



中汇会计师事务所有限公司
Zhonghui Certified Public Accountants Co., Ltd.

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Auditor's Report

ZhongHuiKuaiShen[2010]No.1093

To the shareholders of Zhejiang Tata TEA Extraction Company Limited.,
We have audited the attached financial statements of Zhejiang Tata TEA Extraction Company Limited. (Hereinafter referred to as "Tata Tea Company"), including balance sheets as of March 31, 2010, profit reports for the period from April 1st, 2009 to March 31, 2010, cash flow statements, statements of changes in equity, and notes to the financial statements.

1. The responsibilities of management in financial statements.

To prepare financial statements in accordance with the provisions in Accounting Standard for Business Enterprises is the responsibility of Tata Tea Company. Such responsibilities include: (1). Design, implementation and maintenance of the related internal controls for the preparation of financial statements to avoid material misstatement due to the frauds or errors of the financial statements. (2). Select and apply appropriate accounting policies; (3). Make reasonable accounting estimates.

2. CPA's responsibilities.

Our responsibility is to give audit opinions on the financial statements on the basis of implementation of the audit. We conducted the audit in accordance with the provisions in Auditing Standards for Chinese CPA. Auditing Standards for Chinese CPA requires us to comply with professional ethics, to plan and implement audit work to obtain reasonable assurance on whether material misstatements exist in the financial statements.

Audit work involves the implementation of audit procedures to obtain the audit evidences of the amount of financial statements and disclosure. The selection of audit procedures depends on CPA's judgment, including the risk assessment of material misstatement of the financial statements resulted by frauds or errors. When conducting risk assessment, we are considering the internal controls which are related to the preparation of financial statements so as to design appropriate audit procedures, but its purpose is not to give views on the effectiveness of internal control. An audit also includes assessing the management's appropriation in selection of accounting policies and the reasonableness of making accounting estimates, as well as the evaluation of the overall presentation of financial statement.

We believe that the evidences we obtained are adequate and appropriate and provide a good basis for the audit opinions.

3. Audit opinions.

We believe that the financial statements of Tata Tea Company had been compiled in accordance with the provisions of Accounting Standard for Business Enterprises, and in all significant respects, fairly reflected balance sheets as of March 31, 2010, the profit reports for the period from April 1st, 2009 to March 31, 2010, and the cash flow of Tata tea company.

Zhonghui Certified Public Accountants Company Limited
Hangzhou, China.

Chinese CPA.



Chinese CPA.



April 19, 2010

BALANCE SHEET

As of March 31, 2010

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

(In Rmb)

Assets	Notes	Line	Ending balance	Beginning balance	Liabilities and shareholders' equity	Notes	Line	Ending balance	Beginning balance
Current assets:					Current liabilities:				
Monetary fund	1	1	7,750,983.82	11,602,261.47	Short-term loans	32			
Trade-off financial assets	2	2			Trade-off financial liabilities	33			
Notes receivable	3	3			Notes payable	34			
Accounts receivable	4	4			Accounts payable	35		837,139.46	
Prepayments	2	5	27,964,148.00	10,528,887.29	Prepayments received	36			
Interest receivable	6	6			Employee's wage payable	37		153,750.00	43,250.00
Dividend receivable	7	7			Tax payable	12	38	640,356.07	10,751.43
Other accounts receivable	3	8	472,278.30		Interest payable	13	39	26,400.00	
Inventory	4	9	1,083,739.46	534,266.57	Dividend payable	40			
Non-current assets due in 1 year	10	10			Other accounts payable	41		1,202,784.77	685,728.00
Other current assets	11	11			Non-current liabilities due in 1 year	42			
Total of current assets		12	37,282,249.58	22,665,715.33	Other current liabilities	43			
Non-current assets:					Total of current liabilities	44		1,589,918.16	739,730.43
Available-for-sale financial assets	13	13			Non-current liabilities:				
Hold-to-maturity investment	14	14			Long-term loans	15	45	20,000,000.00	20,000,000.00
Long-term accounts receivable	15	15			Bonds payable	46			
Long-term share equity investment	16	16			Long-term payable	47			
Property investment	17	17			Special accounts payable	48			
Fixed assets	5	18	2,164,203.64	1,009,509.18	Expected liabilities	49			
Construction in progress	6	19	17,859,393.45	8,364,813.44	Deferred income tax liabilities	50			
Engineer material	20	20			Other non-current liabilities	51			
Disposal of fixed assets	21	21			Total of non-current liabilities	52		20,000,000.00	20,000,000.00
Productive living assets	22	22			Total of liabilities			21,589,918.16	20,739,730.43
Oil and gas assets	23	23			Shareholders' equity:				
Intangible assets	7	24	12,870,680.19	13,528,428.00	Paid-in capital	16	54	55,000,000.00	27,500,000.00
Research and development expenditures	25	25			Capital reserves	55		42,378.00	20,940.00
Goodwill	26	26			Less: Treasury stock	56			
Long-term prepaid expenses	8	27			Surplus reserves	57			
Deferred income tax assets	9	28	1,613,957.37		Foreign currency translation differences	58			
Other non-current assets	29	29			Undistributed profit	59		4,841,872.12	
Total of non-current assets	30	30	34,508,234.46	25,594,985.10	Total of shareholders' equity	18	60	59,209,663.82	27,520,940.00
Total of assets	31	31	71,790,584.04	48,260,670.43	Total of liabilities and shareholders' equity	61	61	71,790,584.04	48,260,670.43

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:

INCOME STATEMENT

FOR THE PERIOD FROM APRIL 2009 TO MARCH 2010

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

(in Rmb)

Items	Notes	Line	Ending balance	Beginning balance
Revenues from main operations		1		
Less: Costs from main operations		2		
Business tax and surcharge		3		
Selling expenses		4		
General and administrative expenses		5	7,125,829.49	
Financial expenses(income)		6		
Asset impairment loss		7		
Plus: Income from change of fair value(loss: loss)		8		
Investment income(loss: loss)		9		
Incl. Investment income from affiliates and joint-ventures		10		
Operation profit(loss: loss)		11	-7,125,829.49	
Plus: Non-business income	1	12	670,000.00	
Less: Non-business expenses		13		
Incl. Disposal loss of non-current assets		14		
Total of profit(loss: loss)		15	-6,455,829.49	
Less: Income tax expenses	2	16	-1,613,957.37	
Net profit(loss: loss)		17	-4,841,872.12	
Earnings per share		18		
(I)Basic earnings per share		19		
(II)Diluted earnings per share		20		

Person in Charge of the Company:

Person in Charge of Accounting Function:

Person in Charge of Accounting Department:

CASH FLOW STATEMENT

FOR THE PERIOD FROM APRIL 2009 TO MARCH 2010

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

(In Rmb)

Items	Notes	Line	Accumulated this year	Accumulated last year
I. Cash flows from operating activities:				
Cash received from sale of goods or providing of services		1		
Refund of tax and levies		2		
Cash received relating to other operating activities		3	670,000.00	
Subtotal of cash inflows		4	670,000.00	
Cash paid for goods and services		5	246,400.00	
Cash paid to and on behalf of employees		6	2,360,755.29	
Payments of all types of taxes		7	651,107.50	
Cash paid relating to other operating activities		8	275,277.96	230,436.68
Subtotal of cash outflows		9	3,533,540.75	230,436.68
Net cash flows from operating activities:		10	-2,863,540.75	-230,436.68
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		
entities		14		
Cash received relating to other investing activities		15		
Subtotal of cash inflows		16		
Cash paid to acquire fixed assets, intangible assets and other long-term assets		17	27,288,234.90	19,181,818.65
Cash paid to acquire investments		18		
Net cash paid to acquire subsidiaries and other operating entities		19		
Cash paid relating to other investing activities		20		
Subtotal of cash outflows		21	27,288,234.90	19,181,818.65
Net cash flows from investing activities:		22	-27,288,234.90	-19,181,818.65
III. Cash flows from financing activities:				
Cash received from investment		23	27,521,598.00	
Cash received from borrowings		24		20,000,000.00
Cash received relating to other financing activities		25		
Subtotal of cash inflows		26	27,521,598.00	20,000,000.00
Cash paid to repay debts		27		
Cash paid for interest expenses and distribution of dividends and profits		28	1,211,100.00	356,000.00
Cash paid relating to other financing activities		29		810,419.44
Subtotal of cash outflows		30	1,211,100.00	1,166,419.44
Net cash flows from financing activities:		31	26,310,498.00	18,833,580.56
Influence of exchange rate changes on cash and cash equivalents		32		
Net increase in cash and cash equivalents		33	-3,841,277.65	-578,674.77
Plus: Balance of cash and cash equivalents at the beginning of period		34	11,602,261.47	12,180,936.24
Balance of cash and cash equivalents at the end of period		35	7,760,983.82	11,602,261.47

Person in Charge of the Company: Person in Charge of Accounting Function: Person in Charge of Accounting Department:

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE PERIOD FROM APRIL 2009 TO MARCH 2010

DING BAO YUAN

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED													
Items	Notes	Amount during this year					Amount of Previous year						
		Paid-in capital	Capital reserves	Treasury stock	Surplus reserves	Undistributed profit	Total of shareholders' equity	Paid-in capital	Capital reserves	Treasury stock	Surplus reserves	Undistributed profit	Total of shareholders' equity
I. Balance at the end of last year		27,500,000.00	20,940.00				27,520,940.00	27,500,000.00	20,940.00				27,520,940.00
Plus: Change of accounting policy													
Previous corrections of errors													
II. Balance at the beginning of this year		27,500,000.00	20,940.00				27,520,940.00	27,500,000.00	20,940.00				27,520,940.00
III. Changed by this year (less decrease)		27,500,000.00	21,598.00				22,679,225.88						
(I) Net profit							-4,841,872.12						
(II) Gains and losses recorded as owners' equity directly													
1. Available-for-sale financial assets													
2. Influence of change in other owners' equity of invested enterprises on equity basis													
3. Income tax influence related to shareholders' equity items													
4. Others													
Total of (I) and (II)							-4,841,872.12						
(III) Capital inputted or reduced by owners		27,500,000.00	21,598.00				27,521,598.00						
1. Capital inputted by owners		27,500,000.00	21,598.00				27,521,598.00						
2. Amount of shares paid and accounted as owners' equity													
3. Others													
(IV) Profit distribution													
1. Providing of surplus reserves													
2. Dividend to owners													
3. Others													
(V) Internal settlement of shareholders' equity													
1. Capital reserves transferred to share capital													
2. Surplus reserves transferred to share capital													
3. Making up losses by surplus reserves													
4. Others													
IV. Balance at the end of this year		55,000,000.00	42,538.00				50,200,665.88	27,500,000.00	20,940.00				27,520,940.00

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 MARCH 31, 2010 (All amounts in RMB Yuan unless otherwise stated)

I. GENERAL INFORMATION

Zhejiang Tata Tea Extraction Company Limited Company ("the Company") is Sino-foreign investment equity joint venture enterprise set up by Tata Tea 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 the Huzhou Administration Bureau of Industry and Commerce on September 14th of 2007, with the business license numbered 330500400002483.

The Company's registered capital is RMB 55 million, the entire amount of which has been contributed by the partners till now. Tata Tea, India contributed capital of 38.50 million, accounting for 70% of the registered capital; and Zhejiang Tea Group Company Limited contributed capital of 16.50 million, accounting for 30% of the registered capital.

The Company's approved operating scope includes researching and developing tea extractions.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the People's Republic of China and other supplementary regulations.

The Company implemented the New Accounting Standards issued by the Ministry of Finance on February 15, 2006 since January 1, 2009. And in accordance with Article 5 to Article 19 and other relevant provisions in "No. 38 of Accounting Standards for Business Enterprises -- the first time to implement the Accounting Standards for Business Enterprises" (hereinafter

referred to as "No. 38 Standard"), we made retrospective adjustments on the comparable annual financial statements.

III. STATEMENTS OF COMPLIANCE

The financial statements have been prepared in accordance with the requirements of Accounting Standards for Business Enterprises and Accounting System for Business Enterprises of the People's Republic of China. These financial statements present truly and completely the financial position, the results of operations and the results of cash flows of the Company.

IV. PRINCIPAL ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND BASIS OF PREPARATION

1. Accounting period

The Company's accounting year starts on 1 April and ends on 31 March.

2. Recording currency

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

3. Basis of accounting and measurement base

The Company follows the accrual basis of accounting and the measurement base is historical cost. Impairment testing is done for assets and necessary provisions for impairment are done in accordance with relevant provisions.

4. 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.

5. Foreign currency transactions

Foreign currency transactions are translated into RMB at the spot exchange rate of the transaction date.

At the balance sheet date, foreign currency monetary items shall be translated at the spot exchange rate on the balance sheet date. Foreign currency non-monetary items measured at historic costs will be translated at the spot exchange rate on the transaction date.

Foreign currency non-monetary items accounted at fair value are accounted at the spot exchange rate on the day when the fair value was calculated, the differences will be treated as change of fair value and accounted into income account of current period or shareholders' equity.

6. Bad debts of receivables

An impairment test shall be made on the receivables (including account receivable and other receivable) with significant single amounts. If any objective evidence shows that it has been impaired, the impairment-related losses shall be recognized and shall be recorded into the profits and losses of the current period.

With regard to the receivables (including account receivable and other receivable) with insignificant single amounts, an independent impairment test may be carried out, or they may be included in a combination of financial assets with similar credit risk features so as to carry out an impairment-related test.

Bad debt provision is made for the end balances of receivables, including account receivables and other receivables at the following percentages:

The detailed percentage is as follows:

Ageing	Provision for bad debts as a percentage of receivables
Under 3 years	0.00%
Over 3 years	0.50%

Towards other receivables (including prepaid expenses), the provision for bad debts should be made based on the difference between the present value of future cash flows and its book value after individual testing.

7. 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 some expenses that occurred 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 lives	Annual depreciation rate
Buildings	20 years	4.5%
Machinery and equipment	10 years	9%
Vehicles	10 years	9%
Auxiliary equipment	5 years	18%
Electronic and Other equipment	5 years	18%

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 vacant fixed asset when they are not available for continuous three months caused by shortage of work time and natural disaster (except seasonal unavailability). The vacant 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 the IV (11) of the Notes to the Financial Statement.

8. Construction in progress

- (1) Construction in progress shall be recognized when satisfying that the economic interest has probably flowed in and that the cost can be reliably measured.

Construction in progress is measured at actual cost before the construction reaches useful status.

- (2) Construction in progress is transferred to fixed assets at practical construction

expenditures as soon as the construction reaches useful status. If it has reached useful status, but has not achieved completion, it should be first transferred to fixed assets at its estimated value. Then the estimated value should be adjusted according to its actual cost when it has achieved completion, however, accumulated depreciation is never adjusted.

- (3) At the balance sheet, 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 the IV(11) of the Notes to the Financial Statement.

9. 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 unable to forecast the period when the intangible asset can bring economic benefits to the enterprise, it shall be regarded as an intangible asset with uncertain service life.

An intangible asset with limited service life should be systematic and appropriate 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, evaluate the ability that the intangible assets may bring future economic interest to the Company and make the provision for impairment of intangible assets.

10. 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.

11. 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 including fixed assets, constructions in progress, intangible assets and goodwill.

At each balance sheet date, the Company verify on fixed assets, constructions in process, and intangible assets with fixed 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 verified annually for impairment.

If evidence shows that impairment has happened, then the residual value will be estimated. Estimation of residual value is on basis of single asset. If it is hard to estimate the retrievable value of a particular asset, then the residual 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 balance of the two, and shall be accounted into current income account.

(2) Once impairment losses of above assets are confirmed, they won't be reversed in subsequent accounting periods

12. Borrowing expenses

(1) Recognition of borrowing expenses

Borrowing expenses include borrowing interests, amortizing of discount or premium, auxiliary expenses, and exchange balances due to borrowings in foreign currencies. Borrowing expenses that can be attributed for purchasing or construction of assets that are complying with capitalizing conditions start to be capitalized when the payment of asset and borrowing expenses have already been

incurred, and the purchasing or production activities in purpose of make the asset usable have started; Capitalizing will be terminated as soon as the asset that complying with capitalizing conditions has reached its usable or saleable status. 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.;

13. Government subsidy

(1) Government subsidies are recognized when the conditions attached to the subsidies are satisfied and the subsidies are received.

(2) Monetary government subsidies are measured at the amount received or receivable.

Non-monetary government subsidies are measured at fair value. If no fair value is available, nominal amount will be adopted. Government subsidies measured at nominal amount are accounted into current income account directly.

14. Income tax

- (1) The differences between the book values and taxable basis of certain assets and liability items, and provisional differences occurred between the book value and taxable basis which are not recognized as assets and liabilities, but may be recognized for taxable basis according to the law, are recognized as deferred income tax asset and deferred income tax liabilities on liability basis of the balance sheet.
- (2) Those tax deductions which can be used to deduct losses and can be carried on to future years, to the extent of the amount of taxable income used to deduct the deductible losses and deductible tax which can possibly be obtained, are recognized as corresponding deferred income tax assets.
- (3) At the balance sheet day, verification will be performed on the book value of deferred income tax assets. If it is not possible to obtain enough taxable income to neutralize the benefit of deferred income tax assets, then the book value of the deferred income tax assets shall be reduced. Whenever obtaining of taxable income became possible, the reduced amount shall be restored.

V. CHANGE IN ACCOUNTING POLICIES, ACCOUNTING ESTIMATIONS AND CORRECTIONS OF ACCOUNTING ERRORS

1. Change in accounting policies

In application of the accounting policies as described in Note 2, the Company implemented the New Accounting Standards issued by the Ministry of Finance on February 15, 2006 since January 1, 2009 and restated comparable financial statements during the period from April 1, 2009 to March 31, 2010. The change of accounting policies at the beginning of this year retrospectively calculated by adopting new accounting policy has no accumulated effect on financial statements.

2. Change of accounting estimations

There is no change of accounting estimations during this period.

3. Correction of accounting errors

There is no previous correction of accounting errors during this period.

VI. TAXATION

1. Business taxes

Business tax is calculated at 5% of the taxable income.

2. Enterprise income taxes

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

VII. PROFIT DISTRIBUTION

There is no distribution as no profit this period.

VIII. NOTES TO MAIN ITEMS OF THE FINANCIAL STATEMENTS

(In RMB)

1. Notes to main items of the balance sheet

(1) Monetary fund

A. Details

	Ending balance	Beginning balance
Cash in hand	2,415.00	31,955.00
Bank deposit	7,758,568.82	11,570,306.47
Total	<u>7,760,983.82</u>	<u>11,602,261.47</u>

B. Cash in foreign currency

	Ending balance			Beginning balance		
	Original currency	Exchange Rate	Translated into RMB	Original currency	Exchange Rate	Translated into RMB
US Dollar(USD)	32.01	6.82863	218.51			

(2) Prepayment

A. Age analyze of prepaid accounts

Ageing	Ending balance				Beginning balance			
	Book value	Percent (%)	Provision for bad debts	Net book value	Book value	Percent (%)	Provision for bad debts	Net book value
Within 1 year	19,512,443.00	69.78		19,512,443.00	10,528,887.29	100.00		10,528,887.29
1-2 years	8,451,905.00	30.22		8,451,905.00				
Total	<u>27,964,348.00</u>	100.00		<u>27,964,348.00</u>	<u>10,528,887.29</u>	<u>100.00</u>		<u>10,528,887.29</u>

B. No prepaid account to shareholders with 5% or above shares of the Company.

C. Prepayment with large amount:

Name of companies	Relationship	Ending balance	Nature and content
Hefei Shijiemao Engineering Company Limited	Equipment supplier	11,033,973.00	Prepayment of equipment
Wenzhou Rizhong Light Industry and Machinery Company Limited	Equipment supplier	5,190,435.00	Prepayment of equipment
Anji Borui Construction Company Limited	Building contractor	4,209,042.00	Prepayment of building
Zhejiang Anji General Electric Power Development Company Limited	Electronic supplier	1,420,000.00	Prepayment of electrical equipment
Subtotal		<u>21,853,450.00</u>	

(3) Other receivables

A. Other accounts receivable are presented according to the categories as the following:

Items	Ending balance				Beginning balance			
	Book value	Percent (%)	Provision for bad debts	Net book value	Book value	Percent (%)	Provision for bad debts	Net book value
Single account with large amount	362,371.00	76.57		362,371.00	492,277.57	92.09		492,277.57
Other minor accounts	110,907.3	23.43		110,907.3	42,289.00	7.91		42,289.00
Total	<u>473,278.30</u>	<u>100.00</u>		<u>473,278.30</u>	<u>534,566.57</u>	<u>100.00</u>		<u>534,566.57</u>

B. Account age analyze of other account receivable

Ageing	Ending balance				Beginning balance			
	Book value	Percent (%)	Provision for bad debts	Net book value	Book value	Percent (%)	Provision for bad debts	Net book value
Within 1 year	395,789.30	83.63		395,789.30	534,566.57	100.00		534,566.57
1-2 years	77,489.00	16.37		77,489.00				
Total	<u>473,278.30</u>	<u>100.00</u>		<u>473,278.30</u>	<u>534,566.57</u>	<u>100.00</u>		<u>534,566.57</u>

C. No other receivable account to shareholders with 5% or above shares of the Company.

D. In the end, the amount of related other receivable is RMB 362,371.00.

(4) Inventory

Items	Ending balance			Beginning balance		
	Book value	Impairment provision	Net book value	Book value	Impairment provision	Net book value
Material tea	1,083,739.46		1,083,739.46			

(5) Fixed assets

A. Details

a. Original cost

	Beginning balance	Increase	Decrease	Ending balance
Auxiliary equipment	479,300.00	1,243,100.76		1,722,400.76
Vehicles	542,600.00	213,620.00		756,220.00
Electronic and other equipment	77,500.00	12,855.41		90,355.41
Total	<u>1,099,400.00</u>	<u>1,469,576.17</u>		<u>2,568,976.17</u>

b. Accumulated depreciation

	Beginning balance	Increase	Decrease	Ending balance
Auxiliary equipment	43,317.80	245,443.50		288,761.30
Vehicles	33,775.23	53,483.73		87,258.96
Electronic and other equipment	12,797.79	15,954.68		28,752.47
Total	<u>89,890.82</u>	<u>314,881.91</u>		<u>404,772.73</u>

c. The provision for impairment is not made as there is no evidence that the value of fixed assets has declined in the end.

d. Net book value

	Beginning balance	Increase	Decrease	Ending balance
Auxiliary equipment	435,982.20	1,243,100.76	245,443.50	1,433,639.46
Vehicles	508,824.77	213,620.00	53,483.73	668,961.04
Electronic and other equipment	64,702.21	12,855.41	15,954.68	61,602.94
Total	<u>1,009,509.18</u>	<u>1,469,576.17</u>	<u>314,881.91</u>	<u>2,164,203.44</u>

(6) Construction in progress

A. Details

Name of construction	Ending balance		Beginning balance	
	Book value	Impairment Provision	Book value	Impairment Provision
ANJI factory	17,859,393.46		8,264,813.44	

B. Movements of construction in progress

Name of construction	Beginning balance	Current period increase	Current period transfer into fixed assets	Other decrease in current period	Ending balance
ANJI factory	8,264,813.44	9,594,580.02			17,859,393.46

C. The provision for impairment is not made as there is no evidence that the value of construction in progress has declined in the end.

(7) Intangible assets

A. Details

	Beginning balance	Increase	Decrease	Ending balance
Land	13,528,429.00	4,438.00		13,532,867.00
UFIDA system		21,680.00		21,680.00
Total	<u>13,528,429.00</u>	<u>26,118.00</u>		<u>13,554,547.00</u>

B. Amortization

	Beginning balance	Increase	Decrease	Ending balance
Land		677,242.38		677,242.384
UFIDA system		6,624.43		6,624.43
Total		<u>683,866.81</u>		<u>683,866.81</u>

C. The provision for impairment is not made as there is no evidence that the value of intangible assets has declined in the end.

D. Net book value

	Beginning balance	Increase	Decrease	Ending balance	Residual amortization lives
Land	13,528,429.00	4,438.00	677,242.38	12,855,624.62	570 months
UFIDA system		21,680.00	6,624.43	15,055.57	25 months
Total	<u>13,528,429.00</u>	<u>26,118.00</u>	<u>683,866.81</u>	<u>12,870,680.19</u>	

(8) Long-term prepaid expenses

	Beginning balance	Increase	Decrease	Ending balance
Organization Cost	2,792,203.48			2,792,203.48

(9) Deferred income tax asset

A. Details

Items	Ending balance	Beginning balance
Taxable influence from carry back losses	1,613,957.37	

B. Deductible temporary differences

Items	Ending balance	Beginning balance
Carry-back losses	6,445,829.48	

(10) Accounts payable

A. Details

Items	Ending balance	Beginning balance
Accounts payable of material	837,339.46	

B. No accounts receivable account to shareholders with 5% or above shares of the Company.

C. No related accounts payable.

(11) Employee's wage payable

A. Details

Items	Beginning balance	Increase	Decrease	Ending balance
Wage, bonus, allowance, subsidy	43,250.00	1,708,204.00	1,587,704.00	163,750.00
Employee welfare		24,615.90	24,615.90	
Social insurance		24,391.50	24,391.50	
Total	<u>43,250.00</u>	<u>1,757,211.40</u>	<u>1,636,711.40</u>	<u>163,750.00</u>

B. No employee's wage payable in arrears.

(12) Tax payable

Items	Ending balance	Beginning balance
Value added tax	-651,527.03	
Withheld individual income tax	11,170.96	10,751.43
Total	<u>-640,356.07</u>	<u>10,751.43</u>

(13) Interest payable

Items	Ending balance	Beginning balance
Long-term loan interest	26,400.00	

(14) Other accounts payable

A. Details

Items	Ending balance	Beginning balance
Deposit in security	\$65,737.00	100,000.00
Designing fees	400,000.00	484,000.00
Others	237,047.77	101,729.00
Total	<u>1,202,784.77</u>	<u>685,729.00</u>

B. No other payable account to shareholders with 5% or above shares of the Company.

C. In the end, the amount of related other accounts payable is RMB 222,281.85.

D. Particulars about other accounts payable with large amount:

Name of the companies	Ending balance	Nature
Hangzhou Light Industrial Construction and Designing Institute	400,000.00	Designing Fee
Hangzhou Environment Protection Research Institute of the Academy of Coal Sciences	222,000.00	Equipment Fee
Total	<u>622,000.00</u>	

(15) Long-term loans

	Currency	Loan terms	Ending balance	Beginning balance
		Land, Buildings and Machinery for Mortgage		
Standard Chartered Bank	RMB		20,000,000.00	20,000,000.00

PS: The land located in Anji (land-use rights: ANJIGUOYONG 2008 NO.6056) with an area of 71,700 square meters was mortgaged to banks to secure the bank loan granted to the Company. The mortgaged value is RMB 21,510,000.00.

(16) Paid-in capital

A. Details

Investors	Beginning balance	Shareholding percent (%)	Increase	Decrease	Ending balance	Shareholding percent (%)
Tata Tea Limited, India	19,250,000.00	70.00	19,250,000.00		38,500,000.00	70.00
Zhejiang Tea Group Company Limited	8,250,000.00	30.00	8,250,000.00		16,500,000.00	30.00
Total	<u>27,500,000.00</u>	<u>100.00</u>	<u>27,500,000.00</u>		<u>55,000,000.00</u>	<u>100.00</u>

B. Movements of paid-in capital in current period

The registered capital is 55 million, of which 50%, 27.5million had been contributed by the partners in 2007. During current period, another 27.5 million has been contributed by partners. Till now, the paid-in capital is 55 million, in which Tata Tea Limited, India has 70% and Zhejiang Tea Group Company Limited has 30%. The paid-in capital was verified by Zhejiang Zhengyuan Certified Public Accountants Co., Ltd, with a capital verification report of ZheTianHuiYanZi No. [2009]155.

(17) Capital stock

A. Details

	Beginning balance	Increase	Decrease	Ending balance
Share premium	20,940.00	21,598.00		42,538.00

B. Explanations of movement of capital stock

Current period increase in capital stock is created by the paid-in capital premium contributed by Tata Tea Limited, India.

(18) Distributable profit

Distributable profit at the beginning of year(adjusted)

Plus: net profit of current period -4,841,872.12

Less: Statutory surplus reserves

Dividend payable

Distributable profit at the end of year -4,841,872.12

2. Notes to main items of the income statement

(1) Non-business income

Items	This period	Last period
Government subsidies	670,000.00	

(2) Income tax expenses

Items	This period	Last period
Deferred income tax expense	-1,613,957.30	

3. Notes to main items of the cash flow statement

(1) Appendix of cash flow statement

Items	This period
a. Net profit adjusted to cash flow of business operation	
Net profit	-4,841,872.12
Plus: Asset impairment provision	
Depreciation of fixed assets, oil-gas assets and productive biological assets	314,881.91
Amortization of intangible assets	683,866.81
Amortization of long-term prepaid expenses	
Loss of treating fixed assets, intangible assets and other long-term assets (less: gains)	2,792,203.48
Loss of disposing fixed assets (less: gains)	
Loss of fair value change (less: gains)	
Financial expenses (less: gains)	
Investment loss (less: gains)	
Decrease of deferred income tax assets (less: increase)	-1,613,957.37
Increase of deferred income tax assets (less: decrease)	
Decrease of inventory (less: increase)	-1,083,739.46
Decrease of operational receivables (less: increase)	61,288.27
Increase of operational payables (less: decrease)	823,787.73
Others	
Net cash flow generated from business operation	-2,863,540.75

b. Investment and financing activities not involved in cash flow	
Debt converted to capital shares	
Convertible bonds with one year due	
Fixed assets obtained from financing lease	
c. Net change of cash and cash equivalents:	
Balance of cash at period end	7,760,983.82
Less: original balance of cash	11,602,261.47
Plus: balance of cash equivalents at the period end	
Less: original balance of cash equivalents	
Net increasing of cash and cash equivalents	-3,841,277.65

(2) Cash and cash equivalents

Items	This period	Last period
a. Cash		
Incl. Cash in stock	2,415.00	31,955.00
Bank deposit on demand	7,758,568.82	11,570,306.47
Other monetary capital on demand		
b. Cash equivalents		
Incl. Bonds investment with three months due		
c. Balance of cash and cash equivalents	<u>7,760,983.82</u>	<u>11,602,261.47</u>
Constrained cash and cash equivalents of the parent company and internal subsidiaries		

IX. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Qualification 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 Tea Limited, India	India	Sale of Branded Tea	38,500,000.00	70%

(2) Other related parties

Name of entity	Relationship with the Company
Zhejiang Tea Group Company Limited	Shareholder
Zhejiang Huada Tea Manufacturing Company Limited	Subsidiary of the shareholder

3. Related party transactions

(1) Purchase of goods

Name of entity	Accumulated this year		
	Amount	Percent(%)	Pricing policy
Zhejiang Huada Tea Manufacturing Company Limited	1,083,700.00	100.00	Contract price

(2) Receivable from and payable to related parties

Name of entity	Ending balance		Beginning balance	
	Amount	Provision for bad debts	Amount	Provision for bad debts
a. Other receivables				
Zhejiang Huada Tea Manufacturing Company Limited	362,371.00		362,371.00	
b. Accounts payable				
Zhejiang Huada Tea Manufacturing Company Limited	837,339.46			
b. Other accounts payable				
Zhejiang Tea Group Company Limited	31,817.85			
Zhejiang Huada Tea Manufacturing Company Limited	190,313.00		77,313.00	

(3) Other transaction with related party:

- a. The company paid RMB 34,328.25 to Zhejiang Tea Group Company Limited for the office leased this period.

b. The company paid RMB 656,250.00 to Zhejiang Tea Group Company Limited for the consultant service it provided.

X. CONTINGENCIES

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

XI. COMMITMENTS

The Company entered purchase orders for Plant & Machinery during the reporting period.

Estimated amount of contracts remaining to be executed on capital account and not provided for as at balance sheet date aggregated RMB 10,620,089 (Last Year – RMB 19,940,120)

XII. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

As at the approval date of the issue of the financial statements, the Company has no significant events occurring after the balance sheet date that need to be disclosed.

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

April 19th, 2010