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## **INDEPENDENT AUDITORS' REPORT**

Shareholders and Board of Directors  
Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd., which comprise the statement of financial position as at 30 November 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from 22 May 2015 (inception) to 30 November 2015, 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 International Financial Reporting Standards, 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.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

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

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

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial position of Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd. as at 30 November 2015, and of its financial performance and its cash flows for the period from 22 May 2015 (inception) to 30 November 2015 in accordance with International Financial Reporting Standards.

Wei, Wei & Co. LLP

A handwritten signature in blue ink, appearing to read 'Liren Wei'.

Liren Wei  
Managing Partner

17 February 2016  
New York, United States of America

**GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO.,  
LTD.**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIOD FROM 22 MAY 2015 (INCEPTION) TO 30 NOVEMBER 2015  
IN US DOLLARS**

	<b>Notes</b>	
Revenue	3.6	4,856,251
Cost of sales	13	(1,878,928)
<b>Gross profit</b>		<b>2,977,323</b>
Other operating income		529
Selling and distribution expenses	14.1	(391,360)
Administrative expenses	14.2	(224,017)
<b>Operating profit before income tax expense</b>		<b>2,362,475</b>
Income tax expense	6	(590,803)
<b>Profit for the period</b>		<b>1,771,672</b>
<b>Other comprehensive (loss):</b>		
Exchange differences on translating foreign currencies		(33,408)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>1,738,264</b>

The notes on pages 8 to 27 are an integral part of these financial statements.

**GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO.,  
LTD.**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2015  
IN US DOLLARS**

<b>ASSETS</b>	<b>Notes</b>	
<b>Non-current assets</b>		
Property and equipment, net	7	252,524
<b>Non-current assets</b>		<b>252,524</b>
<b>Current assets</b>		
Deferred slotting fees	3.4	1,303,901
Trade and other receivables	5.1	1,811
Cash and cash equivalents	3.1.1	1,418,052
<b>Current assets</b>		<b>2,723,764</b>
<b>TOTAL ASSETS</b>		<b>2,976,288</b>

The notes on pages 8 to 27 are an integral part of these financial statements.

**GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO.,  
LTD.**

**STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2015  
IN US DOLLARS**

<b>EQUITY AND LIABILITIES</b>	<b>Notes</b>	
<b>Equity</b>		
Statutory reserve fund	3.5	177,241
Retained earnings		1,594,431
Other comprehensive (loss)		(33,408)
<b>Total equity</b>		<b>1,738,264</b>
<b>Current liabilities</b>		
Trade and other payables	8	216,358
Advance from customers	8	125,226
Taxes payable		272,040
Borrowings - shareholders	9	624,400
<b>Current liabilities</b>		<b>1,238,024</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,976,288</b>

The notes on pages 8 to 27 are an integral part of these financial statements

**GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD FROM 22 MAY 2015 (INCEPTION) TO 30 NOVEMBER 2015  
IN US DOLLARS**

	<b>Statutory Reserve Fund</b>	<b>Retained Earnings</b>	<b>Other Compre- hensive (loss)</b>	<b>Total Equity</b>
<b>Balance – 22 May 2015 (inception)</b>	-	-	-	-
Profit for the period	-	1,771,672	-	1,771,672
Statutory reserve	177,241	(177,241)	-	-
Other comprehensive (loss)	-	-	(33,408)	(33,408)
<b>Balance – 30 November 2015</b>	<b>177,241</b>	<b>1,594,431</b>	<b>(33,408)</b>	<b>1,738,264</b>

The notes on pages 8 to 27 are an integral part of these financial statements.

**GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.**

**STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM 22 MAY 2015 (INCEPTION) TO 30 NOVEMBER 2015  
IN US DOLLARS**

	<b>Notes</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>		
Profit for the period		1,771,672
Non-cash adjustment to reconcile profit after tax to net cash flows:		
Depreciation	7.3	32,980
Income tax expense	6	590,803
Working capital adjustments:		
Change in deferred slotting fees	3.4	(1,303,901)
Change in trade and other receivables	5.1.1	(1,811)
Change in trade and other payables	8	216,358
Change in advance from customers	8	125,226
Cash generated from operating activities		1,431,327
Interest paid		-
Income taxes paid		(363,141)
<b>Net cash provided by operating activities</b>		<b>1,068,186</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>		
Purchase of property and equipment	7.2	(290,358)
<b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>		
Proceeds from borrowings	9	636,400
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		
		<b>1,414,228</b>
Cash and cash equivalents - beginning		-
Effect of exchange rate fluctuations on cash and cash equivalents		3,824
<b>CASH AND CASH EQUIVALENTS - ENDING</b>		<b>1,418,052</b>

The notes on pages 8 to 27 are an integral part of these financial statements.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 1. CORPORATE INFORMATION

Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd. (the “Company”) was founded on 22 May 2015 in the Guangdong Province in the People’s Republic China (“PRC”).

On 30 November 2015, the Company was owned by three persons, which Mr. Shili Zhang owned 47.94%, Ms. Xiaoqin Zheng owned 6.00% and Ms. Han Xu owned 46.06%. The registered capital is approximately US Dollar 1,614,000 (RMB 10,000,000). As at 30 November 2015, the shareholders have not contributed any capital.

The Company’s business is comprised of the following:

#### Sale of Selenium-Rich Water

The Company has annual contracts with two water companies to bottle, under the Company’s label, water from two springs in the PRC that is rich in the mineral selenium. Selenium is believed to have antioxidant properties and play a key role in the human body metabolism. The bottled water is purchased by the Company from the suppliers and is delivered directly to the stores based upon monthly orders placed by each store. Accordingly, the Company does not have any inventory as at 30 November 2015.

#### Product Promotion and Placement Service

The Company has annual agreements with various vendors to assist them in the placement and marketing of their products. The Company receives a monthly fee from the vendors based upon the number of items being placed in each store. The Company has the ability to place these products based upon their relationships with over 800 stores in the Guangdong Province. In connection with these placement services, the Company enters into annual contracts with each store and must prepay the store an annual “slotting fee” charged for each product placed. The Company has no responsibility regarding the vendors’ sales performance.



# **GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements were authorized for issue by the Board of Directors on 17 February 2016.

#### **2.2 Basis of measurement**

The financial statements have been prepared on a historical cost basis except for assets and liabilities required to be measured at fair value (See Note 4).

#### **2.3 Functional and presentation currency**

These financial statements are presented in US dollars, and the Company’s functional currency is the Renminbi (“RMB”). All financial information presented has been rounded to the nearest US dollar.

#### **2.4 Foreign Currency Translation**

All Company assets are located in the PRC. The functional currency for the Company’s operations is the Renminbi (“RMB”). The Company uses the United States Dollar (“US Dollar” or “US\$” or “\$”) for financial reporting purposes.

For the purpose of presenting the financial statements, the assets and liabilities of the Company are translated into US Dollar using exchange rate prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. For the period from 22 May 2015 (inception) to 30 November 2015, exchange differences on translating RMB to US Dollar of \$(33,408) are recognized as other comprehensive loss in the statement of profit or loss and other comprehensive income.

# **GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **2. BASIS OF PREPARATION (continued)**

#### **2.4 Foreign Currency Translation (continued)**

Although government regulations now allow convertibility of the RMB for current account transactions, significant restrictions still remain. Hence, such translations should not be construed as representations that the RMB could be converted into US Dollar at that rate or any other rate.

The value of the RMB against the US Dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions. Any significant revaluation of the RMB may materially affect the Company's financial condition in terms of US Dollar reporting.

#### **2.5 Use of estimates and judgments**

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Financial instruments

##### *3.1.1 Non-derivative financial assets*

The Company initially recognizes trade and other receivables on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets:

##### Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial, non-current trade and other receivables are measured at amortized cost using the effective interest method, less any impairment losses.

##### Cash and cash equivalents

Cash and cash equivalents are comprised of cash balances, money market funds and short-term investments with original maturities of three months or less.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *3.1.2 Non-derivative financial liabilities*

The Company recognizes the liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: trade and other payables, advances from customers, taxes payable, and borrowings. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

### **3.2 Property and equipment**

#### *3.2.1 Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income (loss) in the statements of profit or loss and other comprehensive income.

#### *3.2.2 Subsequent costs*

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statements of comprehensive income as incurred.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.2.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value, if any. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Leased assets are depreciated over the shorter of the lease term or their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current period are as follows:

Electronic equipment	3 years
Motor vehicles	4 years
Office equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### 3.3 Impairment

#### 3.3.1 Financial assets (including receivables)

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

The Company considers evidence of impairment for trade and other receivables at both a specific asset and collective levels. All individually significant accounts receivable are assessed for specific impairment. All individually significant accounts receivable found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *3.3.1 Financial assets (including receivables) (continued)*

In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

#### **3.4 Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated and adjusted accordingly.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognized in profit and loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.4 Non-financial assets (continued)

The Company has the following non-financial asset: deferred slotting fees.

##### Deferred slotting fees

In connection with the Company's product promotion and placement services, the Company is required prepay each store where it places a vendor's product, an annual slotting fee, which is shown as deferred slotting fees in the accompanying balance sheet. As each slotting fee contract is renewed annually, the deferred slotting fees will be recognized within the following twelve months.

#### 3.5 Statutory reserve fund

Pursuant to corporate law of the PRC, the Company is required to transfer 10% of its net income, as determined under PRC accounting rules and regulations, to a statutory reserve fund until such reserve balance reaches 50% of the Company's registered capital. The statutory reserve fund is non-distributable other than during liquidation and can be used to fund previous years' losses, if any, and may be utilized for business expansion or used to increase registered capital, provided that the remaining reserve balance after use is not less than 25% of registered capital. The required statutory reserve fund transfer was \$177,241 for the period from 22 May 2015 (inception) to 30 November 2015.

#### 3.6 Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the amount of the consideration received or receivable, net of estimated returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale. For sales of goods, usually transfer occurs when the product is received at the customer's warehouse.

# **GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **3.7 Income taxes**

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. A valuation allowance is established to reduce deferred tax assets to the amount expected to be realized.

Revenues, expenses and assets are recognized net of the amount of sales tax. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

#### **3.8 New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations have been issued since 30 November 2015 up to the date of authorization of the financial statements which are not yet effective, have not been applied in preparing these financial statements. None of these new standards or amendments to standards when effective are expected to have a material effect on the financial statements of the Company except for IFRS 15 – Revenue from Contracts with Customers, which is effective, after amendment, for periods beginning on or after 1 January 2018. IFRS 15 sets forth the requirements for recognizing revenue that applies to all contracts with customers. The Company is in the process of determining the possible effects, if any, on its financial reporting.



# **GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **4. DETERMINATION OF FAIR VALUES**

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

#### **4.1 Trade and other receivables**

Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value. The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

#### **4.2 Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

### **5. FINANCIAL RISK MANAGEMENT**

#### **5.1 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade and other receivables from customers.

##### *5.1.1 Receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. In the normal course of business, the Company grants credit to its customers based on credit evaluations of their financial condition and generally requires no collateral or other security. No major customers were identified for the period from 22 May 2015 (inception) to 30 November 2015.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 5. FINANCIAL RISK MANAGEMENT (continued)

#### 5.1.1 Receivables (continued)

Trade receivables are non-interest bearing and are generally on terms of 30-90 days. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. On a periodic basis, management evaluates accounts receivable balances and establishes an allowance, based on history of past write-offs and collections. As at 30 November 2015, the Company considers all accounts receivable to be fully collectible and, therefore, did not provide for an allowance for doubtful accounts.

The aging of receivables as at 30 November 2015 was as follows:

	<b>Gross</b>	<b>Impairment</b>
Not past due	\$1,811	\$ -
Past due 0-30 days	-	-
Past due 31-60 days	-	-
More than 60 days	-	-
	<b>\$1,811</b>	<b>\$ -</b>

#### 5.2 Cash

Substantially all of the Company's assets and bank accounts are in banks located in the PRC. The exchange rate of RMB is determined by the government of the PRC and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the government of the PRC.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 5. FINANCIAL RISK MANAGEMENT (continued)

#### 5.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

#### 5.4 Market risk

The Company is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which result from its operating activities. The change of economic conditions causes the risks, and the Company works to mitigate the risks.

#### 5.5 Capital management

The Company's debt to adjusted capital ratio at 30 November 2015 was as follows:

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Total liabilities	\$1,238,024
Less: cash and cash equivalents	1,418,052
Net debt	\$ -
Total equity	\$1,738,264
Debt to capital ratio	-

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# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

### 6. INCOME TAX EXPENSE

The provision for (benefit from) income taxes for the period from 22 May 2015 (inception) to 30 November 2015 consists of the following:

Current	\$590,803
Deferred	-
Total income tax provision	<b>\$ 590,803</b>

### 7. PROPERTY AND EQUIPMENT

#### 7.1 Carrying amounts of property and equipment

As at 30 November 2015, the carrying amounts of property and equipment consist of the following:

Electronic equipment	\$104,926
Motor vehicles	54,244
Office equipment	93,354
Total property and equipment, net	<b>\$252,524</b>

#### 7.2 Cost or deemed cost

The cost or deemed cost of the property and equipment for the period from 22 May 2015 (inception) to 30 November 2015 consists of the following:

	Electronic equipment	Motor vehicles	Office equipment	Total
At 22 May 2015	\$ -	\$ -	\$ -	\$ -
Additions	120,974	60,552	103,358	284,884
Disposals	-	-	-	-
At 30 November 2015	<b>\$ 120,974</b>	<b>\$ 60,552</b>	<b>\$103,358</b>	<b>\$284,884</b>

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 7. PROPERTY AND EQUIPMENT (continued)

#### 7.3 Depreciation and impairment losses

The depreciation and impairment losses of the property and equipment for the period from 22 May 2015 (inception) to 30 November 2015 consist of the following:

	Electronic equipment	Motor vehicles	Office equipment	Total
At 22 May 2015	\$ -	\$ -	\$ -	\$ -
Depreciation for the period	16,048	6,308	10,004	32,360
Impairment loss	-	-	-	-
At 30 November 2015	<b>\$ 16,048</b>	<b>\$ 6,308</b>	<b>\$ 10,004</b>	<b>\$ 32,360</b>

### 8. TRADE AND OTHER PAYABLES AND ADVANCE FROM CUSTOMERS

Trade and other payables and advance from customers at 30 November 2015 consist of the following:

Trade and other payables	\$156,839
Accrued expenses	59,519
Advance from customers	125,226
	<b>\$341,584</b>

### 9. BORROWINGS

The Company obtained a short-term non-interest bearing loan from one of its shareholders due as at 31 December 2015. The loan of \$624,400 as at 30 November 2015 is reflected as borrowings. The Company repaid \$312,000 in December 2015. In January 2016, the Company paid off the remaining balance of \$312,400 plus approximately \$6,000 of penalties for the late payment.

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 10. RELATED-PARTY

#### 10.1 Related party transactions

In the normal course of business, the Company conducts certain transactions with one of its shareholders and Guangdong Gewang Biotechnology Co., Ltd., a related party (“Gewang”).

The following is a summary of balances and significant transactions with related parties as at 30 November 2015 and for the period from 22 May 2015 (inception) to 30 November 2015:

#### **Other payables:**

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Gewang	\$ 650
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#### **Borrowings:**

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Shareholder	\$ 624,400
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Outstanding balances at 30 November 2015 are unsecured and non-interest bearing.

#### 10.2 Trademark

The Company entered into an agreement on 10 June 2015 for the right to use Gewang’s trademark for 10 years. The future commitment is approximately \$1,600 each year.

#### 10.3 Key management personnel compensation

Key management personnel compensation for the period from 22 May 2015 (inception) to 30 November 2015 is comprised of the following:

Short-term employee benefits	\$ 65,563
Post-employment benefits	-
Termination benefits	-
Other long-term benefits	-
Share-based payments	-
	<hr/> \$ 65,563 <hr/>

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 11. FINANCIAL INSTRUMENTS

#### 11.1 Credit risk

##### 11.1.1 Exposure to credit risk

The carrying amount of financial assets represents the Company's maximum credit exposure. The maximum exposure to credit risk as at 30 November 2015 was as follows:

	Carrying amount
Trade and other receivables	\$ 1,811
Cash and cash equivalents	1,418,052
	<b>\$1,419,863</b>

#### 11.2 Liquidity risk

The following are the contractual maturities (including interest payments where applicable) of financial liabilities.

##### 11.2.1 Non-derivative financial liabilities

30 November 2015	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	\$ 216,358	\$ 216,358	\$ 216,358	\$ -	\$ -
Advance from customers	125,226	125,226	125,226	-	-
Taxes payable	272,040	272,040	272,040	-	-
Borrowings	624,400	624,400	624,400	-	-
	<b>\$1,238,024</b>	<b>\$1,238,024</b>	<b>\$1,238,024</b>	<b>\$ -</b>	<b>\$ -</b>

# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

### 11. FINANCIAL INSTRUMENTS (continued)

#### 11.3 Fair values

##### 11.3.1 Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position as at 30 November 2015 were as follows:

##### Assets carried at amortized cost

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Trade and other receivables	\$ 1,811	\$ 1,811	\$ -	\$ -	\$1,811
Cash and cash equivalents	1,418,052	1,418,052	-	-	1,418,052
	<b>\$ 1,419,863</b>	<b>\$ 1,419,863</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,419,863</b>

##### Liabilities carried at amortized cost

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Trade and other payables	\$ 216,358	\$ 216,358	\$ -	\$ -	\$216,358
Advance from customers	125,226	125,226	-	-	125,226
Taxes payable	272,040	272,040	-	-	272,040
Borrowings	624,400	624,400	-	-	624,400
	<b>\$ 1,238,024</b>	<b>\$ 1,238,024</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$1,238,024</b>



# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 11. FINANCIAL INSTRUMENTS (continued)

#### 11.3.2 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of the fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in the fair value measurement, as follows:

Level 1:	quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3:	inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 30 November 2015, carrying values of non-derivative financial instruments disclosed above, approximate fair values due to the short term nature of these financial instruments.

### 12. OPERATING LEASE ARRANGEMENTS

#### 12.1 Leasing arrangements

The Company leases its office space under a five-year operating lease from an unrelated third party, which started on 1 May 2015 before the Company was founded on 22 May 2015 and expires on 30 April 2020. Upon the expiration of the lease, the Company is required to return the property to the landlord in its original condition.

#### 12.2 Payments recognized as an expense

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Minimum lease payments	\$55,680
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#### 12.3 Non-cancellable operating lease commitments

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Not later than 1 year	\$93,660
Later than 1 year and not later than 5 years	320,005
Later than 5 years	-

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# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 13. COST OF SALES

#### 13.1 Details of cost of sales

The following schedule is the reconciliation of cost of sales for the period from 22 May 2015 (inception) to 30 November 2015:

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<b>Cost of sales:</b>	
Inventory, inception	\$ -
Amortization of slotting fees	930,367
Purchases	948,561
	<hr/>
	1,878,928
Less: inventory, end of period	-
<b>Total cost of sales</b>	<b>\$ 1,878,928</b>

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### 14. OPERATING EXPENSES

#### 14.1 Details of selling and distribution expenses:

The selling and distribution expenses for the period from 22 May 2015 (inception) to 30 November 2015 consist of the following:

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<b>SELLING AND DISTRIBUTION</b>	
Salaries and wages	\$253,351
Advertising expenses	52,145
Rent	28,638
Depreciation	19,509
Utilities	2,363
Travel expenses	34,691
Trademark expenses	663
<b>Total selling and distribution expenses</b>	<b>\$391,360</b>

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# GUANGDONG TIANMEI SELENIUM-RICH BEVERAGE CHAIN CO., LTD.

## NOTES TO FINANCIAL STATEMENTS

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### 14. OPERATING EXPENSES (continued)

#### 14.2 Details of administrative expenses:

The administrative expenses for the period from 22 May 2015 (inception) to 30 November 2015 consist of the following:

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<b>ADMINISTRATIVE</b>	
Salaries and wages	\$ 66,601
Fringe benefits	12,406
Start-up fees	21,391
Travel expenses	11,270
Office expenses	14,019
Rent	19,092
Depreciation	13,471
Utilities	1,934
Professional fees	60,000
Bank charges	3,833
<b>Total administrative expenses</b>	<b>\$224,017</b>

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