

TATA INTERNATIONAL METALS (ASIA) LIMITED

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

TATA INTERNATIONAL METALS (ASIA) LIMITED

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

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TATA INTERNATIONAL METALS (ASIA) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended March 31, 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is to act as a sales agent for metal products.

RESULTS

The results of the Company for the year are set out in the statement of profit or loss and other comprehensive income on page 6.

The directors do not recommend the payment of dividend.

BUSINESS REVIEW

In accordance with section 388(3) of the Hong Kong Companies Ordinance, the Company's itself 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.

DISTRIBUTABLE RESERVE OF THE COMPANY

The amount of the Company's reserves available for distribution to shareholders as at March 31, 2017 was HK\$35,113,446 (2016: HK\$18,109,427).

DIRECTORS

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

Ajay Murlidhar PONKSHE
Gopal Krishna PILLAI
John Edward Morton CAOUKI
Ramesh MANI

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, its holding company, subsidiary 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.

TATA INTERNATIONAL METALS (ASIA) LIMITED

AUDITOR

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

On behalf of the Board

A handwritten signature in black ink, appearing to read 'Mani', written over a horizontal line.

Ramesh MANI
DIRECTOR
Hong Kong

April 27, 2017

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

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

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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 HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

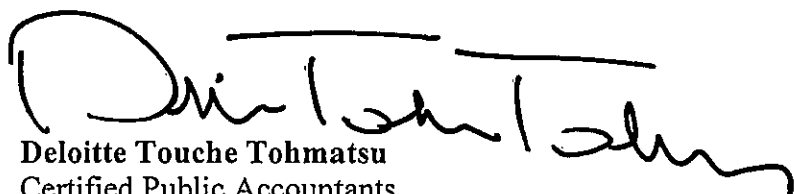
INDEPENDENT AUDITOR'S REPORT

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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
April 27, 2017

TATA INTERNATIONAL METALS (ASIA) LIMITED

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	5	2,729,166,711	3,130,916,358
Cost of sales		<u>(2,678,003,773)</u>	<u>(3,078,379,249)</u>
Gross profit		51,162,938	52,537,109
Other income	6	3,667,029	990,564
Other gains and losses	7	(381,635)	(303,252)
Selling and distribution expenses		(1,486,007)	(1,782,183)
Administrative expenses		(28,940,510)	(33,297,307)
Finance costs	8	<u>(4,824,119)</u>	<u>(2,850,199)</u>
Profit before taxation		19,197,696	15,294,732
Taxation	9	<u>(2,193,677)</u>	<u>(3,234,300)</u>
Profit and total comprehensive income for the year	10	<u><u>17,004,019</u></u>	<u><u>12,060,432</u></u>

TATA INTERNATIONAL METALS (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	1,130,699	1,334,304
Deferred tax assets	13	1,666,025	1,672,024
		<u>2,796,724</u>	<u>3,006,328</u>
Current assets			
Inventories	14	47,066,262	-
Trade and other receivables	15	92,495,403	68,208,209
Loan to immediate holding company	16	5,821,880	-
Loan to a fellow subsidiary	16	88,363,892	-
Amounts due from fellow subsidiaries	17	308,737,701	389,097,563
Amount due from immediate holding company	17	1,214	106,194
Bank balances and cash	18	2,807,170	8,202,979
		<u>545,293,522</u>	<u>465,614,945</u>
Current liabilities			
Trade and other payables	19	107,236,606	95,322,311
Amounts due to fellow subsidiaries	17	502,212	456,327
Amount due to an intermediate holding company	17	200,387	407,794
Bank borrowings	20	233,452,859	275,317,392
Bank overdraft	18	93,520,799	-
Tax payable		553,937	1,498,022
		<u>435,466,800</u>	<u>373,001,846</u>
Net current assets		<u>109,826,722</u>	<u>92,613,099</u>
Net assets		<u>112,623,446</u>	<u>95,619,427</u>
Capital and reserves			
Share capital	23	77,510,000	77,510,000
Retained profits		35,113,446	18,109,427
Total equity		<u>112,623,446</u>	<u>95,619,427</u>

The financial statements on pages 6 to 31 were approved and authorised for issue by the Board of Directors on April 27, 2017 and are signed on its behalf by:



Ajay Murlidhar PONSHE
DIRECTOR



Ramesh MANI
DIRECTOR

TATA INTERNATIONAL METALS (ASIA) LIMITED

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

	<u>Share capital</u> HK\$	<u>Retained profits</u> HK\$	<u>Total</u> HK\$
At April 1, 2015	10,000	83,548,995	83,558,995
Profit and total comprehensive income for the year	-	12,060,432	12,060,432
Capital contribution from immediate holding company	77,500,000	-	77,500,000
Dividend recognised as distribution	-	(77,500,000)	(77,500,000)
At March 31, 2016	<u>77,510,000</u>	<u>18,109,427</u>	<u>95,619,427</u>
Profit and total comprehensive income for the year	-	17,004,019	17,004,019
At March 31, 2017	<u><u>77,510,000</u></u>	<u><u>35,113,446</u></u>	<u><u>112,623,446</u></u>

TATA INTERNATIONAL METALS (ASIA) LIMITED

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

	<u>2017</u> HK\$	<u>2016</u> HK\$
OPERATING ACTIVITIES		
Profit before taxation	19,197,696	15,294,732
Adjustments for:		
Interest expenses	4,824,119	2,850,199
Interest income from bank deposits	(1,340)	(2,099)
Interest income from fellow subsidiaries	(1,965,820)	(568,991)
Interest income from immediate holding company	(446,740)	(106,194)
Allowance for doubtful debts	517,712	77,515
Depreciation of property, plant and equipment	203,605	256,704
Operating cash flows before movements in working capital	22,329,232	17,801,866
(Increase) decrease in trade and other receivables	(24,804,906)	102,483,792
Increase in inventories	(47,066,262)	-
Decrease in amount due from an intermediate holding company	-	106,223
Decrease in amounts due from fellow subsidiaries	80,359,862	74,967,518
Decrease (increase) in amount due from immediate holding company	104,980	(106,194)
Increase (decrease) in trade and other payables	11,914,295	(10,398,426)
(Decrease) increase in amount due to an intermediate holding company	(207,407)	407,794
Decrease in amount due to immediate holding company	-	(1,927,968)
Increase in amounts due to fellow subsidiaries	45,885	395,584
Net cash from operations	42,675,679	183,730,189
Hong Kong Profits Tax paid	(2,859,377)	(2,692,401)
Tax in other jurisdictions paid	(272,386)	(288,312)
Net cash from operating activities	39,543,916	180,749,476
INVESTING ACTIVITIES		
Advance to a fellow subsidiary	(88,363,892)	-
Advance to immediate holding company	(5,821,880)	-
Interest received	2,413,900	677,284
Purchase of property, plant and equipment	-	(22,220)
Net cash (used in) from investing activities	(91,771,872)	655,064
FINANCING ACTIVITIES		
Repayment of bank borrowings	(41,864,533)	(97,501,097)
Interest paid	(4,824,119)	(1,757,588)
Dividend paid	-	(77,500,000)
Cash injection from immediate holding company	-	77,500,000
Repayment of loan from immediate holding company	-	(77,550,650)
Net cash used in financing activities	(46,688,652)	(176,809,335)

TATA INTERNATIONAL METALS (ASIA) LIMITED

	<u>2017</u> HK\$	<u>2016</u> HK\$
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(98,916,608)	4,595,205
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>8,202,979</u>	<u>3,607,774</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>(90,713,629)</u></u>	<u><u>8,202,979</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	2,807,170	8,202,979
Bank overdraft	<u>(93,520,799)</u>	<u>-</u>
	<u><u>(90,713,629)</u></u>	<u><u>8,202,979</u></u>

TATA INTERNATIONAL METALS (ASIA) LIMITED

NOTES TO THE 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 Sons Limited, a company incorporated in India and its immediate holding company is Tata International Singapore Pte. Limited, a company incorporated in Singapore. The address of the registered office and principal place of business of the Company is Unit 6 - 8, 25th Floor, Enterprise Square Two, 3 Sheung Yuet Road, Kowloon Bay, Hong Kong.

The principal activity of the Company is to act as a sales agent for metal products.

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 ("NEW AND REVISED HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Company has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

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 Company's financial performance and positions for the current or prior years and/or on the disclosures set out in these financial statements.

New and amendments to HKFRSs issued but not yet effective

The Company has not early applied the following new or amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 - 2016 cycle ⁵

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

New and amendments to HKFRSs issued but not yet effective - continued

- ¹ Effective for annual periods beginning on or after January 1, 2018.
- ² Effective for annual periods beginning on or after January 1, 2019.
- ³ Effective for annual periods beginning on or after a date to be determined.
- ⁴ Effective for annual periods beginning on or after January 1, 2017.
- 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

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 directors of the Company will assess the impact of the application of HKFRS 15. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Company performs a detailed review.

The directors of the Company anticipate that the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended March 31, 2017. Accordingly the presentation and disclosure of information in the financial statements for the financial year ended March 31, 2017 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended March 31, 2016 are presented or disclosed in the financial statements based on the new requirements. Information previously required to be disclosed under the predecessor but not under the new CO are not disclosed in these financial statements.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 from sales of goods is recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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 from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Property, plant and equipment

Property, plant and equipment are stated in the 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 and fixtures	3 years
Motor vehicles	3 - 4 years
Office equipment	3 years
Leasehold improvements	Over the shorter of the remaining term of the lease or 10 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.

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.

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 Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currencies

In preparing the financial statements of the 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.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are 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.

Impairment losses on tangible assets

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

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

If the recoverable amount of an asset 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 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 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 statement of financial position when the Company 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets

The Company's financial assets are 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.

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.

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, loan to immediate holding company, loan to a fellow subsidiary, amounts due from fellow subsidiaries, amount due from immediate holding company and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of financial assets

Financial assets 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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

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 Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 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.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by the Company 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 entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial liabilities and equity instruments - continued

Other financial liabilities

Other financial liabilities including trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries, amount due to an intermediate holding company, loan from immediate holding company and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

The Company 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company 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.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

TATA INTERNATIONAL METALS (ASIA) LIMITED

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company 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 Company 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 trade receivables is HK\$86,004,166 (2016: HK\$64,239,237).

5. REVENUE

	<u>2017</u> HK\$	<u>2016</u> HK\$
Income from sale of goods	2,728,657,618	3,130,356,483
Agency commission income	509,093	559,875
	<u>2,729,166,711</u>	<u>3,130,916,358</u>

6. OTHER INCOME

	<u>2017</u> HK\$	<u>2016</u> HK\$
Interest income from fellow subsidiaries	1,965,820	568,991
Interest income from immediate holding company	446,740	106,194
Interest income from bank deposits	1,340	2,099
Compensation income	1,242,001	-
Others	11,128	313,280
	<u>3,667,029</u>	<u>990,564</u>

TATA INTERNATIONAL METALS (ASIA) LIMITED

7. OTHER GAINS AND LOSSES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Allowance for doubtful debts	(517,712)	(77,515)
Net foreign exchange gain (loss)	<u>136,077</u>	<u>(225,737)</u>
	<u>(381,635)</u>	<u>303,252</u>

8. FINANCE COSTS

	<u>2017</u> HK\$	<u>2016</u> HK\$
Interest on:		
Loan from immediate holding company	-	1,092,611
Bank borrowings	2,102,239	708,939
Bank overdraft	<u>2,721,880</u>	<u>1,048,649</u>
	<u>4,824,119</u>	<u>2,850,199</u>

9. TAXATION

	<u>2017</u> HK\$	<u>2016</u> HK\$
The tax charge for the year comprises:		
Hong Kong Profits Tax		
Current year	2,500,000	3,076,724
Overprovision in prior years	<u>(598,117)</u>	<u>(99,343)</u>
	1,901,883	2,977,381
Taxation in other jurisdictions		
Current year	285,795	268,222
Deferred taxation (note 13)	<u>5,999</u>	<u>(11,303)</u>
	<u>2,193,677</u>	<u>3,234,300</u>

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

Taxation arising in other jurisdictions represents the tax payable in respect of commission income receivable from foreign representative offices and is calculated at the rates prevailing in the relevant jurisdictions.

TATA INTERNATIONAL METALS (ASIA) LIMITED

9. TAXATION - continued

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

	<u>2017</u> HK\$	<u>2016</u> HK\$
Profit before taxation	19,197,696	15,294,732
Tax charge at Hong Kong Profits Tax of 16.5% (2016: 16.5%)	3,167,620	2,523,631
Tax effect of expenses not deductible for tax purposes	33,595	421,646
Tax effect of income not taxable for tax purpose	(435,642)	(135,780)
Overprovision in prior years	(598,117)	(99,343)
Others	26,221	524,146
Tax charge for the year	<u>2,193,677</u>	<u>3,234,300</u>

10. PROFIT FOR THE YEAR

	<u>2017</u> HK\$	<u>2016</u> HK\$
Profit for the year has been arrived at after charging:		
Directors' remuneration		
- fees	170,645	387,782
- other emoluments	-	-
- contributions to retirement benefits scheme	-	-
	<u>170,645</u>	<u>387,782</u>
Other staff costs		
- salaries and other benefits	17,429,365	18,274,433
- contributions to retirement benefits scheme	502,389	497,467
Total staff costs	<u>18,102,399</u>	<u>19,159,682</u>
Auditor's remuneration	260,000	260,000
Depreciation of property, plant and equipment	203,605	256,704
Operating lease in respect of land and buildings	623,331	789,943
Net exchange loss	-	225,737
and after crediting:		
Net exchange gain	<u>136,077</u>	<u>-</u>

TATA INTERNATIONAL METALS (ASIA) LIMITED

11. DIVIDEND

In current year, the directors do not recommend the payment of a dividend and propose that the profits for the year be retained. In prior year, interim dividend of HK\$77,500 per share with an amount of HK\$77,500,000 was distributed.

12. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and fixtures</u> HK\$	<u>Motor vehicles</u> HK\$	<u>Office equipment</u> HK\$	<u>Leasehold improvements</u> HK\$	<u>Total</u> HK\$
COST					
At April 1, 2015	249,578	559,087	569,701	1,570,958	2,949,324
Additions	-	-	22,220	-	22,220
At March 31, 2016 and March 31, 2017	<u>249,578</u>	<u>559,087</u>	<u>591,921</u>	<u>1,570,958</u>	<u>2,971,544</u>
DEPRECIATION					
At April 1, 2015	238,317	480,151	515,633	146,435	1,380,536
Provided for the year	11,261	29,450	39,699	176,294	256,704
At March 31, 2016	249,578	509,601	555,332	322,729	1,637,240
Provided for the year	-	16,495	15,308	171,802	203,605
At March 31, 2017	<u>249,578</u>	<u>526,096</u>	<u>570,640</u>	<u>494,531</u>	<u>1,840,845</u>
CARRYING VALUES					
At March 31, 2017	<u>-</u>	<u>32,991</u>	<u>21,281</u>	<u>1,076,427</u>	<u>1,130,699</u>
At March 31, 2016	<u>-</u>	<u>49,486</u>	<u>36,589</u>	<u>1,248,229</u>	<u>1,334,304</u>

The above items of property, plant and equipment are depreciated on a straight-line at the following rates per annum:

Furniture and fixtures	3 years
Motor vehicles	3 - 4 years
Office equipment	3 years
Leasehold improvements	Over the short of the remaining term of the lease or 10 years

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13. DEFERRED TAX ASSETS

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

	Accelerated tax depreciation HK\$	Provisions HK\$	Total HK\$
At April 1, 2015	55,843	1,604,878	1,660,721
Credit to profit or loss	11,303	-	11,303
At March 31, 2016	67,146	1,604,878	1,672,024
Charge to profit or loss	(5,999)	-	(5,999)
At March 31, 2017	<u>61,147</u>	<u>1,604,878</u>	<u>1,666,025</u>

14. INVENTORIES

The balance represents the trading goods as at the year-end.

15. TRADE AND OTHER RECEIVABLES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Trade receivables	96,075,347	76,440,713
Less: Allowance for doubtful debts	(10,071,181)	(12,201,476)
	<u>86,004,166</u>	<u>64,239,237</u>
Other receivables	2,767,112	2,032,357
Purchase deposits	3,724,125	1,936,615
Total trade and other receivables	<u>92,495,403</u>	<u>68,208,209</u>

The Company allows an average credit period of 90 days (2016: 90 days) to its trade customers. Receivables are unsecured and interest-free. Before accepting any new customer, the Company 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 and approved credit limit given by credit insurance company.

Included in the Company's trade receivable balance are debtors with aggregate carrying amount of HK\$3,238,271 (2016: HK\$697,928) which are past due at the end of the reporting period for which the Company has not provided for impairment loss. The Company does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

TATA INTERNATIONAL METALS (ASIA) LIMITED

15. TRADE AND OTHER RECEIVABLES - continued

Ageing of trade receivables which are past due but not impaired

	<u>2017</u> HK\$	<u>2016</u> HK\$
Overdue more than 90 days	<u>3,238,271</u>	<u>697,928</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.

Movement in the allowance for bad and doubtful debts

	<u>2017</u> HK\$	<u>2016</u> HK\$
Balance at beginning of the year	12,201,476	12,123,961
Allowance for doubtful debts	517,712	77,515
Write-off of doubtful debts	<u>(2,648,007)</u>	<u>-</u>
Balance at end of the year	<u>10,071,181</u>	<u>12,201,476</u>

Included in the allowance for doubtful debts made for the year is individually impaired trade receivable with a balance of HK\$517,712 (2016: HK\$77,515) which has been in severe financial difficulty or is more than likely the Company is unable to recover the amount. The Company does not hold any collateral over the balance.

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

16. LOAN TO IMMEDIATE HOLDING COMPANY/A FELLOW SUBSIDIARY

The loan to immediate holding company is unsecured, interest bearing at fixed interest rate of 3.75% (2016: nil) per annum, and repayable on demand.

The loan to a fellow subsidiary is unsecured, interest bearing at fixed interest rate of 3.75% (2016: nil) per annum, and repayable on demand.

17. AMOUNTS DUE FROM (TO) GROUP COMPANIES

The amounts due from/to fellow subsidiaries, intermediate holding company and immediate holding company are unsecured, non-interest bearing and repayable on demand.

TATA INTERNATIONAL METALS (ASIA) LIMITED

18. BANK BALANCES AND CASH/BANK OVERDRAFT

Bank balances and cash comprise cash held by the Company and short-term bank deposits carried at prevailing market interest rate at an average rate of 0.4% (2016: 0.4%) per annum.

Bank overdraft carries interest at market rate of 3.25% per annum.

19. TRADE AND OTHER PAYABLES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Trade payables	89,789,707	79,399,363
Other payables and accrual charges	17,446,899	15,922,948
	<u>107,236,606</u>	<u>95,322,311</u>

20. BANK BORROWINGS

Borrowings comprise trust receipt loans and invoice financing which are unsecured, bear interest ranging from 1.44% to 1.80% per annum (2016: 1.41% to 1.73% per annum) and repayable within 1 month.

21. CAPITAL RISK MANAGEMENT

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

The capital structure of the Company consists of equity attributable to owners of the Company.

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

22. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2017</u> HK\$	<u>2016</u> HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>492,512,786</u>	<u>462,136,763</u>
Financial liabilities		
Amortised cost	<u>420,277,543</u>	<u>359,598,810</u>

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies

The Company's major financial instruments include trade and other receivables, amount due from intermediate holding company, amounts due from fellow subsidiaries, amount due from immediate holding company, bank balances and cash, trade and other payables, amount due to immediate holding company, amounts due to fellow subsidiaries, amount due to intermediate holding company, loan from immediate holding company, borrowings and bank overdraft. 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 Company is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities. 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 result of 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 and bank overdrafts, 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 Company's profit for the year ended March 31, 2017 would decrease/increase by HK\$453,568 (2016: profit for the year would increase/decrease by HK\$41,015). This is mainly attributable to the Company's exposure to interest rates on its variable-rate bank balances and bank overdrafts.

Currency risk

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

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

TATA INTERNATIONAL METALS (ASIA) LIMITED

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Market risk - continued

Currency risk - continued

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

	<u>2017</u> HK\$	<u>2016</u> HK\$
Assets		
Taiwan New dollars	-	65,003
British Pound	179,663	213,650
United States dollars	<u>491,396,483</u>	<u>461,144,408</u>
Liabilities		
United States dollars	<u>417,465,964</u>	<u>355,580,875</u>

No sensitivity analysis is prepared because Hong Kong dollars is pegged to United States dollars. The fluctuation and impact is considered immaterial.

For a 5% weakening/strengthening of British Pound against Hong Kong dollars and all other variables were held constant, the Company's profit for the year would decrease/increase by HK\$8,983 (2016: profit for the year would decrease/increase by HK\$10,683).

For a 5% weakening/strengthening of Taiwan New dollars against Hong Kong dollars and other variables were held constant, the Company's profit for the year would decrease/increase by nil amount (2016: profit for the year would decrease/increase by HK\$3,250).

Credit risk

The Company's principal financial assets are trade receivables.

In order to minimise credit risk, the management of the Company 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 Company 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 of the Company consider that the Company's credit risk is significantly reduced.

The Company places its cash with creditworthy financial institutions.

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 statement of financial position, reduced by the effects of any netting agreements with counterparties.

TATA INTERNATIONAL METALS (ASIA) LIMITED

22. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Liquidity risk

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

The following table details the remaining contractual maturity for financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective <u>interest rate</u> %	On demand or less than <u>1 month</u> HK\$	undiscounted <u>cash flows</u> HK\$	Total carrying <u>amounts</u> HK\$
<u>2017</u>				
Trade and other payables	-	92,601,286	92,601,286	92,601,286
Amounts due to fellow subsidiaries	-	502,212	502,212	502,212
Amount due to an intermediate holding company	-	200,387	200,387	200,387
Bank borrowings	1.56	233,756,347	233,756,347	233,452,859
Bank overdraft	3.25	93,774,085	93,774,085	93,520,799
		<u>420,834,317</u>	<u>420,834,317</u>	<u>420,277,543</u>
<u>2016</u>				
Trade and other payables	-	83,417,297	83,417,297	83,417,297
Amounts due to fellow subsidiaries	-	456,327	456,327	456,327
Amount due to an intermediate holding company	-	407,794	407,794	407,794
Bank borrowings	1.64	275,693,659	275,693,659	275,317,392
		<u>359,975,077</u>	<u>359,975,077</u>	<u>359,598,810</u>

Fair values of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

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 INTERNATIONAL METALS (ASIA) LIMITED

23. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amounts HK\$</u>
Issued and fully paid ordinary shares: At March 31, 2016, April 1, 2016 and March 31, 2017	<u>1,000</u>	<u>77,510,000</u>

24. OPERATING LEASE COMMITMENTS

The Company as lessee

At the end of the reporting period, the Company's future minimum lease payments in respect of office premises under non-cancellable operating leases are payable as follows:

	<u>2017 HK\$</u>	<u>2016 HK\$</u>
Within one year	361,305	598,843
In the second to fifth year inclusive	<u>-</u>	<u>361,305</u>
	<u>361,305</u>	<u>960,148</u>

Leases are generally negotiated and rentals are fixed for an average term of 1 to 3 years (2016: 1 to 4 years).

25. 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\$502,389 (2016: HK\$497,467).

TATA INTERNATIONAL METALS (ASIA) LIMITED

26. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Sales to immediate holding company	131,694,067	64,033,494
Sales to fellow subsidiaries	457,693,819	895,962,295
Sales to an intermediate holding company	-	15,603,838
Agency commission income from an intermediate holding company	-	92,296
Agency commission income from fellow subsidiaries	307,267	-
Interest income from fellow subsidiaries	1,965,820	568,991
Interest income from immediate holding company	446,740	106,194
Commission expenses to a fellow subsidiary	2,296,031	-
Brand equity and business promotion paid to ultimate holding company	804,943	399,357
Interest expense to immediate holding company	-	1,092,611
Service fee to a fellow subsidiary	465,485	1,107,010
Service fee to an intermediate holding company	2,779,693	2,614,631

Details of the remunerations of the Company's directors representing the Company's key management are set out in note 10.
