

AUDITORS' REPORT

YING ZHONG KUAI SHEN ZI [2015] No. 5-1

To the Board of Director of TRL CHINA LIMITED,

We have audited the attached Balance Sheet TRL CHINA LIMITED (hereafter the Company) as at **March 31st, 2015** and the Profit and Loss account and the Cash Flows Statement for the year ended on the date and Footnotes of the Accounting Statements.

I. The Responsibility of the Company's Management

It is the responsibility of the Company's management to follow the Accounting Standard for Business Enterprises and *ENTERPRISES ACCOUNTING REGULATIONS* for preparing the financial statements. It includes: 1, Planning, performing and vindicating the internal control that is related to the compiling of financial statements , in order to avoid the material misstatement that is resulted in fraudulent practices or mistakes; 2, Selecting and using a proper accounting policy; 3, Working out a reasonable accounting estimate.

II. The Responsibility of the Certified Public Accountant

Our responsibility is to express an audit opinion on these financial statements based on our audit. We conducted our audits in accordance with the Independent Auditing Rules of Chinese Certified Public Accountants. Those rules require that we obey the personal ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing audit procedures, in order to obtain evidence supporting the amounts and disclosures in the financial statements. The audit procedures we selected, including the risk evaluation of the material misstatement resulted in fraudulent practices or mistakes are laid on the judgment of our certified public accountants. We take the internal control that is related to the compiling of financial statements into account to plan proper audit procedures during the risk evaluation, but it does not mean that we have any opinions to the internal control. The audits also include the evaluation of the accounting policy Appropriateness and the accounting estimates rationality that Company's management have chosen, and evaluation the overall presentation of financial statements.



We believe the audit evidences we obtained are sufficient and appropriate, it provide an advantage for the result of audit opinion.

III. The audit opinion

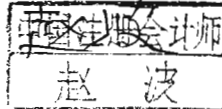
In our opinion, the company's financial statements have been properly prepared in conformity with Enterprise Accounting Rules and ENTERPRISES ACCOUNTING REGULATIONS of PRC issued by state and relevant laws by adopting consistency policy for the bookkeeping and given a true and fair view of the financial position on **March 31st, 2015** the operation results and cash flows for the period ended on the date of the Company.



Certified Public Accountants: Yang Jiajun



Certified Public Accountant: Zhao Bo



Statements attached Balance Sheet, Income Statement, Cash Flows Statement, Foot notes of Accounting Statements.

Address: NO.15 West Section, Bohai Avenue, Yingkou City, Liaoning

Report Date: 09th April, 2015

TRL CHINA LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2015

As at 31.03.2014

	Note	CNY	CNY
(I) EQUITY AND LIABILITIES			
(1) Shareholders' funds			
(a) Share Capital	01	64,963,552	64,963,552
(b) Reserves and Surplus	02	(26,148,752)	(27,372,178)
		38,814,800	37,591,374
(2) Non-current liabilities			
Long-term Borrowings	03	-	7,152,969
		-	7,152,969
(3) Current liabilities			
(a) Short-term Borrowings	03	43,326,469	45,940,000
(b) Trade Payables	04	58,395,550	69,284,210
(c) Other Current Liabilities	04	8,974,188	12,851,941
		110,696,207	128,076,151
TOTAL EQUITY AND LIABILITIES		149,511,007	172,820,494
(II) ASSETS			
(1) Non-current assets			
(a) Fixed Assets			
(i) Tangible Assets	05	80,204,036	90,167,497
(ii) Capital work-in-progress		-	-
(b) Long-term Loans and Advances	06	14,560	28,795
(c) Other non-current assets	07	2,992,330	3,432,726
		83,210,926	93,629,018
(2) Current assets			
(a) Inventories	08	26,947,267	33,109,997
(b) Trade Receivables	07	35,389,074	39,644,016
(c) Cash and Bank balances	09	2,701,714	3,530,180
(d) Short-term Loans and Advances	06	1,262,026	2,907,283
		66,300,081	79,191,476
TOTAL ASSETS		149,511,007	172,820,494

Notes on Balance Sheet and Statement of Profit & Loss 14

TRL CHINA LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31ST MARCH, 2015

	Note	Apr-Mar 2015 CNY	Apr-Mar 2014 CNY
I	Revenue from Operations	256,191,687	241,228,106
	Less: VAT recovered on Sales	35,047,938	33,226,776
II	Total Revenue	221,143,749	208,001,330
III	EXPENSES		
	(a) Raw Materials Consumed	133,161,536	113,504,866
	(b) Purchases of finished, semi-finished and other products	8,921,419	20,061,689
	(c) Changes in stock of finished goods, work-in-progress and stock-in-trade	2,091,880	(549,371)
	(d) Employee Benefit Expense	11,499,800	10,984,157
	(e) Finance Costs	4,952,297	5,452,217
	(f) Depreciation Expenses	10,116,270	10,112,623
	(g) Other Expenses	49,177,121	46,138,675
	Total Expenses (III)	219,920,323	205,704,356
IV	Profit/(loss) before tax (II - III)	1,223,426	2,296,474
V	Tax Expense		
	Current tax	-	-
	Total tax expense	-	-
VI	Profit/(loss) after tax from continuing operations (IV-V)	1,223,426	2,296,474
	Notes on Balance Sheet and Statement of Profit & Loss	14	

TRL CHINA LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31ST MARCH, 2015

	Apr-Mar 2015	CNY Apr-Mar 2014
	Audited	Audited
A. Cash Flow from Operating activities:		
Net Profit before taxes and Extraordinary Items	1,223,426	2,296,474
<i>Adjustments for:</i>		
Depreciation Expenses	10,116,270	10,112,623
Interest Income		
Interest Expenses	4,952,297	5,452,217
Operating profit before working capital changes	16,291,993	17,861,314
<i>Adjustments for:</i>		
Movements in trade and other receivables	6,162,730	(8,741,347)
Movements in inventories	(672,505)	(5,400,591)
Movements in trade and other payables	(3,162,505)	13,069,563
Cash generated from operations	2,327,720	(1,072,375)
Direct taxes paid	-	-
Net cash from Operating Activities:.....A	18,619,713	16,788,939
B. Cash Flow from Investing activities:		
Purchase of fixed assets	(152,810)	(105,549)
Sale of fixed assets	-	-
Deffered Revenue Expenses written off	440,397	434,152
Net cash from Investing Activities :.....B	287,587	328,603
C. Cash Flow from Financing activities:		
Proceeds from borrowings	40,059,749	93,603,822
Repayment of borrowings	(54,843,218)	(103,998,445)
Interest paid	(4,952,297)	(5,452,217)
Net cash from Financing Activities:.....C	(19,735,766)	(15,846,840)
Net increase / decrease in cash or cash equivalents (A+B+C)	(828,466)	1,270,702
Cash & cash equivalents as at 1st April (Opening Balance)	3,530,180	2,259,478
Cash & cash equivalents as at 31st March (Closing Balance)	2,701,714	3,530,180

Note: I) Figures in brackets represent outflows.

II) Previous year figures have been recasted / restated wherever necessary.

TRL CHINA LIMITED

NOTES FORMING PART OF BALANCE SHEET

NOTE 01

SHARE CAPITAL

	As at Mar 2015	As at Mar 2014
	CNY	CNY
Authorised:		
	64,963,552	64,963,552
	64,963,552	64,963,552
Issued:		
	64,963,552	64,963,552
	64,963,552	64,963,552
Subscribed:		
	64,963,552	64,963,552
	64,963,552	64,963,552
Total Share Capital	64,963,552	64,963,552

NOTE 02

RESERVE AND SURPLUS

	As at Mar 2015	As at Mar 2014
	CNY	CNY
Statement of Profit & Loss		
Profit/(Loss) for the year	1,223,426	2,296,474
Add: Statement of Profit and Loss balance brought forward from last year	(27,372,178)	(29,668,651)
Statement of Profit/(Loss) balance c/f	(26,148,752)	(27,372,178)
Total Reserves and Surplus	(26,148,752)	(27,372,178)

TRL CHINA LIMITED

NOTES FORMING PART OF BALANCE SHEET

NOTE 03

BORROWINGS

	As at Mar 2015						As at Mar 2014						
	Long Term		Current maturities of Long-term *		Short Term		Long Term		Current maturities of Long-term *		Short Term		
	CNY	CNY	CNY	CNY	CNY	CNY	CNY	CNY	CNY	CNY	CNY	CNY	
A. Secured Borrowings													
(a) Term Loans													
From Banks	-	7,181,477	-	-	-	7,181,477	7,152,969	12,198,445	-	-	-	19,351,414	
<i>(Secured by first charge by way of mortgage of building, plant and machinery)</i>													
(b) Repayable on Demand													
From Banks	-	-	43,326,469	-	-	43,326,469	-	-	45,940,000	-	-	45,940,000	
<i>(Secured by hypothecation of inventories, receivables and other current assets, both present and future)</i>													
Total Secured Borrowings	-	7,181,477	43,326,469	43,326,469	50,507,946	7,181,477	7,152,969	12,198,445	45,940,000	45,940,000	65,291,414		
Total Borrowings	-	7,181,477	43,326,469	43,326,469	50,507,946	7,181,477	7,152,969	12,198,445	45,940,000	45,940,000	65,291,414		

* Current maturities of long-term borrowings is reported as a part of Other Current Liabilities.

TRL CHINA LIMITED

NOTES FORMING PART OF BALANCE SHEET

NOTE 04

TRADE AND OTHER PAYABLES

	As at Mar 2015 CNY	As at Mar 2014 CNY
(A) Current Liabilities		
(I) Trade Payables		
(a) Creditors for supplies / services	58,222,868	69,106,566
(b) Creditors for accrued wages and salaries	172,682	177,644
(I) Total Trade Payables	58,395,550	69,284,210
(II) Other Current Liabilities		
(a) Current maturities of long-term debt	7,181,477	12,198,445
(b) Creditors for other liabilities	1,792,711	653,496
(II) Total Other current liabilities	8,974,188	12,851,941
(iii) Total Trade and Other Payables	67,369,738	82,136,151

NOTES FORMING PART OF BALANCE SHEET

NOTE 05

FIXED ASSETS

Description	Gross Block	Additions	Deductions	Gross Block	Accumulated	Depreciation for the year		Exchange difference on Consolidation	Total Depreciation up to 31.03.2015	Net Block as at 31.03.2015
	at cost as at 01.04.2014	CNY	CNY	at cost as at 31.03.2015	Depreciation as at 01.04.2014	Additions	Deductions			
A. TANGIBLE ASSETS										
1. Leasehold Land	6,730,097	-	-	6,730,097	1,078,922	134,297	-	-	1,213,219	5,516,878
	(6,730,097)	-	-	(6,730,097)	(944,625)	(134,297)	-	-	(1,078,922)	(5,651,175)
2. Buildings & Roads	58,850,272	5,400	-	58,855,671.53	14,000,742	2,901,918	-	-	16,902,660	41,953,012
	(58,838,572)	(11,700)	-	(58,850,272)	(11,093,958)	(2,906,784)	-	-	(14,000,742)	(44,849,529)
3. Plant & Machinery	80,182,793	144,400	-	80,327,193	40,939,171	6,954,613	-	-	47,893,784	32,433,410
	(79,963,792)	(219,001)	-	(80,182,793)	(33,992,647)	(6,946,524)	-	-	(40,939,171)	(39,243,623)
4. Furniture, Fixture	96,550	3,010	-	99,560	48,275	-	-	-	48,275	51,285.00
	(96,550)	-	-	(96,550)	(48,275)	-	-	-	(48,275)	(48,275.00)
5. Office Equipments	192,349	-	-	192,349	120,705	6,324	-	-	127,029	65,320.31
	(186,459)	(5,890)	-	(192,349)	(114,808)	(5,897)	-	-	(120,705)	(71,643.51)
6. Vehicles	895,112	-	-	895,112	591,861	119,120	-	-	710,981	184,131.12
	(895,112)	-	-	(895,112)	(472,740)	(119,120)	-	-	(591,861)	(303,251.64)
Total Tangible assets	146,947,173	152,810	-	147,099,983	56,779,676	10,116,271	-	-	66,895,947	80,204,036
	(146,710,582)	(236,591)	-	(146,947,173)	(46,667,063)	(10,112,623)	-	-	(56,779,676)	(90,167,497)

B. CAPITAL WORK IN PROGRESS

Buildings, Plant and Machinery etc. under erection.

Total Assets

80,204,036
(90,167,497)

Note : Figures in brackets relate to the previous period as on 30.09.2013.

TRL CHINA LIMITED

NOTES FORMING PART OF BALANCE SHEET

NOTE 06

LOANS AND ADVANCES

	As at Mar 2015			As at Mar 2014		
	Long Term	Short Term	Total	Long Term	Short Term	Total
	CNY	CNY	CNY	CNY	CNY	CNY
Loans and Advances						
(a) Security deposits	2,000	-	2,000	7,000	-	7,000
(b) Advance with public bodies	12,560	-	12,560	21,795	-	21,795
(c) Other loans and advances	-	1,262,026	1,262,026	-	2,907,283	2,907,283
Gross Loans and Advances	14,560	1,262,026	1,276,586	28,795	2,907,283	2,936,078
Less: Provision for bad & doubtful loans & advances						
Other loans and advances	-	-	-	-	-	-
Total provision for bad & doubtful loans & advances	-	-	-	-	-	-
Total Loans and Advances	14,560	1,262,026	1,276,586	28,795	2,907,283	2,936,078

TRL CHINA LIMITED

NOTES FORMING PART OF BALANCE SHEET

NOTE 07

TRADE RECEIVABLES AND OTHER ASSETS

	As at Mar 2015 CNY	As at Mar 2014 CNY
(A) Current trade receivable and other assets		
(a) Current Trade receivables		
(1) More than six months	16,565,621	26,256,955
(2) Others	20,762,572	14,628,846
Gross Current Trade Receivables	37,328,193	40,885,801
Less: Provision for bad and doubtful debts	1,939,119	1,241,785
Net Current Trade Receivables	35,389,074	39,644,016
(B) Non-current trade receivable and other assets		
Deffered revenue expenditure (to the extent not written off)	2,992,330	3,432,726
Other non-current assets	2,992,330	3,432,726
Total non-current assets	2,992,330	3,432,726

NOTE 08

INVENTORIES

	As at Mar 2015 CNY	As at Mar 2014 CNY
(a) Raw materials	15,765,329	19,651,695
(b) Finished and semi-finished goods	9,186,013	11,277,892
(c) Stores and spares	1,995,925	2,180,410
Total Inventories	26,947,267	33,109,997

NOTE 09

CASH AND CASH EQUIVALENT

	As at Mar 2015 CNY	As at Mar 2014 CNY
(a) Cash in hand	16,602	11,434
(b) Balances with banks		
In Current Account	2,685,112	3,518,746
Total cash and bank balances	2,701,714	3,530,180

TRL CHINA LIMITED

NOTES FORMING PART OF PROFIT AND LOSS

NOTE 10

REVENUE FROM OPERATIONS

	Apr-Mar 2015	Apr-Mar 2014
	CNY	CNY
Sale of products	256,191,687	241,228,106
Total Revenue from Operations	256,191,687	241,228,106

NOTE 11

EMPLOYEE BENEFIT EXPENSES

	Apr-Mar 2015	Apr-Mar 2014
	CNY	CNY
(a) Salaries and wages, including bonus	8,183,385	7,834,611
(b) Contribution to provident and other funds	2,486,741	2,436,400
(c) Staff welfare expenses	829,674	713,146
Total Employee Benefit Expense	11,499,800	10,984,157

NOTE 12

FINANCE COSTS

	Apr-Mar 2015	Apr-Mar 2014
	CNY	CNY
Interest expense		
(1) Interest Debentures and Fixed Loans	1,160,255	2,011,348
(2) Interest on Others	3,792,042	3,440,869
Total finance costs	4,952,297	5,452,217

TRL CHINA LIMITED

NOTES FORMING PART OF PROFIT AND LOSS

NOTE 13

OTHER EXPENSES

	Apr-Mar 2015	Apr-Mar 2014
	CNY	CNY
(a) Stores and spares consumed	1,895,870	2,557,222
(b) Repairs to machinery	3,047,492	2,779,599
(c) Repair & Maint Others	1,382,078	867,304
(d) Purchase of power	5,841,639	5,806,115
(e) Conversion charges	244,204	196,997
(f) Freight and handling charges	22,240,916	18,686,268
(g) Rent	15,385	72,417
(h) Royalty	37,627	37,034
(i) Rates and taxes	2,253,594	2,520,229
(j) Insurance charges	293,628	306,875
(k) Commission, discounts and rebates	4,556,572	2,983,394
(l) Provision for doubtful debts and advances	3,536,482	3,124,588
(m) Net loss / (gain) on foreign currency transactions	760,682	1,656,596
(n) Other expenses	3,070,952	4,544,037
Total Other Expenses	49,177,121	46,138,675

Other expenses include:

Auditors remuneration and Fees for Other Services

(i) Services as Auditors	80,000	80,000
(ii) For Other services	5,000	5,000

TRL CHINA LIMITED

NOTE 14

NOTES ON THE BALANCE SHEET AND STATEMENT OF PROFIT AND LOSS

	Apr-Mar 2015 CNY	Apr-Mar 2014 CNY
I <u>Contingent Liabilities:</u>		
Contingent Liabilities (demanded but contended as not due and therefore, not provided for in the accounts in respect of :		
(a) Govt. Dues & Taxes	Nil	Nil
(b) Guarantees	484,858	472,875
II For the purpose of reporting in compliance with Accounting Standard-17 on Segment Reporting, the business segment has been considered as the primary segment and the geographic segment has been considered as the secondary segment, . Refractories segment being the only business segment, necessary information has already been given in the Balance Sheet and Statement of Profit and Loss. The Company has two geographic segments i.e Domestic and Export sales. Revenue from geographic segments based on location of customers are as follows;		
Domestic :	-	-
Rest of the World :	256,191,687	241,228,106
III <u>Related Party Disclosures :</u>		
List of Related Parties :		
Parties where control exists :		
TRL Asia (P) Ltd (Holding Company)		
Other Related parties with whom transactions have taken place during the year		
Holding Company :		
Krosaki Harima Corporation (Ultimate Holding Company w.e.f 03.06.11)		
TRL Krosaki Refractories Ltd (Holding Company of TRL Asia (P) Ltd.)		
Tata Steel Limited (More than 20% holding)		
Key Management Personnel :		
Mr. Priyabrata Panda, Director		
Relatives of Key Management Personnel :		
Mrs. Sudharani Panda		
Mrs. Prerana Panda		
Mr. Asis Panda		
IV <u>Transactions with Related Parties</u>		
a) <u>Purchase of Raw Material and Services</u>		
Holding Company :		
TRL Krosaki Refractories Ltd (Holding Company of TRL Asia (P) Ltd.)	3,962,624	5,347,872
b) <u>Sales, Services and Other Income</u>		
Holding Company :		
TRL Krosaki Refractories Ltd (Holding Company of TRL Asia (P) Ltd.)	32,913,796	20,211,577
Tata Steel Limited (More than 20% holding)	90,560,932	82,364,936
c) <u>Outstanding balances as at 31st March, 2015</u>		
<u>Debtors</u>		
Holding Company :		
TRL Krosaki Refractories Ltd (Holding Company of TRL Asia (P) Ltd.)	11,840,156	5,175,665
Tata Steel Limited (More than 20% holding)	6,033,934	10,288,020
d) <u>Creditors</u>		
Holding Company :		
TRL Krosaki Refractories Ltd (Holding Company of TRL Asia (P) Ltd.)	5,482,857	9,962,899

TRL CHINA LTD

Footnotes of Accounting Statements

I . A Brief Introduction of the Company

TRL CHINA LTD. (hereafter the company) is a Wholly Owned Foreign Enterprise (WFOE) established by TRL ASIA PRIVATE LIMITED in China. Upon the ratifying of the People's Government of Liaoning province on 5th Jan. 2006, the Company received Certificate of Approval No. 8601[2006] from Liaoning Foreign Economic Bureau and received Business License No.001544 from the General Administration for Industry and Commerce of the People's Republic of China on 9th January,2006. The registered capital of the company will be USD 8.2Mn and the total investment of the company will be USD 16Mn. The duration of the company shall be 30 years.

The company will engage in development, production and sale of various types of refractories.

II. Main Accounting Policies

1. Accounting Rules:

The main accounting policies adopted by the company for preparing the accounting statements is in accordance with the "Business Accounting Principles and Rules of the People's Republic of China" and the certain regulations of the accounting for the foreign enterprises.

2. Fiscal year:

The fiscal year of the company is from 1st January to 31st December.

3. The Rules of Book keeping and Valuation method:

The books have been maintained on accrual basis system. The valuation bases on actual cost.

4. Foreign Currency Transaction:

The standard currency of the company for bookkeeping is RMB. The foreign currency is converted to RMB according to the exchange rate issued by the China People's Bank at the first day of the month when the transaction has occurred. The foreign currency balance amount at the close of the period is transferred at the closing rate. The exchange gain/loss for the period is transferred to expenses/income account.

5. Inventory accounting method

Raw materials are carried at lower of cost and net realizable value.

Stores and spares are valued at or below cost.

Finished products are valued at lower of cost or net realizable value.

6. Low value Items Amortization:

50% value of the Low and perishable articles (i.e. items less than RMB2000) will be charged as expenses in same period in which it has been purchased and balance 50% will be charged as expenses in the period in which assets declared as not useable.

7. Fixed assets and depreciation:

Depreciation has been calculated on Straight line method, that is, the amount of the original costs of the fixed assets after deducting 10% residual cost and divided the balance by estimated useful life. The estimated useful life of the fixed assets is as follows:

Types of fixed assets	Useful life	Annual Depreciation Rate (%)
Building and Structures	20years	4.5
Machinery Equipment	10years	9
Electronic Equipment	5years	18
Transport Facilities and Other Equipment	5years	18

8. Intangible assets and apportionment:

The land use rights will be apportioned within 50 years starting from May, 2006.

9. Deferred assets and apportionment:

These will be apportioned within 5 years and 10 years on case to case basis.

10. Operation revenue realization:

Revenue is recognized once the goods are dispatched and the ownership is transferred to the buyer and there is certainty about the realization of the amount.

11. Tax :

Value-added Tax: Tax rate is 17%;

Income Tax : Tax rate is 25%;

12. Paid up Capital: As on 31st Mar 2015 - 64,963,551.97 RMB

Investor	Opening Balance as on 1st April, 2014	Increased during the Year	Closing Balance as on 31st Mar, 2015
TRL Asia Private Limited	64,963,551.97 RMB	Nil	64,963,551.97 RMB
Registered Capital-USD	8,200,000.00	Nil	8,200,000.00

The above Paid up Capital has already been certified by this Yingkou CPA firm and the Capital Contribution Certificate has already been given vide Certificate No: 65 Dated 26th March, 2007.

III. Any other Related Matters

TRL China Limited is using BaaN- 4 ERP system for their accounting. Raw material issue accounting is done through the system.

TRL China Limited

Date **Month** **Year**
09th April 2015