATIONAL (ASIA) LIMITED

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of trade receivables

Where there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at March 31, 2017, the carrying amount of the Group's trade receivables is HK\$4,886,369 (2016: HK\$4,590,274) (net of allowance for doubtful debts of HK\$448,550 (2016: HK\$500,808)). As at March 31, 2017, the carrying amount of the Company's trade receivables is HK\$4,886,369 (2016: HK\$4,027,424) (net of allowance for doubtful debts of HK\$448,550 (2016: HK\$500,808)).

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	HK\$	HK\$	HK\$	HK\$
Financial assets				
Loans and receivables (including cash and cash equivalents)	753,194,582	823,718,377	747,700,299	821,333,706
Financial liabilities				
Amortised cost	78,589,523	113,875,340	82,252,867	112,214,022

5. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies

The Group and the Company's major financial instruments include trade and other receivables, loan to an intermediate holding company, amounts due from subsidiaries, amounts due from fellow subsidiaries, amount due from an intermediate holding company, bank balances, deposits and cash, trade and other payables, amounts due to subsidiaries and amounts due to fellow subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk on fixed-rate bank borrowings and cash flow interest rate risk through 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 Group and the Company.

Sensitivity analysis

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.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended March 31, 2017 would increase/decrease by HK\$476,795 (2016: HK\$3,248,265). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended March 31, 2017 would increase/decrease by HK\$449,323 (2016: HK\$3,239,156). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank balances.

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the relevant group 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.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

5. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Currency risk - continued

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

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	HK\$	HK\$	HK\$	HK\$
Assets				
British Pound	13,483,566	11,052,998	13,483,566	11,052,998
Euro	7,270,610	38,481,586	7,270,610	38,831,919
United States dollars	685,699,939	764,375,893	684,838,234	763,516,250
Liabilities				
British Pound	-	2,235,573	-	2,235,573
Euro	-	1,167,491	-	222,966
United States dollars	74,769,125	105,295,455	74,824,773	105,507,603

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 each group entity and all other variables were held constant, the Group's and the Company's profit for the year ended March 31, 2017 would decrease/increase by HK\$674,178 (2016: HK\$440,871) and HK\$363,530 (2016: HK\$1,865,705) accordingly.

Credit risk

The Group's and the Company's principal financial assets are trade receivables.

In order to minimise credit risk, management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group and the Company's credit risks are significantly reduced.

As of March 31, 2017, 100% (2016: 89%) of trade receivables of the Group relate to amounts due from two (2016: four) major customers. The management manages concentration risk by performing credit analysis procedures to assess the potential customers' credit quality and defines credit limits by customer before offering credit term to any new customer. The credit terms to customers are reviewed at least once a year.

The Group and the Company places its cash with creditworthy financial institutions.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

5. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk - continued

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the statement of financial position, reduced by the effects of any netting agreements with counterparties.

Liquidity risk

The Group and the Company maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Group and 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.

Fair value measurements

The note provides information about how the Group and the Company determine fair values of various financial assets and financial liabilities.

Fair value of the Group's and the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique and input used).

THE GROUP AND THE COMPANY

<u>Financial assets/ financial liabilities</u>	<u>Fair value as at March 31,</u>		<u>Fair value hierarchy</u>	<u>Valuation technique and key input</u>
	<u>2017</u>	<u>2016</u>		
	HK\$	HK\$		
Foreign currency forward contracts classified as derivative financial instruments	-	-	Level 2	Discounted cash flow: Future cash flows are estimated based on difference between predetermined forward exchange rates and spot exchange rates at the end of the reporting period discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 and 2 in the current and prior years.

The directors consider that the fair value of financial assets and financial liabilities recorded at amortised cost in the financial statements approximates to the carrying amount.

TATA STEEL INTERNATIONAL (ASIA) LIMITED

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximising the return of stakeholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of net of cash and cash equivalents and equity attributable to owners of the Company.

The management reviews the capital structure regularly. The Group considers the cost of capital and the risk associated with each class of capital, and will balance its overall capital structure.

7. REVENUE

	<u>2017</u> HK\$	<u>2016</u> HK\$
Income from sale of goods	10,025,992	338,586,169
Agency commission income	9,592,733	3,249,428
	<u>19,618,725</u>	<u>341,835,597</u>

8. OTHER INCOME

	<u>2017</u> HK\$	<u>2016</u> HK\$
The other income comprises:		
Service fee income	6,110,550	4,139,980
Interest income from bank deposits and an intermediate holding company	4,334,262	2,566,752
Miscellaneous income	9,199	3,316,027
	<u>10,454,011</u>	<u>10,022,759</u>

9. TAXATION CREDIT (CHARGE)

	<u>2017</u> HK\$	<u>2016</u> HK\$
The tax credit (charge) for the year comprises:		
Current tax:		
Hong Kong	-	(495,125)
PRC Enterprise Income Tax	(292,845)	(34,171)
	<u>(292,845)</u>	<u>(529,296)</u>
Overprovision in prior years	726,137	-
Deferred taxation (note 14)	4,813	(26,948)
	<u>438,105</u>	<u>(556,244)</u>

TATA STEEL INTERNATIONAL (ASIA) LIMITED

9. TAXATION - continued

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from January 1, 2008 onwards.

The tax credit (charge) for the year can be reconciled to the (profit) loss before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Profit (loss) before taxation	98,609	(18,134,243)
Tax at Hong Kong Profits Tax of 16.5% (2016: 16.5%)	(16,270)	2,992,150
Tax effect of expenses not deductible for tax purposes	(476,455)	(578,199)
Tax effect of income not taxable for tax purposes	719,548	676,405
Tax effect of tax losses not recognised	-	(3,623,512)
Overprovision in prior years	726,137	-
Other	(226,823)	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(288,032)	(23,088)
Tax credit (charge) for the year	<u>438,105</u>	<u>(556,244)</u>

10. PROFIT (LOSS) FOR THE YEAR

	<u>2017</u> HK\$	<u>2016</u> HK\$
Profit (loss) for the year has been arrived at after charging:		
Directors' remuneration		
- fees	-	-
- other emoluments	1,216,002	1,298,472
- contributions to retirement benefits scheme	170,093	155,817
	<u>1,386,095</u>	<u>1,454,289</u>
Other staff costs		
- salaries and other benefits	7,703,430	11,415,445
- contributions to retirement benefits scheme	979,797	975,440
Total staff costs	<u>10,069,322</u>	<u>13,845,174</u>
Auditors' remuneration	79,625	739,501
Depreciation of property, plant and equipment	217,796	204,133
Loss on disposal of property, plant and equipment	-	8,806
Operating lease in respect of land and buildings	<u>2,246,811</u>	<u>2,476,434</u>

TATA STEEL INTERNATIONAL (ASIA) LIMITED

11. DIVIDENDS

	<u>2017</u> HK\$	<u>2016</u> HK\$
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 interim dividend of USD50,000 per share (2016: nil)	<u>38,852,500</u>	<u>-</u>

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Leasehold improvements</u> HK\$	<u>Total</u> HK\$
<u>THE GROUP</u>				
COST				
At April 1, 2015	169,136	567,028	704,677	1,440,841
Additions	51,613	139,398	-	191,011
Disposal	(69,210)	(3,540)	-	(72,750)
Exchange realignment	(5,169)	-	(4,526)	(9,695)
At March 31, 2016	146,370	702,886	700,151	1,549,407
Additions	25,205	20,455	-	45,660
Exchange realignment	(8,090)	-	(7,061)	(15,151)
At March 31, 2017	<u>163,485</u>	<u>723,341</u>	<u>693,090</u>	<u>1,579,916</u>
DEPRECIATION				
At April 1, 2015	146,443	556,583	126,177	829,203
Provided for the year	8,639	39,259	156,235	204,133
Eliminated on disposal	(60,414)	(3,540)	-	(63,954)
Exchange realignment	(3,726)	-	(2,324)	(6,050)
At March 31, 2016	90,942	592,302	280,088	963,332
Provided for the year	13,603	53,206	150,987	217,796
Exchange realignment	(4,453)	-	(5,721)	(10,174)
At March 31, 2017	<u>100,092</u>	<u>645,508</u>	<u>425,354</u>	<u>1,170,954</u>
CARRYING VALUES				
At March 31, 2017	<u>63,393</u>	<u>77,833</u>	<u>267,736</u>	<u>408,962</u>
At March 31, 2016	<u>55,428</u>	<u>110,584</u>	<u>420,063</u>	<u>586,075</u>

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12. PROPERTY, PLANT AND EQUIPMENT - continued

	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Leasehold improvements</u> HK\$	<u>Total</u> HK\$
<u>THE COMPANY</u>				
COST				
At April 1, 2015	22,868	567,028	583,666	1,173,562
Additions	-	139,398	-	139,398
Disposal	-	(3,540)	-	(3,540)
At March 31, 2016	22,868	702,886	583,666	1,309,420
Additions	-	20,455	-	20,455
At March 31, 2017	22,868	723,341	583,666	1,329,875
DEPRECIATION				
At April 1, 2015	22,868	556,583	82,464	661,915
Provided for the year	-	39,259	116,733	155,992
Eliminated on disposal	-	(3,540)	-	(3,540)
At March 31, 2016	22,868	592,302	199,197	814,367
Provided for the year	-	53,206	116,733	169,939
At March 31, 2017	22,868	645,508	315,930	984,306
CARRYING VALUES				
At March 31, 2017	-	77,833	267,736	345,569
At March 31, 2016	-	110,584	384,469	495,053

13. INVESTMENT IN A SUBSIDIARY

	<u>2017</u> HK\$	<u>2016</u> HK\$
Unlisted shares, at cost	4,836,000	4,836,000
Less: impairment loss	(2,436,000)	(2,436,000)
	<u>2,400,000</u>	<u>2,400,000</u>

Particulars of the Company's subsidiary, all of which is directly held by the Company, at March 31, 2017 and March 31, 2016 are as follows:

<u>Name of subsidiaries</u>	<u>Place of establishment</u>	<u>Proportion of nominal value of issued/ registered capital held by the Company</u>		<u>Principal activities</u>
		<u>2017</u>	<u>2016</u>	
Tata Steel International (Shanghai) Limited	Mainland China	100%	100%	Sales, purchasing and marketing services for iron and steel products

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14. DEFERRED TAXATION

The followings are the major deferred tax balances recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$	Provisions HK\$	Total HK\$
<u>THE GROUP AND THE COMPANY</u>			
At April 1, 2015	16,955	195,478	212,433
Charge to profit or loss	(2,456)	(24,492)	(26,948)
At March 31, 2016	14,499	170,986	185,485
Credit (charge) to profit or loss	6,728	(1,915)	4,813
At March 31, 2017	<u>21,227</u>	<u>169,071</u>	<u>190,298</u>

15. INVENTORIES

	<u>2017</u> HK\$	<u>2016</u> HK\$
<u>THE GROUP</u>		
Trading goods	<u>79,265</u>	<u>1,356,251</u>

16. TRADE AND OTHER RECEIVABLES

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$	<u>2017</u> HK\$	<u>2016</u> HK\$
Trade receivables	5,334,919	5,091,082	5,334,919	4,528,232
Less: allowance for doubtful debts	(448,550)	(500,808)	(448,550)	(500,808)
Other receivables	4,886,369	4,590,274	4,886,369	4,027,424
	625,404	775,641	468,166	523,198
Total trade and other receivables	<u>5,511,773</u>	<u>5,365,915</u>	<u>5,354,535</u>	<u>4,550,622</u>

The management allows an average credit period of 60 days to its trade customers. Receivables are unsecured and interest-free. Before accepting any new customer, the management will internally assess the credit quality of the potential customer and defines appropriate credit limits. Limits attributed to customers are reviewed regularly with reference to past settlement history.

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16. TRADE AND OTHER RECEIVABLES - continued

Included in the Group and Company's trade receivable balance are debtors with aggregate carrying amount of HK\$4,549,204 (2016: HK\$247,943) and HK\$4,549,204 (2016: HK\$247,943) respectively, which are past due at the end of the reporting period for which the the Group and the Company have not provided for impairment loss. The Group and the Company do not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

Ageing of trade receivables which are past due but not impaired

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	HK\$	HK\$	HK\$	HK\$
Overdue 1-30 days	1,216,928	247,943	1,216,928	247,943
Overdue 31-90 days	1,487,733	-	1,487,733	-
Overdue 91-180 days	1,291,947	-	1,291,947	-
Overdue > 180 days	552,596	-	552,596	-
	<u>4,549,204</u>	<u>247,943</u>	<u>4,549,204</u>	<u>247,943</u>

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality.

The following is a movement in the allowance for doubtful debts:

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	HK\$	HK\$	HK\$	HK\$
Balance at beginning of the reporting period	500,808	788,600	500,808	788,600
Written off during the year	<u>(52,258)</u>	<u>(287,792)</u>	<u>(52,258)</u>	<u>(287,792)</u>
Balance at end of the reporting period	<u>448,550</u>	<u>500,808</u>	<u>448,550</u>	<u>500,808</u>

Included in the allowance for doubtful debts made for the year are individually impaired trade receivables with a balance of HK\$448,550 (2016: HK\$500,808) and HK\$448,550 (2016: HK\$500,808) which have been in severe financial difficulty or is more than likely the Group and the Company is unable to recover the amount. The Group and the Company does not hold any collateral over the balance.

Based on the historical experience of the management, trade receivables which are past due but not impaired are generally recoverable.

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17. AMOUNTS DUE FROM/TO GROUP COMPANIES

THE GROUP AND THE COMPANY

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 carry interests ranging from 1.70% to 2.11% per annum (2016: nil) and amount due from an intermediate holding company carry interests ranging from 0.03% to 0.5% per annum (2016: 0.04% to 0.28% per annum).

18. BANK BALANCES, DEPOSITS AND CASH

Bank balances, deposits and cash held by the Group comprising cash and short-term bank deposits with original maturity of three months or less carry interests at an average rate of 0.77% (2016: 0.37%) per annum.

19. TRADE AND OTHER PAYABLES

	<u>THE GROUP</u>		<u>THE COMPANY</u>	
	<u>2017</u> HK\$	<u>2016</u> HK\$	<u>2017</u> HK\$	<u>2016</u> HK\$
Trade payables	-	3,270	-	3,270
Other payables	27,821,857	26,768,864	27,075,372	26,052,071
	<u>27,821,857</u>	<u>26,772,134</u>	<u>27,075,372</u>	<u>26,055,341</u>

20. SHARE CAPITAL

	HK\$
Issued and fully paid At April 1, 2015, March 31, 2016 and March 31, 2017 100 ordinary shares	<u>1,000</u>

There were no changes in the Company's share capital during both years.

21. RETAINED PROFITS OF THE COMPANY

	HK\$
At April 1, 2015	704,763,828
Loss for the year	<u>(20,820,695)</u>
At March 31, 2016	683,943,133
Profit for the year	479,002
Dividend recognised as distribution (Note 11)	<u>(38,852,500)</u>
At March 31, 2017	<u>645,569,635</u>

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22. OPERATING LEASES

The Group and the Company as lessee

At the end of the reporting period, the Group and the Company has contracted with tenants for future minimum lease payments in respect of office premises under non-cancellable operating leases:

	THE GROUP AND THE COMPANY	
	<u>2017</u> HK\$	<u>2016</u> HK\$
Within one year	1,147,005	2,091,909
In the second to fifth year inclusive	935,390	419,057
	<u>2,082,395</u>	<u>2,510,966</u>

Leases are generally negotiated and rentals are fixed for an average term of 1 to 3 years.

23. RETIREMENT BENEFITS SCHEMES

Defined contribution scheme

The Company operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Company in funds under the control of independent trustee.

The retirement contribution scheme contribution charged to the profit or loss represent contributions payable to the funds by the Company at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to relating fully in the contributions the contribution payable by the Company is reduced by the amount of forfeited contributions.

During the year, retirement contribution scheme contributions paid for the above scheme, amounted to HK\$1,149,890 (2016: HK\$1,131,257).

24. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Purchases from fellow subsidiaries	6,625,662	321,358,222
Sales to a fellow subsidiary	-	1,217,841
Agency commission income from fellow subsidiaries	3,270,108	3,249,428
Service fee income from an intermediate holding company	-	15,506
Management fee to a subsidiary	4,713,597	5,568,312
Service fee income from fellow subsidiaries	6,086,675	4,114,390
Interest income from an intermediate holding company	1,175,743	68,644
Sale to a subsidiary	524,848	519,620

Details of the remuneration of the directors of the Company representing the key management personnel of the Company are set out in note 10.

