



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

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**Zhejiang Tata TEA Extraction Company Limited**

**INDEPENDENT AUDITOR'S REPORT**

2014 FY.



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## INDEPENDENT AUDITOR'S REPORT

ZhongHuiKuaiShen[2015]No. 0299

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, 2014, 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



## BALANCE SHEET

AS AT DECEMBER 31, 2014

### ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

Assets	Notes	Line	Ending balance	Beginning balance	Liabilities and shareholders' equity	Notes	Line	Ending balance	Beginning balance
Current assets:					Current liabilities:				
Cash	1	1	271,821.01	941,726.98	Short-term borrowings	11	32	50,041,115.90	33,484,397.95
Financial assets at fair value through profit or loss		2			Financial liabilities at fair value through profit or loss		33		
Notes receivable		3			Notes payable		34		
Accounts receivable	2	4		823,028.82	Accounts payable	12	35	348,154.06	876,378.80
Prepayments	3	5	274,596.55	211,574.83	Advances from customers	13	36	1,661,327.66	
Interest receivable		6			Employee remuneration payable	14	37	520,398.94	771,388.61
Dividend receivable	4	7			Tax payable	15	38	-8,218,526.68	-8,396,877.65
Other accounts receivable		8	86,203.78		Interest payable	16	39	791,276.78	103,484.45
Inventories	5	9	12,585,386.96	18,852,480.85	Dividend payable		40		
Non-current assets due within one year		10			Other accounts payable	17	41	36,643,163.96	16,906,105.54
Other current assets		11			Non-current liabilities due within one year	18	42	7,060,000.00	5,295,000.00
Total current assets		12	13,218,008.30	21,398,771.06	Other current liabilities		43		
Non-current assets:					Total current liabilities		44	88,347,111.62	69,039,971.71
Available-for-sale financial assets		13			Non-current liabilities:				
Fixed-to-maturity investments		14			Long-term borrowings	19	45	5,295,000.00	12,345,000.00
Long-term accounts receivable		15			Bonds payable		46		
Long-term share equity investment		16			Long-term payable		47		
Investment property		17			Special payable		48		
Fixed assets	6	18	-46,785,345.23	51,412,292.38	Provisions for foreseeable liabilities		49		
Construction in progress	7	19	59,572.65	49,316.24	Deferred income tax liabilities		50		
Construction materials		20			Other non-current liabilities		51		
Fixed assets pending disposal		21			Total non-current liabilities		52	5,295,000.00	12,355,000.00
Bearer biological assets		22			Total liabilities			94,142,111.62	81,404,971.71
Oil and gas assets		23			Owners' equity:				
Intangible assets	8	24	5,503,068.66	5,631,795.66	Paid-in capital	20	54	55,000,000.00	55,000,000.00
Development expenditure		25			Capital reserves	21	55	42,518.00	42,518.00
Goodwill		26			Less: Treasury stock		56		
Long-term prepaid expenses		27		1,153,930.55	Surplus reserves		57		
deferred income tax assets	10	28		15,632,964.35	Foreign currency translation differences		58		
Other non-current assets		29			Undistributed profit	22	59	-33,018,654.78	-41,158,139.27
Total non-current assets		30	73,880,299.38	73,880,299.38	Total shareholders' equity		60	-24,576,116.78	13,874,098.73
Total assets		31	95,279,070.44	95,279,070.44	Total liabilities and shareholders' equity		61	65,565,994.84	95,279,070.44

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, 2014 TO DECEMBER 31, 2014

ZHEJIANG TATA TEA EXTRACTION COMPANY LIMITED

Unit: Rmb Yuan

Items	Notes	Line	Current Year	Prior Year
Operating revenue	1	1	1,982,739.68	3,995,766.48
Less: Operating costs	1	2	2,018,573.31	4,974,110.46
Business taxes and levies	2	3	3,905.31	2,082.32
Selling and distribution expenses		4	129,737.09	77,622.95
General and administrative expenses		5	13,924,601.47	10,496,461.81
Financial expenses(income)	3	6	8,196,037.10	6,220,869.61
Asset impairment loss	4	7	4,599,115.41	9,444,681.20
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	-26,889,230.01	-27,220,061.87
Add: Non-operating income	5	12	72,365.89	2,625,298.91
Less: Non-operating expenses	6	13	386.84	3,493.14
Incl. Disposal loss of non-current assets		14		
<b>Profit / (losses) before income tax</b>		15	-26,817,250.96	-24,598,256.10
Less: Income tax expenses	7	16	15,632,964.55	-6,470,218.52
<b>Net profit/(loss)</b>		17	-42,450,215.51	-18,128,037.58
<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	-42,450,215.51	-18,128,037.58

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, 2014 TO DECEMBER 31, 2014

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	4,478,738.24	3,126,886.04
Refund of tax and levies		2	398,534.83	226,135.99
Cash received relating to other operating activities		3	556,121.69	33,459.46
Subtotal of cash inflows		4	5,433,394.76	3,386,481.49
Cash paid for goods and services		5	2,200,881.20	6,666,929.34
Cash paid to and on behalf of employees		6	5,111,144.61	4,703,316.48
Payments of all types of taxes		7	501,404.83	431,302.09
Cash paid relating to other operating activities		8	1,925,248.78	9,415,115.56
Subtotal of cash outflows		9	9,738,679.42	21,216,663.47
Net cash flows from operating activities		10	-4,305,284.66	-17,830,181.98
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		8,900,000.00
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		8,900,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		17	66,645.93	68,512.21
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	66,645.93	68,512.21
Net cash flows from investing activities		22	-66,645.93	8,831,487.79
III. Cash flows from financing activities:				
Cash received from investmnet		23		
Cash received from borrowings		24	61,268,333.29	105,779,860.13
Cash received relating to other financing activities		25		38,500,000.00
Subtotal of cash inflows		26	61,268,333.29	144,279,860.13
Cash paid to repay debts		27	50,006,509.37	129,819,318.08
Cash paid for interest expenses and distribution of dividends and profits		28	7,551,970.17	4,997,409.91
Cash paid relating to other financing activities		29		
Subtotal of cash outflows		30	57,558,479.54	134,816,727.99
Net cash flows from financing activities		31	3,709,853.75	9,463,132.14
Influence of exchange rate changes on cash and cash equivalents		32	-7,829.13	-48,350.54
Net increase in cash and cash equivalents		33	-669,905.97	416,087.41
Plus: Balance of cash and cash equivalents at the beginning of period		34	941,726.98	525,639.57
Balance of cash and cash equivalents at the end of period		35	271,821.01	941,726.98

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, 2014 TO DECEMBER 31, 2014

ZHEJIANG FATA TEA EXTRACTION COMPANY LIMITED

Line	Items	Current Year						Prior Year						Total of owners' equity	
		Paid-in capital	Capital reserves	Treasury stock	Special Reserve	Surplus reserves	Undistributed profit	Total of owners' equity	Paid-in capital	Capital reserves	Treasury stock	Special Reserve	Surplus reserves		Undistributed profit
1	I. Balance at the end of prior year	55,000,000.00	42,538.00				-41,168,439.27	13,874,098.73	55,000,000.00	42,538.00				-21,040,401.69	32,002,146.41
2	Plus: Changes in accounting policy														
3	Correction of prior periods errors														
4	II. Balance at the beginning of current year	55,000,000.00	42,538.00				-41,168,439.27	13,874,098.73	55,000,000.00	42,538.00				-21,040,401.69	32,002,146.41
5	III. Changes for the year/(decrease in "...")						-42,450,215.51	-42,450,215.51						-18,128,037.58	-18,128,037.58
6	(I) Total comprehensive income/(losses)						-42,450,215.51	-42,450,215.51						-18,128,037.58	-18,128,037.58
7	(II) Other comprehensive income/(losses)														
8	Subtotal of (I) and (II)						-42,450,215.51	-42,450,215.51						-18,128,037.58	-18,128,037.58
9	(III) Owners' contributions and reduction in capital														
10	1. Capital contribution from owners														
11	2. Share-based payment recognized in owners' equity														
12	3. Others														
13	(IV) Profit distribution														
14	1. Appropriation to surplus reserve														
15	2. Distribution to owners														
16	3. Others														
17	(V) Transfer within owners' equity														
18	1. Paid-in capital increased by capital reserve transfer														
19	2. Paid-in capital increased by surplus reserve transfer														
20	3. Loss made up by surplus reserve														
21	4. Others														
22	(VI) Special Reserve														
23	1. Amount accrued in current year														
24	2. Amount used in current year														
25	IV. Balance at the end of current year	55,000,000.00	42,538.00				-83,618,654.78	-28,576,116.78	55,000,000.00	42,538.00				-41,168,439.27	33,874,098.73

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, 2014**

(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. zhofuzihuzi [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 330500400002483.

The Company’s registered capital is RMB 55 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 38.50 million, accounting for 70% of the registered capital; and Zhejiang Tea Group Company Limited contributed capital of RMB 16.50 million, accounting for 30% of the registered 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 2014, 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. In ventories 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. In ventories 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	10 years	10%	9.00%
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.

**(XVI) Changes of main accounting policies and accounting estimates**

**1. Change in accounting policies**

The company implement China Accounting Standards for Business Enterprises revised latest by the Ministry of Finance in 2014, while the implementation has no influence on the financial statements for current and previous periods.

**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.

## V. Taxation

### 1. Value added tax

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

### 2. Housing property tax

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

### 3. Land-use tax

Land-use tax is calculated at RMB 8.00 per square meter multiplied by the area of land.

### 4. Water construction fund

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

### 5. Enterprise income tax

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

## VI. 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

##### Details

Items	Ending balance	Beginning balance
Cash in hand	3,921.02	5,042.32
Cash at bank	267,899.99	936,684.66
Total	<u>271,821.01</u>	<u>941,726.98</u>

#### (2) Accounts receivable

##### A. Details

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
Provided for bad debt provision by combination					823,028.82	100.00		823,028.82

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 provision 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	Net book value	Book value	Percent (%)	Provision for bad debts	Net book value
Within 1 year					823,028.82	100.00		823,028.82

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

D. There are no accounts receivables from related parties as at the balance sheet date.

**(3) Prepayments**

**A. Ageing analysis**

Age	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	273,303.55	99.53		273,303.55	210,281.83	99.39		210,281.83
1-2 years								
2-3 years					1,293.00	0.61		1,293.00
3-4 years	1,293.00	0.47		1,293.00				
<b>Total</b>	<b>274,596.55</b>	<b>100.00</b>		<b>274,596.55</b>	<b>80,169.23</b>	<b>100.00</b>		<b>180,169.23</b>

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	Net book value	Book value	Percent (%)	Provision for bad debts	Net book value
Provided for bad debt provision by combination	51,923.78	60.23		51,923.78	556,679.58	97.67		556,679.58
Insignificant in amount individually but provided for bad debt individually	34,280.00	39.77		34,280.00	13,280.00	2.33		13,280.00
<b>Total</b>	<b><u>86,203.78</u></b>	<b><u>100.00</u></b>		<b><u>86,203.78</u></b>	<b><u>569,959.58</u></b>	<b><u>100.00</u></b>		<b><u>569,959.58</u></b>

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.
- ③ Insignificant 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 area ①.

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	Net book value	Book value	Percent (%)	Provision for bad debts	Net book value
Within 1 year	37,164.67	71.57		37,164.67	473,447.60	85.05		473,447.60
1-2 years	1,847.50	3.56		1,847.50	83,231.98	14.95		83,231.98
2-3 years	12,911.61	24.87		12,911.61				
<b>Total</b>	<b><u>51,923.78</u></b>	<b><u>100.00</u></b>		<b><u>51,923.78</u></b>	<b><u>556,679.58</u></b>	<b><u>100.00</u></b>		<b><u>556,679.58</u></b>

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	34,280.00			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.

D. There are no other receivables from related parties as at the balance sheet date.

### (5) Inventory

#### A. Details of inventories

Items	Ending balance			Beginning balance		
	Book value	Impairment		Book value	Impairment	
		provision	Net book value		provision	Net book value
Raw material	473,140.18		473,140.18	728,043.13		728,043.13
Finished goods	22,241,181.03	10,284,114.63	11,957,066.40	26,792,897.61	8,668,459.89	18,124,437.72
Work in process	155,180.38		155,180.38			
<b>Total</b>	<u>22,869,501.59</u>	<u>10,284,114.63</u>	<u>12,585,386.96</u>	<u>27,520,940.74</u>	<u>8,668,459.89</u>	<u>18,852,480.85</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	8,668,459.89	

##### (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) Fixed assets

#### A. Details

##### a. Original cost

	Beginning balance	Increase	Decrease	Ending balance
Buildings	25,929,668.00	13,822.00		25,943,490.00
Machinery	34,129,760.75	42,567.52		34,172,328.27
Vehicles	756,220.00			756,220.00
Office equipment	2,665,666.98			2,665,666.98
Auxiliary equipment	600,506.68			600,506.68
<b>Total</b>	<b><u>64,081,822.41</u></b>	<b><u>56,389.52</u></b>		<b><u>64,138,211.93</u></b>

b. Accumulated depreciation

	Beginning balance	Increase	Decrease	Ending balance
Buildings	3,687,125.40	1,232,506.20		4,919,631.60
Machinery	5,911,249.17	3,090,854.37		9,002,103.54
Vehicles	620,592.28			680,598.00
Office equipment	2,014,915.62	251,884.78		2,266,800.40
Auxiliary equipment	375,641.84	108,091.32		483,733.16
<b>Total</b>	<b><u>12,669,530.03</u></b>	<b><u>4,683,336.67</u></b>		<b><u>17,352,866.70</u></b>

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

	Beginning balance	Increase	Decrease	Ending balance
Buildings	22,242,542.60	13,822.00	1,232,506.20	21,023,858.40
Machinery	28,218,511.58	42,567.52	3,090,854.37	25,170,224.73
Vehicles	75,622.00			75,622.00
Office equipment	650,751.36		251,884.78	398,866.58
Auxiliary equipment	224,864.84		108,091.32	116,773.52
<b>Total</b>	<b><u>51,412,292.38</u></b>	<b><u>56,389.52</u></b>	<b><u>4,683,336.67</u></b>	<b><u>46,785,345.23</u></b>

(7) 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	49,316.24		49,316.24

**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
Waste water pollution control system	49,316.24	10,256.41			59,572.65
Tea feeding machine		21,200.00	21,200.00		
<b>Total</b>	<u>49,316.24</u>	<u>31,456.41</u>	<u>21,200.00</u>		<u>59,572.65</u>

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.

**(8) Intangible assets**

**A. Details**

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

**B. Amortization**

	Beginning balance	Increase	Decrease	Ending balance
Land	803,945.03	128,727.00		932,672.03
UFIDA system	65,782.56			65,782.56
<b>Total</b>	<u>869,727.59</u>	<u>128,727.00</u>		<u>998,454.59</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	Increase	Decrease	Ending balance	Residual amortization lives
Land	5,631,795.66		128,727.00	5,503,068.66	513 months



(9) Long-term prepaid expenses

Item	Original cost	Beginning balance	Increase	Amortization	Ending balance
Ceramic membrane for TP	3,972,649.57	1,103,513.84		1,103,513.84	
Resin consumption	110,000.00	50,416.71		50,416.71	
Total	<u>4,105,726.49</u>	<u>1,153,930.55</u>		<u>1,153,930.55</u>	

(10) Deferred income tax asset

A. Details

Items	Ending balance	Beginning balance
Tax impact of carry forward losses		13,465,849.58
Tax impact of provisions for impairment of inventory		2,167,114.97
Total		<u>15,632,964.55</u>

B. Deductible temporary differences

Items	Ending balance	Beginning balance
Carry forward losses		53,863,398.30
Provisions for impairment of inventory		8,668,459.89
Total		<u>62,531,858.19</u>

(11) Short-term borrowings

A. Details

Items	Ending balance	Beginning balance
Credit loans		33,484,291.98
Guaranteed loans	50,041,115.90	
Total	<u>50,041,115.90</u>	<u>33,484,291.98</u>

(2) Guaranteed loans details:

Lending bank	Loan balance	The guarantor
Rabo bank	14,987,887.40	TGBL
Deutsche bank	35,053,228.50	DEUTSCHE BANK AG KOLKATA(CALCUTTA)
Total	50,041,115.90	

(12) Accounts payable

A. Details

Items	Ending balance	Beginning balance
Accounts payable for material	826,378.80	348,154.06

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) Advances from customers

A. Details

Items	Ending balance	Beginning balance
Advances from customers	1,661,527.66	

B. The amount of advances from customers to related parties is RMB 1,661,527.66 as at the balance sheet date, which account for 100.00% of the total balance.

(14) Employee's remuneration payable

A. Details

Items	Beginning balance	Increase	Decrease	Ending balance
a.Short-term remuneration:				
Wage, bonus, allowance, subsidy	659,671.72	3,443,978.24	3,762,286.38	341,363.58
Employee welfare	5,025.66	746,071.55	727,539.37	23,557.84
Medical insurance	32,628.75	86,745.05	97,588.32	21,785.48
Employment injury insurance	8,475.00	28,176.68	28,729.68	7,922.00
Maternity insurance	4,237.50	14,088.30	24,364.82	-6,039.02
Housing fund	3,059.00	36,404.00	36,343.00	3,120.00
Union funds	4,250.94	45,625.62	40,017.42	9,859.14
Staff education fee		2,360.00	2,360.00	
b.Retirement welfare:				
Endowment insurance	47,460.04	326,275.47	262,827.59	110,907.92

Unemployment insurance	6,780.00	28,580.50	27,438.50	7,922.00
Total	<u>771,588.61</u>	<u>4,902,075.26</u>	<u>5,153,264.93</u>	<u>520,398.94</u>

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

(15) Tax payable

Items	Ending balance	Beginning balance
Value added tax	-8,307,419.34	-8,424,253.99
Housing Tax	20,028.95	
Stamp duty	87.89	307.62
Water construction fund	1.60	414.82
Withheld individual income tax	68,774.22	26,653.90
Total	<u>-8,218,526.68</u>	<u>-8,396,877.65</u>

(16) Interest payable

Items	Ending balance	Beginning balance
Short -term loan interest	757,921.53	119,275.80
Long -term loan interest	14,295.96	30,946.04
Long-term liabilities due within one year interest	19,061.29	13,262.59
Total	<u>791,278.78</u>	<u>163,484.43</u>

(17) 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	873,667.07	1,195,667.07
Money on call	35,205,758.00	35,209,833.34
Others	353,737.89	290,605.13
Total	<u>36,643,162.96</u>	<u>36,906,105.54</u>

B. The other payables to 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.

C. The amount of other payables to related parties is RMB 35,405,258.00 as at the balance sheet date.

D. Other payables with large amount:

Name of the companies	Ending balance	Nature Loan and its interest charge
Tata Global Beverages Ltd	35,205,758.00	

(18) Long-term liabilities due within one year

	Ending balance	Beginning balance
Long-term borrowings	7,060,000.00	5,295,000.00

(19) Long-term borrowings

	Currency	Loan terms	Ending balance	Beginning balance
Standard Chartered Bank	RMB	Land, Buildings and Machinery for Mortgage	5,295,000.00	12,355,000.00

(20) Paid-in capital

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

(21) Capital stock

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

(22) Distributable profit

Distributable profit at the beginning of year	-41,168,439.27
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Plus: net profit of current period	-42,450,215.51
Distributable profit at the end of year	-83,618,654.78

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	1,859,698.36	3,824,275.24
Revenues from other operations	123,041.32	171,491.24
Total	<u>1,982,739.68</u>	<u>3,995,766.48</u>

2) Cost

Item	This period	Last period
Cost of main operations	1,960,537.47	4,804,609.65
Cost of other operations	58,035.84	169,500.81
Total	<u>2,018,573.31</u>	<u>4,974,110.46</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	1,851,493.23	1,951,675.47	-100,182.24	3,512,946.22	4,454,821.53	-941,875.31
Tea Polyphonal	8,205.13	8,862.00	-656.87	311,329.02	349,788.12	-38,459.10
Total	<u>1,859,698.36</u>	<u>1,960,537.47</u>	<u>-100,839.11</u>	<u>3,824,275.24</u>	<u>4,804,609.65</u>	<u>-980,334.41</u>

C. Revenue from top five customers

Items	Current period	Prior period
Revenue from top five customers	1,982,739.68	3,995,766.48
Percentage of total revenue	100.00	100.00

(2) Business tax and surcharge

Item	Current period	Prior period	Tax rate
Water construction fund	3,905.31	2,082.32	0.1%

(3) Financial expenses (income)

Items	Current period	Prior period
Interest expenses	8,179,764.52	6,165,209.66
Less: Interest income	4,807.81	6,767.57
Exchange loss	7,829.13	48,350.54
Bank Fee	13,251.26	14,076.98
Total	<u>8,196,037.10</u>	<u>6,220,869.61</u>

(4) Asset impairment loss

Item	Current period	Prior period
Provision for decline in value of inventories	4,599,115.41	9,444,681.20

(5) Non-operating income

Details

Item	Current period	Prior period
Gains on sales of intangible assets		2,579,327.94
Governmental subsidy	72,365.89	4,038.29
Others		41,932.68
Total	<u>72,365.89</u>	<u>2,625,298.91</u>

(6) Non-operating expenses

Items	Current period	Prior period
Tax overdue payment	277.34	191.15
Fines	100.00	2,399.69
Others	9.50	902.30
Total	<u>386.84</u>	<u>3,493.14</u>

(7) Income tax expenses

Item	Current period	Prior period
Deferred income tax expense	15,632,964.55	-6,470,218.52

### 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	-42,450,215.51	-18,128,037.58
Add: Provision for impairment of assets	4,599,115.41	9,444,681.20
Depreciation of fixed assets	4,683,336.67	4,952,127.60
Amortization of intangible assets	128,727.00	164,200.64
Amortization of long-term prepaid expenses	1,153,930.55	2,712,407.31
Losses (gains) on disposal of fixed assets, intangible assets and other long-term assets		-2,579,327.94
Losses (gains) on write-off of fixed assets		
Losses (gains) on changes in fair value		
Finance expense (income)	8,187,593.65	-6,213,560.20
Investment losses (gains)		
Decrease (increase) in deferred tax assets	15,632,964.55	-6,470,218.52
Increase (decrease) in deferred tax liabilities		
Decrease (increase) in inventories	1,667,978.48	-4,537,249.58
Decrease (increase) in receivables under operating activities	1,243,762.90	-1,009,131.70
Increase (decrease) in payables under operating activities	847,521.64	-8,593,193.61
Others		
Net cash flows from operating activities	-4,305,284.66	-17,830,181.98
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	271,821.01	941,726.98
Less: cash at the beginning of the period	941,726.98	525,639.57
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	-669,905.97	416,087.41

(2) Composition of cash and cash equivalents

Items	Ending balance	Beginning balance
I. Cash	271,821.01	941,726.98
Including: Cash on hand	3,921.02	5,042.32
Unconstrained cash at bank	267,899.99	936,684.66
Other unconstrained monetary fund		
II. Cash equivalents		
Including: Debt investment maturing within 3 months		
III. Ending balance of cash and cash equivalents	271,821.01	941,726.98

**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	616million rupees	70%

(2) Other related parties

Name of entity	Relationship with the Company
Tata Tea Extractions Inc.	Controlled by the same parent company
Zhejiang Tea Group Company Limited	Shareholder

3. Related party transactions

(1) Sales of goods

Name of entity	Current period			Prior period		
	Amount	Percentage of total sales	Pricing policy	Amount	Percentage of total sales	Pricing policy
Tata Tea Extractions Inc.	1,851,493.23	100.00	By agreement	3,845,904.43	100.00	By agreement

(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. Accounts receivable				
TATA TEA EXTRACTIONS INC			823,028.82	
B. Advances from customers				
TATA TEA EXTRACTIONS INC	1,661,527.66			
C. Other payables				
Tata Global Beverages Limited	35,205,758.00		35,209,833.34	
Zhejiang Tea Group Company Limited	199,500.00		139,022.20	

(3) Borrowing from related parties in current period

Related party	Borrowing amount	Starting date
Borrowing funds		
Tata Global Beverages Limited	34,000,000.00	September 1, 2013

(4) Other transactions with related parties:

The Company paid RMB 3,570,000.00 to Tata Global Beverages Limited for the interest fees, paid RMB 598,500.00 to Zhejiang Tea Group Company Limited for the consulting service it provided to the Company , and paid RMB 139,022.22 to Zhejiang Tea Group Company Limited for the interest fees in the period.

### **VIII. Contingencies**

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

### **IX. Commitments**

Other major financial commitments

Assets mortgage situation (in RMB Yuan)

Lending bank	mortgage	Mortgage book value	Mortgage net book value	Mortgaged loan balance	Due date
Standard Chartered Bank(China) LTD	Land	6,435,740.69	5,503,068.66	12,355,000.00	Quarterly installment till September, 2016
	Buildings	25,943,490.00	21,023,858.40		
	Machinery	34,069,338.11	25,091,020.65		
Total		<u>66,448,568.80</u>	<u>51,617,947.71</u>	<u>12,355,000.00</u>	

### **X. Other important matters**

Zhejiang Tata TEA Extraction Company Limited has suffered losses of RMB 26 Million . As of December 31, 2014, Zhejiang Tata TEA Extraction Company Limited has a net capital deficiency of RMB 23 Million. These conditions indicate that existence of a material uncertainty which may cause significant doubt about the Company's ability to continue as a going concern, in the future, however, both the Parent partners will give strong funding support to alleviate any such situation .

**XI. 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**

**22 January 2015**