



**中汇会计师事务所(特殊普通合伙)**  
Zhonghui Certified Public Accountants LLP

地址 (Add) : 中国杭州市钱江新城新业路8号UDC时代大厦A座6层  
邮编 (P.C) : 310016  
电话 (Tel) : 0571-88879999  
传真 (Fax) : 0571-88879000  
[www.zhcpa.com](http://www.zhcpa.com)

**Zhejiang Tata TEA Extraction Company Limited**

**INDEPENDENT AUDITOR'S REPORT**



中汇会计师事务所(特殊普通合伙)  
Zhonghui Certified Public Accountants LLP

地址 (Add): 中国杭州市钱江新城新业路8号UDC时代大厦A座6层  
邮编 (P.C): 310016  
电话 (Tel): 0571-88879999  
传真 (Fax): 0571-88879000  
www.zhcpa.com

## INDEPENDENT AUDITOR'S REPORT

ZhongHuiKuaiShen[2017]No.0078

**To the board of Zhejiang Tata TEA Extraction Company Limited,**

We have audited the accompanying financial statements of Zhejiang Tata TEA Extraction Company Limited, which comprise the balance sheet as at December 31, 2016, and the income statement, statement of cash flows and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with China Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements present fairly, in all material respects, the financial position of Zhejiang Tata TEA Extraction Company Limited as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

**Chinese Certified Public Accountant:**

**Chinese Certified Public Accountant:**

**9 January 2017**

**Zhonghui Certified Public Accountants LLP**  
**Hangzhou, People's Republic of China**



## BALANCE SHEET

AS AT DECEMBER 31, 2016



ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

Unit: Rmb Yuan

Assets	Notes	Line	Ending balance	Beginning balance	Liabilities and shareholders' equity	Notes	Line	Ending balance	Beginning balance
Current assets:	1	1			Current liabilities:	11	32		
Cash			760,484.41	733,736.40	Short-term borrowings			12,266,735.49	69,683,615.86
Financial assets at fair value through profit or loss	2	2			Financial liabilities at fair value through profit or loss		33		
Notes receivable	3	3			Notes payable		34		
Accounts receivable	4	4	91,716.59	574,371.91	Accounts payable	12	35	359,368.67	64,636.18
Prepayments	5	5	233,455.43	273,259.80	Advances from customers	13	36		
Interest receivable	6	6			Employee remuneration payable	14	37	382,331.62	358,751.14
Dividend receivable	7	7			Tax payable	15	38	177,704.00	26,680.74
Other accounts receivable	8	8	29,702.74	38,698.29	Interest payable	16	39	89,218.02	1,060,853.17
Inventories	9	9	2,077,598.07	9,898,234.55	Dividend payable	40	40		
Non-current assets due within one year	10	10			Other accounts payable	17	41	559,442.06	35,926,002.07
Other current assets	6	11	8,423,594.56	8,194,446.62	Non-current liabilities due within one year	18	42		5,295,000.00
Total current assets	12	12	11,616,551.80	19,712,747.57	Other current liabilities	43	43		
Non-current assets:					Total current liabilities	44	44	13,834,799.86	112,415,539.16
Available-for-sale financial assets	13	13			Non-current liabilities:				
Field-to-maturity investments	14	14			Long-term borrowings	19	45		
Long-term accounts receivable	15	15			Bonds payable	46	46		
Long-term share equity investment	16	16			Long-term payable	47	47		
Investment property	17	17			Special payable	48	48		
Fixed assets	7	18	39,223,434.74	43,672,902.47	Provisions for foreseeable liabilities	49	49		
Construction in progress	8	19		59,572.65	Deferred income tax liabilities	50	50		
Construction materials	20	20			Other non-current liabilities	51	51		
Fixed assets pending disposal	21	21			Total non-current liabilities	52	52		
Bearer biological assets	22	22			Total liabilities			13,834,799.86	112,415,539.16
Oil and gas assets	23	23			Owners' equity:				
Intangible assets	9	24	5,245,614.66	5,374,341.56	Paid-in capital	20	54	161,000,000.00	55,000,000.00
Development expenditure	25	25			Capital reserves	21	55	42,538.00	42,538.00
Goodwill	26	26			Less: Treasury stock	56	56		
Long-term prepaid expenses	10	27	3,365.41	7,852.57	Surplus reserves	57	57		
deferred income tax assets	28	28			Foreign currency translation differences	58	58		
Other non-current assets	29	29			Undistributed profit	22	59	-118,788,371.25	-98,630,660.24
Total non-current assets	30	30	44,472,414.81	49,114,669.35	Total shareholders' equity	60	60	42,254,166.75	-43,588,122.24
Total assets	31	31	56,088,966.61	68,827,416.92	Total liabilities and shareholders' equity	61	61	56,088,966.61	68,827,416.92

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:





# INCOME STATEMENT

FOR THE YEAR FROM JANUARY 1, 2016 TO DECEMBER 31, 2016

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

Unit: Rmb Yuan

Items	Notes	Line	Current Year	Prior Year
<b>Operating revenue</b>	1	1	1,197,299.60	3,017,588.40
Less: Operating costs	1	2	1,283,678.45	3,883,862.09
Business taxes and levies	2	3	569,064.57	6,980.83
Selling and distribution expenses		4	365,421.59	236,366.66
General and administrative expenses		5	9,532,505.91	10,162,735.26
Financial expenses(income)	3	6	1,748,101.25	3,045,307.00
Asset impairment loss	4	7	8,210,058.57	855,302.43
Add: Gains / (losses) on changes in fair values		8		
Investment income / (losses)		9		
Incl.: Income / (losses) from investment in associates and joint ventures		10		
<b>Operating profit/(losses)</b>		11	-20,511,530.74	-15,172,965.87
Add: Non-operating income	5	12	354,300.00	191,211.88
Less: Non-operating expenses	6	13	480.27	30,251.47
Incl. Disposal loss of non-current assets		14		
<b>Profit / (losses) before income tax</b>		15	-20,157,711.01	-15,012,005.46
Less: Income tax expenses	7	16		
<b>Net profit/(loss)</b>		17	-20,157,711.01	-15,012,005.46
<b>Earnings per share</b>		18		
( I )Basic earnings per share		19		
( II)Diluted earnings per share		20		
<b>Other comprehensive income / (losses)</b>				
<b>Total comprehensive income / (losses)</b>		20	-20,157,711.01	-15,012,005.46

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:

# CASH FLOW STATEMENT

## FOR THE YEAR FROM JANUARY 1, 2016 TO DECEMBER 31, 2016



ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

Unit: Rmb Yuan

Items	Notes	Line	Current Year	Prior Year
I .Cash flows from operating activities:				
Cash received from sale of goods or providing of services		1	1,737,958.43	845,075.16
Refund of tax and levies		2	215,510.07	319,776.15
Cash received relating to other operating activities		3	370,199.75	278,474.36
Subtotal of cash inflows		4	2,323,668.25	1,443,325.67
Cash paid for goods and services		5	1,285,753.06	109,388.68
Cash paid to and on behalf of employees		6	4,079,203.86	4,260,335.81
Payments of all types of taxes		7	396,491.77	641,469.88
Cash paid relating to other operating activities		8	3,109,967.60	4,494,420.67
Subtotal of cash outflows		9	8,871,416.29	9,505,615.04
Net cash flows from operating activities		10	-6,547,748.04	-8,062,289.37
II .Cash flows from investing activities:				
Cash received from investment retrieving		11		
Cash received from returns on investments		12		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		13		73,215.73
Net cash receipts from disposals of subsidiaries and other business units		14		
Cash received relating to other investing activities		15		
Subtotal of cash inflows		16		73,215.73
Cash paid to acquire fixed assets, intangible assets and other long-term assets		17	2,649.57	1,378,215.90
Cash paid to acquire investments		18		
Net cash paid to acquire subsidiaries and other business units		19		
Cash paid relating to other investing activities		20		
Subtotal of cash outflows		21	2,649.57	1,378,215.90
Net cash flows from investing activities		22	-2,649.57	-1,305,000.17
III.Cash flows from financing activities:				
Cash received from investmnet		23	72,000,000.00	
Cash received from borrowings		24	20,592,599.29	56,454,223.42
Cash received relating to other financing activities		25		
Subtotal of cash inflows		26	92,592,599.29	56,454,223.42
Cash paid to repay debts		27	83,304,479.66	43,871,723.46
Cash paid for interest expenses and distribution of dividends and profits		28	2,705,656.39	2,777,536.95
Cash paid relating to other financing activities		29		
Subtotal of cash outflows		30	86,010,136.05	46,649,260.41
Net cash flows from financing activities		31	6,582,463.24	9,804,963.01
Influence of exchange rate changes on cash and cash equivalents		32	-5,317.62	24,241.91
Net increase in cash and cash equivalents		33	26,748.01	461,915.38
Plus: Balance of cash and cash equivalents at the beginning of period		34	733,736.39	271,821.01
Balance of cash and cash equivalents at the end of period		35	760,484.40	733,736.39

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:

## STATEMENT OF CHANGES IN OWNERS' EQUITY

FOR THE YEAR FROM JANUARY 1, 2016 TO DECEMBER 31, 2016

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

Unit: Rmb Yuan

Line Items		Current Year						Prior Year							
		Paid-in capital	Capital reserves	Treasur y stock	Special Reserve	Surplus reserves	Undistributed profit	Total of owners' equity	Paid-in capital	Capital reserves	Treasur y stock	Special Reserve	Surplus reserves	Undistributed profit	Total of owners' equity
I. Balance at the end of prior year	1	55,010,000.00	42,538.00				-98,630,660.24	-43,588,122.24	55,000,000.00	42,538.00				-83,618,654.78	-28,576,116.78
	2														
	3	Plus: Change in accounting policy													
II. Balance at the beginning of current year	4	55,010,000.00	42,538.00				-98,630,660.24	-43,588,122.24	55,000,000.00	42,538.00				-83,618,654.78	-28,576,116.78
	5	106,030,000.00					-20,157,711.01	-126,157,711.01						-15,012,005.46	-15,012,005.46
III. Changes for the year(decrease in "+")	6						-20,157,711.01	-20,157,711.01						-15,012,005.46	-15,012,005.46
	7	( I ) Total comprehensive income / (losses)					-20,157,711.01	-20,157,711.01						-15,012,005.46	-15,012,005.46
( II ) Other comprehensive income / (losses)	8														
	9	Subtotal of ( I ) and ( II )					-20,157,711.01	-20,157,711.01						-15,012,005.46	-15,012,005.46
(III)Owners' contributions and reduction in capital	10	106,000,000.00						106,000,000.00							
	11	1. Capital contribution from owners													
2. Share-based payment recognized in owners' equity	12														
	13	3. Others													
(IV)Profit distribution	14														
	15	1. Appropriation to surplus reserve													
2. Distribution to owners	16														
	17	3. Others													
(V)Transfer within owners' equity	18														
	19	1. Paid-in capital increased by capital reserve transfer													
2. Paid-in capital increased by surplus reserve transfer	20														
	21	3. Loss made up by surplus reserve													
4. Others	22														
	23	1. Amount accrued in current year													
(VI)Social Reserve	24	2. Amount used in current year													
	25	IV. Balance at the end of current year	161,000,000.00	42,538.00			-118,788,371.25	42,254,166.75	55,000,000.00	42,538.00				-98,630,660.24	-43,588,122.24

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:

# ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2016

(All amounts in Rmb Yuan unless otherwise stated)

#### **I. General**

Zhejiang Tata Tea Extraction Company Limited Company (“the Company”) is Sino-foreign investment equity joint venture enterprise set up by Tata Global Beverages Limited, India and Zhejiang Tea Group Company Limited, China according to the approval letter No. zhefuzihuzi [2007]00181 issued by the People’s Government of Zhejiang Province on September 4, 2007. The Company was registered with Huzhou Administration Bureau of Industry and Commerce on September 14th of 2007, with the business license numbered 913305006661838007.

The Company’s registered capital is RMB 161 million, the total amount of which has been contributed by the partners by the balance sheet date. Tata Global Beverages Limited, India contributed capital of RMB 144.50 million, accounting for 89.75% of the Paid-up capital; and Zhejiang Tea Group Company Limited contributed capital of RMB 16.50 million, accounting for 10.25% of the Paid-up capital.

The Company’s approved operating scope includes research and development of tea and other new plant products, production and sales of tea goods and tea substitute [tea goods (instant tea)] (valid till September 12, 2057).

#### **II. Basis of preparation of financial statements**

The Company prepares financial statements on the going-concern basis, recognizing and measuring transactions or events that have actually occurred, in accordance with *China Accounting Standards for Business Enterprises* proclaimed by the Ministry of Finance in February 2006.

### **III. Statement of compliance**

The financial statements of the Company have been prepared in accordance with *China Accounting Standards for Business Enterprises*, and present truthfully and completely, the Company's financial position as of 31 December 2016, and the Company's financial performance and cash flows for the year then ended.

### **IV. Principal accounting policies, accounting estimates and prior period errors**

#### **(I) Accounting period**

The Company's accounting year starts on 1 January and ends on 31 December.

#### **(II) Recording currency**

The recording currency of the Company is the Renminbi (RMB).

#### **(III) Cash and cash equivalents**

Cash equivalents refer to short-term and highly-liquid investments with original maturities within three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

#### **(IV) Foreign currency transactions**

##### **1. Translation of foreign currency transaction**

Foreign currency transactions are translated into RMB at the market exchange rates on the transaction dates. Ending balances of monetary assets and liabilities denominated in foreign currencies are translated into RMB at market exchange rates on the balance sheet date. Except for the exchange differences of special borrowings' principal and interest related to the construction of assets eligible for capitalization, exchange differences arising from these translations are recognized as profit or loss in the period. The ending balances of nonmonetary assets and liabilities denominated in foreign currency and measured at historical cost are translated into RMB at market exchange rates on the transactions dates; and those measured at fair value are translated at market exchange rates on the dates of determining fair value, with the related exchange differences recognized as gain or loss on changes in fair value.



## 2. Translation of financial statements denominated in foreign currency

Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date. All equity items except for undistributed profit are translated at the spot exchange rates at the dates on which such items arise; income and expenses in the income statement are translated at the average exchange rate in the period. Translation differences arising from the above mentioned are presented as a separate component of owner's equity in the balance sheet. Cash flows on the cash flow statement are translated at the average exchange rate at the dates of the cash transactions. The influences on cash of translation differences are presented as a separate component in the cash flow statement as an adjustment item.

### (V)Bad debts of receivables

#### 1. Receivables that are individually significant and provided for bad debt provision separately

Criteria of individual significant amount	Accounts receivable-- specific amount that accounts for over 10% of total accounts; other receivables-- specific amount that accounts for over 10% of total accounts.
Bad debt provision method for receivables that are individually significant and provided for bad debt provision separately	If any objective evidence in the individual impairment test shows that it has been impaired, bad debt provision shall be made at the difference between the present value of future cash flows and its book value; if no impairment is formed with separate individual impairment test, bad debt provision shall be made by aging analysis method in credit risk combinations classified by age.

#### 2. Receivables that are provided for bad debt provision by combination

Criteria of combination	Credit risk combinations are classified by age.
Bad debt provision method for receivables that are provided for bad debt provision by combination	Aging analysis method

Bad debt provision method for receivables in credit risk combinations classified by age:

Age	Bad debt provision percentage for account receivable (%)	Bad debt provision percentage for other receivables (%)
Within 3 years	0.00	0.00
Over 3 years	0.50	0.50

3. Account receivables that are insignificant in amount individually but provided for bad debt individually

Reason for making bad debt provision individually	There is objective evidence that the recoverability is significantly different from others.
Bad debt provision method	Bad debt provision shall be made at the difference between the present value of future cash flows and its book value.

4. For other receivables (including notes receivable, prepayments, interest receivable and long-term accounts receivable etc.), bad debt provision is made at the difference between the present value of future cash flows and its book value.

#### **(VI) Inventories**

1. Inventories of the Company are: (a) finished goods held for sale in normal operation process; (b) work-in-process, and (c) materials or supplies etc. to be consumed in process of production or service provision.
2. Inventories are measured at actual cost. Inventories purchased are calculated at actual procurement cost and inventories acquired from further production are calculated at actual procurement cost and further processing cost.
3. Inventories issued are measured on weighted average method.
4. Inventories at the balance sheet date are measured at the lower of cost and net realizable value. When the realizable value is lower than the cost, the difference is recognized as a provision for decline in value. Provision for decline in value of inventories is made by comparing cost with net realizable value on an individual item basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to complete the sale.
5. Perpetual inventory system is adopted.
6. Turnover materials including packaging materials and low value consumables are written off in full when issued for use.

#### **(VII) Fixed assets and accumulated depreciation**

##### **1. Criteria of fixed assets**

Fixed assets is defined as the tangible assets which are held for the purpose of producing

goods, providing services, lease or for operation & management, and have more than one year of useful life.

Fixed assets should be recognized when satisfying following conditions at the same time:

Firstly, the economic interest related to the fixed asset is probably flowed into the Company; secondly, the cost of the fixed asset is reliably measured. The subsequent expenditures related to the fixed asset should be recognized as fixed asset cost, if complying with above recognition conditions. If not complying with above recognition conditions, it should be recognized as current profit or loss when occurred.

## 2. Initial measurement of fixed assets

Fixed assets are initially recorded at cost.

A. Purchased fixed assets are recorded at purchase price, related taxes, and expenses that occur before the assets are ready for their intended use and are attributed to the fixed assets such as delivery costs, handling fees, installation costs, and professional service fees and so on. If a certain payment is made for purchasing several fixed assets not priced separately, the cost of each fixed asset shall be ascertained by allocating the payment according to the proportion of fair value of each fixed asset to the total cost of all assets acquired. If payment of purchasing fixed assets is deferred beyond normal credit terms and has financing nature substantially, its cost is recorded at the present value of purchasing price. The difference between actual payment and the present value of purchasing price is recognized as current profit or loss over the credit period except these capitalized according to “Accounting Standard for Business Enterprise NO. 17——Borrowing Costs”.

B. Self-constructed fixed assets are recorded at the total expenditure incurred for the construction before the assets are ready for their intended use.

C. Fixed assets contributed by the Company’s investors are recorded at the value agreed in the investing contract, except that the value agreed in the contract is not fair.

D. Fixed assets acquired from exchange of non-monetary assets, debt restructuring, business combination and finance lease are recorded separately in accordance with “No.7 of Accounting Standards for Business Enterprises——Exchange of Non-monetary Assets”, “No. 12 of Accounting Standards for Business Enterprises——Debt Restructuring”, “No. 20 of Accounting Standards for Business Enterprises——Business Combinations”, “No. 21 of

Accounting Standards for Business Enterprises——Lease”.

### 3. Depreciation of fixed assets

Fixed Assets are depreciated over the useful life of each asset class using the straight line method. The depreciation rates are determined as follows based on asset class estimated useful lives and estimated residual values (10% of the original cost):

Class of fixed assets	Estimated useful life	Residual value	Annual depreciation rate
Buildings	20 years	5%	4.75%
Machinery and equipment	3-10 years	10%	9.00-30.00%
Vehicles	4 years	10%	22.50%
Office equipment	3-5 years	10%	18.00-30.00%
Auxiliary equipment	5 years	10%	18.00%

Capitalized expenditures arising from the renovation of fixed assets are depreciated by using the method of average life length over the shorter period of interval between the current renovation to the next and the expected remaining useful life of the renovated fixed assets.

4. The fixed assets are recognized as idle fixed assets when they have not been used three consecutive months caused by shortage of work time and natural disaster (except seasonal unavailability). The idle fixed assets are depreciated in accordance with other fixed assets in the same class.

### 5. Impairment of fixed assets

At the balance sheet date, if there is evidence that the value of fixed assets has declined, the provision for impairment of fixed assets should be made in accordance with the method explained in Note III. (XIII) to the financial statements.

## **(VIII) Construction in progress**

1. Construction in progress shall be recognized when satisfying that the economic interest will probably flow in and that the cost can be reliably measured. Construction in progress is measured at actual cost before the construction is ready for intended use.

2. Construction in progress is transferred to fixed assets at practical construction expenditures as soon as the construction is ready for intended use. If construction in progress that is ready for intended use has not been conducted completion accounts, it should be temporarily

transferred to fixed assets at its estimated value. The estimated value should be adjusted according to its actual cost when it has been conducted completion accounts, while the accumulated depreciation needs not to be adjusted.

3. At the balance sheet date, if there is evidence that the value of construction in progress has declined, the provision for impairment of construction in progress should be made in accordance with the method explained in Note III. (XIII) to the financial statements.

#### **(IX) Intangible assets**

##### **1. Initial measurement of intangible assets**

The cost of intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose.

##### **2. Useful lives and amortization of intangible assets**

As for the intangible assets with limited service life, the Company shall estimate the years of its service life, or the amount of the output or any other similar measurement unit, which constitutes its service life. If it is unlikely to forecast the length of period over which an intangible asset can bring economic benefits to the enterprise, the intangible asset shall be regarded as an intangible asset with uncertain service life.

An intangible asset with limited service life should be systematically amortized according to the expected realization pattern of economic interest related to the intangible asset. If the expected realization pattern cannot be determined reliably, it should be amortized by straight-line method. An intangible asset with uncertain service life is not amortized, but is tested for impairment and reviewed for its useful life on an annual basis.

3. At the balance sheet date, the Company shall evaluate the ability that the intangible assets may bring future economic interest and make the provision for impairment of intangible assets as necessary.

#### **(X) Long-term prepaid expenses**

Long-term prepaid expenses are recorded at actual amount as incurred and amortized on a straight-line basis over the period that obtains benefit from the expenses. If a certain item of long-term period expenses cannot bring economic benefits for the future accounting periods, the remaining carrying amount is recognized as gain or loss in the period.



## **(XI) Impairment of assets**

This accounting policy refers to the impairment of other main assets except inventory, investments in real estate and financial assets.

1. Non-financial assets include fixed assets, constructions in progress, intangible assets and goodwill. At each balance sheet date, the Company reviews fixed assets, constructions in progress, and intangible assets with limited useful life to find out whether there is sign of impairment. Goodwill and intangible assets formed by merger of enterprises, whether or not there is impairment evidence, shall be reviewed annually for impairment.

If evidence shows that impairment has happened, then the residual value will be estimated. Estimation of recoverable value is on basis of single asset. If it is hard to estimate the recoverable value of a particular asset, then the recoverable value shall be estimated upon the asset group in which the target asset is included. If the residual value of an asset is lower than its book value, impairment provision shall be provided at the difference of the two, and shall be accounted into current profit or loss.

2. Once impairment losses of above assets are recognized, they cannot be reversed in subsequent accounting periods.

## **(XII) Borrowing expenses**

### **1. Recognition of borrowing expenses**

Borrowing expenses include borrowing interests, amortization of discount or premium, auxiliary expenses, and exchange balances due to borrowings in foreign currencies. Borrowing expenses that can be attributed to purchase or construction of assets and comply with capitalization conditions start to be capitalized when the payment of asset and borrowing expenses have already been incurred, and the purchase or production activities in purpose of making the asset usable have started. Capitalization shall be terminated as soon as the asset complying with capitalization conditions is ready for intended use. The other borrowing expenses are recognized as expenses when incurred.

### **2. Capitalization period of borrowing expenses**

A. The capitalization of borrowing expenses commences as the following three

conditions are met: (a) the capital expenditures are incurred; (b) the borrowing expenses are incurred; (c) the acquisition or construction activities have commenced to enable the assets to be ready for their intended use.

B. The capitalization of borrowing expenses should be suspended during the periods when the acquisition or construction activities are abnormally interrupted and the interruption period is more than three consecutive months; the borrowing expenses are expensed during the period until the acquisition or construction activities are resumed.

C. The capitalization of borrowing expenses ceases when the assets being acquired or constructed are ready for their intended use. Borrowing expenses incurred thereafter should be recognized as expense in the period in which they are incurred.

### 3. Capitalization amount of borrowing expenses

Interest expenses practically occurred at the current term of a special borrowing are capitalized after deducting the interest earned on the unused borrowing loans. The capitalized borrowing costs for each accounting period are determined by using the weighted average amount of accumulated expenditures incurred in that period for the acquisition or construction of fixed assets and the capitalization rate of the borrowings. The procedures are in accordance with the Accounting Standards for Business Enterprises – Borrowing Costs.

## **(XIII) Income recognition**

### 1. Sale of goods

Revenue from sale of product is recognized when all the following conditions have been satisfied: (a) The seller has transferred to the buyer the significant risks and rewards of ownership of the goods; (b) The seller retains neither continuing managerial involvement to the degree usually associated with ownership and does not have effective control over the goods sold; (c) It is probable that the economic benefits associated with the transaction will flow to the enterprise; (d) The amount of revenue and cost of the goods sold can be measured reliably.

### 2. Rendering of services

Revenue from rendering of services is recognized when all the following conditions have been satisfied: (a) If service is rendered in one accounting year, income is recognized after the

company has delivered the service, and received the revenue or the right to collect the revenue; (b) If the services start and end in different years, income is recognized by percentage of completion method on the following conditions: the amount of revenue and percentage of completion can be determined reliably; the economic benefits of the service could flow to the company; the cost incurred to date and cost incurred to complete the service can be measured reliably; (c) If the result of long time service contract could be reasonably estimated, revenue at period end is recognized by percentage of completion method, and cost is also computed on the same percentage of estimated total cost.

### 3. Revenue arising from the use by others of enterprise assets

Revenue arising from the use by others of cash asset yielding interest is calculated at the period when cash is used and applicable interest rate; and revenue and expense from the use by others of assets other than cash are calculated at period and charging method prescribed in relevant contract or agreement.

Revenues above are recognized only when all the following conditions have been satisfied: (a) it is probable that the economic benefits associated with the transaction will flow to the enterprise; (b) the amount of the revenue can be measured reliably.

## **(XIV) Governmental subsidies**

1. Governmental subsidies are recognized when two conditions are satisfied: (1) the Company can satisfy conditions for governmental subsidies; (2) the Company can receive governmental subsidies.

2. When the governmental subsidies are monetary assets, they are measured by the amount received or receivable. When the governmental subsidies are non-monetary assets, they are measured at fair values. If the fair values cannot be acquired reliably, the nominal amount is used for measurement.

3. Governmental subsidies are classified as the governmental subsidies related to assets and to gains. When governmental subsidies related to assets are received, they are recognized as deferred income, and distributed to profit or loss on a straight-line basis during the useful life of relevant assets. When governmental subsidies related to gains are received, different treatments are used: (1) if the subsidies are used to compensate relevant expenses or losses in

following periods, deferred income is recognized and will be included in profit or loss when relevant expenses are recognized; (2) if the subsidies are used to compensate relevant expenses or losses that have been recognized, they are included in current profit or loss directly.

#### **(XV) Enterprise income tax**

1. At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured on the basis of the difference between the carrying amount of assets or liabilities and their tax base (or the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws) at the applicable tax rate for the period in which the asset (or liability) expected to be recovered (or paid).
2. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the asset can be utilized. At the balance sheet date, deferred tax assets that were not recognized in prior periods can be recognized in the current period if there exists solid evidence that future taxable profit is probable to be sufficient to deduct the deductible temporary differences.
3. The carrying amount of deferred tax assets is reviewed at the balance sheet date. The deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

#### **V. Changes of main accounting policies and accounting estimates**

##### **1. Change in accounting policies**

There is no change in accounting policies in current accounting period.

##### **2. Change of accounting estimations**

There is no change of accounting estimations in current accounting period.

##### **3. Correction of prior period errors**

There is no correction of prior period errors in current accounting period.

#### **VI. Taxation**

1. Value added tax

Value Added Tax is calculated at 17% of the added value.

2. City construction tax

City construction tax is calculated at 5% of the AC transfer tax

3. Education supplementary tax

Education supplementary tax is calculated at 3% of the AC transfer tax

4. Housing property tax

Housing property tax is payable at 1.2% of 70% of property's original value or at 12% of rental income.

5. Enterprise income tax

Enterprise income tax is calculated at 25% of the taxable income.

6. Land-use tax

Land-use tax is calculated at RMB 8 yuan per square meter multiplied by the area of land.

7. Water construction fund

Water construction fund is calculated at 0.1% of the operating revenue.

## **VII. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS**

The unit of amount in this section is RMB, unless otherwise stated.

### **1. Notes to main items of the balance sheet**

#### **(1) Cash**

##### **A. Details**

Items	Ending balance	Beginning balance
Cash in hand	476.32	3,378.52
Cash at bank	760,008.09	730,357.88
Total	<u>760,484.41</u>	<u>733,736.40</u>

##### **B. Foreign currency funds**



Currency	Ending balance			Beginning balance		
	Original currency	Exchange rate	Equivalent to RMB	Original currency	Exchange rate	Equivalent to RMB
Dollar	0.97	6.937	6.14	1.97	16.4936	12.79

## (2) Accounts receivable

### A. Details

Items	Ending balance				Beginning balance			
	Book value	Percent (%)	Provision for bad debts	Provision percentage	Book value	Percent (%)	Provision for bad debts	Provision percentage
Provided for bad debt provision by combination	91,716.59	100.00			574,371.91	1100.00		

Classification criteria of accounts receivable:

- ① Individually significant and provided for bad debt provision separately: Accounts receivable whose specific amount accounts for over 10% of total accounts and are provided for bad debt provision separately;
- ② Provided for bad debt provision by combination: Accounts receivable in credit risk combinations classified by age, excluding those included in area①.
- ③ Insignificant in amount individually but provided for bad debt individually: Accounts receivable whose recoverability is shown as significantly different by objective evidence excluding those included in area①.

### B. Bad debt provision

Accounts receivable that are provided for bad debt provision by combination

For above accounts receivable presented in combinations, bad debt provisions are made by aging analysis method as follows:

Age	Ending balance			Beginning balance		
	Book value	Percent (%)	Provision for bad debts	Book value	Percent (%)	Provision for bad debts
Within 1 year	91,716.59	100.00		574,371.91	100.00	

- C. The accounts receivables from investors with shareholding not less than 5% as at the balance sheet date have been listed in the note “RELATED PARTY RELATIONSHIPS AND TRANSACTIONS” to the financial statements.

### (3) Prepayments

#### A. Ageing analysis

Age	Ending balance				Beginning balance			
	Book value	Percent (%)	Provision for bad debts	Provision percentage	Book value	Percent (%)	Provision for bad debts	Provision percentage
Within 1 year	208,142.93	89.16		208,142.93	186,368.30	68.20		186,368.30
1-2 years					86,062.50	31.49		86,062.50
2-3 years	25,312.50	10.84		25,312.50				
3-4 years								
4-5 years					829.00	0.30		829.00
Over 5 years								
Total	<u>233,455.43</u>	<u>100.00</u>		<u>233,455.43</u>	<u>273,259.80</u>	<u>100.00</u>		<u>273,259.80</u>

B. There are no prepayments to shareholders with shareholding of not less than 5% as at the balance sheet date.

C. No provision for impairment is made as there is no evidence that the value of prepayments has declined as at the balance sheet date.

### (4) Other receivables

#### A. Details

Items	Ending balance				Beginning balance			
	Book value	Percent (%)	Provision for bad debts	Provision percentage	Book value	Percent (%)	Provision for bad debts	Provision percentage
Provided for bad debt provision by combination	10,622.74	35.76			16,618.29	42.94		
Insignificant in amount								
individually but provided for bad debt individually	19,080.00	64.24			22,080.00	57.06		
Total	<u>29,702.74</u>	<u>100.00</u>			<u>38,698.29</u>	<u>100.00</u>		

Classification criteria of other receivables:

① Individually significant and provided for bad debt provision separately: Other receivables whose specific amount accounts for over 10% of total accounts and are provided for bad debt provision separately;

② Provided for bad debt provision by combination: Other receivables in credit risk combinations classified by age, excluding those included in area ①.

③Insignificant in amount individually but provided for bad debt individually: Other receivables whose recoverability is shown as significantly different by objective evidence excluding those included in area①.

#### B. Bad debt provision

1) Accounts receivable that are provided for bad debt provision by combination

For above accounts receivable presented in combinations, bad debt provisions are made by aging analysis method as follows:

Age	Ending balance			Beginning balance		
	Book value	Percent (%)	Provision for bad debts	Book value	Percent (%)	Provision for bad debts
Within 1 year	4,622.74	43.52		5,618.29	33.81	
1-2 years				11,000.00	66.19	
2-3 years	6,000.00	56.48				
Total	<u>10,622.74</u>	<u>100.00</u>		<u>16,618.29</u>	<u>100.00</u>	

2) Other receivables that are insignificant in amount individually but provided for bad debt individually

Content	Book value	Bad debt provision	Provision percentage	Reason
Deposit	19,080.00			Fully recoverable by valid contract

C. There are no other receivables from shareholders with shareholding of not less than 5% as at the balance sheet date.

#### (5) Inventory

##### A. Details of inventories

Items	Ending balance			Beginning balance		
	Book value	Impairment provision	Net book value	Book value	Impairment provision	Net book value
Raw material	264,621.45		264,621.45	394,173.95		394,173.95
Finished goods	16,807,388.82	14,994,412.20	1,812,976.62	16,698,185.08	7,194,124.48	9,504,060.60
Total	<u>17,072,010.27</u>	<u>14,994,412.20</u>	<u>2,077,598.07</u>	<u>17,092,359.03</u>	<u>7,194,124.48</u>	<u>9,898,234.55</u>

##### B. Provision for decline in the value of inventories

(a) Movements of provision for decline in the value of inventories

Type	Beginning balance	Current period increase	Current period decrease		Ending balance
			Reversals due to value rebound	Transfer out for other reasons	
Finished goods	7,194,124.48	8,210,058.57		409,770.85	14,994,412.20

(b) Determination method of provision for decline in the value of inventories

Provisions for declines in the value of inventories are determined on an individual class basis at the difference between the carrying value of the inventories and their net realizable value. The net realizable value is determined at expected selling price of goods produced minus the expected further processing costs to be incurred, selling expense and relevant taxes.

(6) Other current assets

A. Details

Items	Ending balance	Beginning balance
Prepaid tax	8,423,594.56	8,191,797.05
Magnet bar		2,649.57
Total	<u>8,423,594.56</u>	<u>8,194,446.62</u>

B. No provision for impairment is made as there is no evidence that the value of other current assets has declined as at the balance sheet date.

(7) Fixed assets

A. Details

a. Original cost

Type	Beginning balance	Increase	Decrease	Ending balance
Buildings	25,943,490.00			25,943,490.00
Machinery	35,544,940.92	59,572.65		35,604,513.57
Vehicles	213,620.00			213,620.00
Office equipment	2,716,555.87			2,716,555.87
Auxiliary equipment	600,506.68			600,506.68
Total	<u>65,019,113.47</u>	<u>59,572.65</u>		<u>65,078,686.12</u>

b. Accumulated depreciation

	Beginning balance	Increase	Decrease	Ending balance
Buildings	6,152,466.24	1,232,315.78		7,385,300.88
Machinery	12,095,385.38	3,235,269.22		15,330,136.67
Vehicles	192,258.00			192,258.00
Office equipment	2,368,669.08	39,439.38		2,408,107.82
Auxiliary equipment	537,432.30	2,016.00		539,448.01
Total	<u>21,346,211.00</u>	<u>4,509,040.38</u>		<u>25,855,251.38</u>

c. The provision for impairment is not made as there is no evidence that the value of fixed assets has declined as at the balance sheet date.

d. Net book value

Type	Beginning balance	Ending balance
Buildings	19,791,023.76	18,558,189.12
Machinery	23,449,555.54	20,274,376.90
Vehicles	21,362.00	21,362.00
Office equipment	347,886.79	308,448.05
Auxiliary equipment	63,074.38	61,058.67
Total	<u>43,672,902.47</u>	<u>39,223,434.74</u>

#### (8) Construction in progress

##### A. Details

Name of construction	Ending balance			Beginning balance		
	Book value	Impairment Provision	Net book value	Book value	Impairment Provision	Net book value
Waste water pollution control system				59,572.65		59,572.65

##### B. Movements of construction in progress

Name of construction	Beginning balance	Current period increase	Current period		Ending balance
			transfer into fixed assets	Other decrease in current period	
Waste water pollution control system	59,572.65		59,572.65		

C. No provision for impairment is made as there is no evidence that the value of



construction in progress has declined as at the balance sheet date.

(9) Intangible assets

A. Details

a. Original price

	Beginning balance	Increase	Decrease	Ending balance
Land	6,435,740.69			6,435,740.69
UFIDA system	65,782.56			65,782.56
Total	<u>6,501,523.25</u>			<u>6,501,523.25</u>

b. Amortization

Type	Beginning balance	Increase	Decrease	Ending balance
Land	1,061,399.03	128,727.00		1,190,126.03
UFIDA system	65,782.56			65,782.56
Total	<u>1,127,181.59</u>	<u>128,727.00</u>		<u>1,255,908.59</u>

c. No provision for impairment is made as there is no evidence that the value of intangible assets has declined as at the balance sheet date.

d. Net book value

	Beginning balance	Ending balance	Residual amortization lives
Land	5,374,341.66	5,245,614.66	489 months

(10) Long-term prepaid expenses

Item	Original cost	Beginning balance	Increase	Amortization	Ending balance	Residual amortization time
Resin consumption	8,974.36	7,852.57		4,487.16	3,365.41	9 months

(11) Short-term borrowings

A. Details

Items	Ending balance	Beginning balance
Guaranteed loans	12,266,735.49	69,683,615.86

B.Guaranteed loans details:

Lending bank	Loan balance	The guarantor
Citi bank	8,213,930.60	TGBL
Deutsche bank	4,052,804.89	DEUTSCHE BANK AG KOLKATA(CALCUTTA)
Total	<u>12,266,735.49</u>	

(12) Accounts payable

A. Details

Items	Ending balance	Beginning balance
Accounts payable	359,368.67	64,636.18

B. There are no accounts payable to shareholders with shareholding of not less than 5% as at the balance sheet date.

C. There are no accounts payable to related parties as at the balance sheet date.

(13) Employee's remuneration payable

A. Details

Items	Beginning balance	Increase	Decrease	Ending balance
a.Short-term remuneration:	305,165.79	3,776,825.85	3,743,792.32	338,199.32
Wage, bonus, allowance, subsidy	255,939.69	3,205,057.31	3,181,830.59	279,166.41
Employee welfare	14,017.85	282,036.68	265,604.29	30,450.24
Medical insurance	13,979.09	83,405.97	83,911.73	13,473.34
Employment injury insurance	5,083.31	24,395.59	26,667.62	2,811.28
Maternity insurance	2,541.61	14,695.19	15,228.75	2,008.05
Housing fund	8,960.00	123,473.00	122,143.00	10,290.00
Union funds	4,644.24	43,440.10	48,084.34	
Staff education fee		322.00	322.00	
b.Retirement welfare:	53,585.35	306,728.51	316,181.56	44,132.30
Endowment insurance	48,904.03	289,490.20	296,336.82	42,057.40
Unemployment insurance	4,681.32	17,238.31	19,844.74	2,074.90
Total	<u>358,751.14</u>	<u>4,083,554.36</u>	<u>4,059,973.88</u>	<u>382,331.62</u>

B. There is no employee remuneration payable in arrears as at the balance sheet date.

(14) Tax payable

Items	Ending balance	Beginning balance
Housing Tax	80,115.81	
Stamp duty	195.70	342.37
Land-use Tax	90,892.09	
Water construction fund		608.00
Withheld individual income tax	6,500.40	25,730.37
Total	<u>177,704.00</u>	<u>26,680.74</u>

(15) Interest payable

Items	Ending balance	Beginning balance
Short -term loan interest	89,218.02	1,041,839.01
Long -term loan interest		
Long-term liabilities due within one year interest		19,014.16
Total	<u>89,218.02</u>	<u>1,060,853.17</u>

(16) Other payables

A. Details

Items	Ending balance	Beginning balance
Deposit in security	10,000.00	10,000.00
Designing fees	200,000.00	200,000.00
Equipment fees	206,062.02	1,491,080.82
Money on call		34,000,000.00
Others	143,380.04	1,726,002.07
Total	<u>559,442.06</u>	<u>35,926,002.07</u>

B. There are no the other payables to investors with shareholding not less than 5% as at the balance sheet date.

(17) Long-term liabilities due within one year

	Ending balance	Beginning balance
Long-term borrowings		5,295,000.00

(18) Paid-in capital

A. Details

Investors	Beginning balance	Shareholding percent (%)	Increase	Decrease	Ending balance	Shareholding percent (%)
Tata Global Beverages Limited	38,500,000.00	70.00	106,000,000.00		144,500,000.00	89.75
Zhejiang Tea Group Company Limited	16,500,000.00	30.00			16,500,000.00	10.25
Total	<u>55,000,000.00</u>	<u>100.00</u>	<u>106,000,000.00</u>		<u>161,000,000.00</u>	<u>100.00</u>

B. The change of Paid-in capital

This period, Tata Global Beverages Limited increased capital of Rmb 106,000,000.00yuan, including Rmb 34,000,000.00 yuan by Debt-to-equity swap, and RMB 72 million by increment of cash.

(19) Capital stock

	Beginning balance	Increase	Decrease	Ending balance
Share premium	42,538.00			42,538.00

(20) Distributable profit

Distributable profit at the beginning of year	-98,630,660.24
Plus: net profit of current period	-20,157,711.01
Distributable profit at the end of year	<u>-118,788,371.25</u>

2. Notes to main items of the income statement

(1) Revenue/Cost

A. Details

1) Revenue

Item	Current period	Prior period
Revenues from main operations	1,182,157.97	3,012,490.10

Revenues from other operations	15,141.63	5,098.30
Total	<u>1,197,299.60</u>	<u>3,017,588.40</u>

2) Cost

Item	This period	Last period
Cost of main operations	1,246,464.98	3,875,206.24
Cost of other operations	37,213.47	8,655.85
Total	<u>1,283,678.45</u>	<u>3,883,862.09</u>

B. Revenues from main operations/ Costs of main operations (by product)

Product	Current period			Prior period		
	Revenue	Cost	Margin	Revenue	Cost	Margin
Instant green tea	1,174,465.66	1,213,964.98	-39,499.32	3,003,943.09	3,844,526.16	-840,583.07
Tea Polyphenol	7,692.31	32,500.00	-24,807.69	8,547.01	30,680.08	-22,133.07
Total	<u>1,182,157.97</u>	<u>1,246,464.98</u>	<u>-64,307.01</u>	<u>3,012,490.10</u>	<u>3,875,206.24</u>	<u>-862,716.14</u>

C. Revenue from top five customers

Items	Current period	Prior period
Revenue from top five customers	1,181,816.09	2,989,857.61
Percentage of total revenue	98.71	99.08

(2) Tax and surcharge

Item	Current period	Prior period
City maintenance and construction tax		127.45
Educational surcharge		76.47
Local educational surcharge		50.98
Water construction fund	698.15	6,725.93
Housing property tax	240,347.40	
Land-use tax	272,676.41	
Stamp duty	54,922.61	
Vehicle-using tax	420.00	
Total	<u>569,064.57</u>	<u>6,980.83</u>

(3) Financial expenses (income)

Items	Current period	Prior period
Interest expenses	1,734,021.24	3,047,111.34
Less: Interest income	6,904.20	1,716.23
Exchange loss	5,085.84	-24,241.91
Bank Fee	15,898.37	24,153.80
Total	<u>1,748,101.25</u>	<u>3,045,307.00</u>

(4) Asset impairment loss

Item	Current period	Prior period
Provision for decline in value of inventories	8,210,058.57	855,302.43

(5) Non-operating income

Details

Item	Current period	Prior period
Gains on sales of fixed assets		73,215.73
Governmental subsidy	354,300.00	112,895.26
Others		5100.89
Total	<u>354,300.00</u>	<u>191,211.88</u>

(6) Non-operating expenses

Items	Current period	Prior period
Tax overdue payment	30.27	251.47
Fines	450.00	30,000.00
Others		
Total	<u>480.27</u>	<u>30,251.47</u>

**3. Notes to main items of the cash flow statement**

(1) Appendix of cash flow statement

Items	Current period	Prior period
1.Reconciliation of Net Profit to Net Cash Flows from Operating Activities:		
Net profit	-20,157,711.01	-15,012,005.46
Add: Provision for impairment of assets	8,210,058.57	855,302.43
Depreciation of fixed assets	4,509,040.38	4,481,684.30
Amortization of intangible assets	128,727.00	128,727.00
Amortization of long-term prepaid expenses	7,136.73	1,121.79
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets		-73,215.73
Losses (gains) on write-off of fixed assets		
Losses (gains) on changes in fair value		
Finance expense (income)	1,739,338.86	3,022,869.43
Investment losses (gains)		
Decrease (increase) in deferred tax assets		
Increase (decrease) in deferred tax liabilities		
Decrease (increase) in inventories	-389,422.09	1,831,849.98
Decrease (increase) in receivables under operating activities	302,307.30	-412,556.95
Increase (decrease) in payables under operating activities	-897,223.78	-2,886,066.15
Others		
Net cash flows from operating activities	-6,547,748.04	-8,062,289.36
2. Investing and financing activities that do not involve cash receipts and payments:		
Conversion of debt into capital		
Reclassification of convertible bonds expiring within one year as current liability		
Fixed assets acquired under financing leases		
c. Net Increase in Cash and Cash Equivalents:		
Cash at the end of the period	760,484.41	733,736.40
Less: cash at the beginning of the period	733,736.40	271,821.01
Add: cash equivalents at the end of the period		



Less: cash equivalents at the beginning of the period		
Net increase in cash and cash equivalents	26,748.01	461,915.39

(2) Composition of cash and cash equivalents

Items	Ending balance	Beginning balance
I. Cash	760,484.41	733,736.40
Including: Cash on hand	476.32	3,378.52
Unconstrained cash at bank	760,008.09	730,357.88
Other unconstrained monetary fund		
II. Cash equivalents		
Including: Debt investment maturing within 3 months		
III. Ending balance of cash and cash equivalents	760,484.41	733,736.40

(3) Impairment of Assets

Type	Beginning balance	Provision	Reversal	Transfer	Ending balance
Provision for decline in value of inventories	7,194,124.48	8,210,058.57		409,770.85	14,994,412.20

## **VII. Related party relationships and transactions**

### **1. Criteria of related parties**

According to “Accounting Standards for Business Enterprises No. 36——Disclosure of related parties”, when a party controls, jointly controls or exercises significant influence over another party, or when two or more parties are under the control, joint control or significant influence of the same party, the affiliated party relationships are constituted.

### **2. Related parties**

#### **(1) Parent company and controlling related parties**

Name of entity	Registered address	Principal business	Paid-in capital	Percent
Tata Global Beverages Limited	India	Sale of Branded Tea	63.11Rs in Crores	89.75%

#### **(2) Other related parties**

Name of entity	Relationship with the Company
Tata Tea Extractions Inc.	Controlled by the same parent company
Tata Global Beverages GB Limited	Controlled by the same parent company

### 3. Related party transactions

#### (1) Sales of goods

Name of entity	Current period				Prior period		
	Amount(million)	Percentage of total sales	Pricing policy		Amount(million)	Percentage of total sales	Pricing policy
TATA TEA EXTRACTIONS INC	0.90	76.04	By agreement		2.68	89.13	By agreement
Tata Global Beverages Limited	0.0027	0.00	By agreement				
Tata Global Beverages GB Limited	0.0026	0.00	By agreement				

#### (2) Receivable from and payable to related parties

Name of entity	Ending balance			Beginning balance	
	Amount(yuan)	Provision for bad debts		Amount(yuan)	Provision for bad debts
A. Accounts receivable					
TATA TEA EXTRACTIONS INC				574,371.91	
Tata Global Beverages Limited	3,000.25				
Tata Global Beverages GB Limited	3,156.34				
B. Other payables					
Tata Global Beverages Limited				34,000,000.00	

### VIII. Contingencies

As at the balance sheet date, the Company has no material contingencies that need to be disclosed.

**ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED**

**9 January 2017**

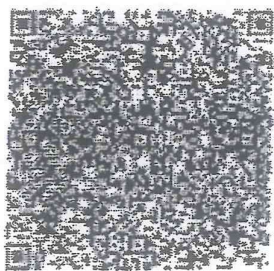


# 营业执照

(副本)

统一社会信用代码 91330000087374063A (1/1)

名称 中汇会计师事务所(特殊普通合伙)  
类型 特殊的普通合伙企业  
主要经营场 杭州市江干区新业路8号华联时代大厦A幢601室  
执行事务合伙人 余强  
成立日期 2013年12月19日  
合伙期限 2013年12月19日至长期  
经营范围 审查企业会计报表、出具审计报告;验证企业资本,出具验资报告;办理企业合并、分立、清算事宜中的审计业务,出具有关报告;基本建设年度决算审计;代理记账;会计咨询、税务咨询、管理咨询、会计培训;法律、法规规定的其他业务。  
(依法须经批准的项目,经相关部门批准后方可开展经营活动)



仅供中汇审[2017]78号报告书使用

登记机关



2016年 05月 06日

应当于每年1月1日至6月30日通过浙江省企业信用信息公示系统报送上一年度年度报告