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INDEPENDENT AUDITOR'S REPORT

Shareholders and Board of Directors
Chenzhou Qianlifeng Beverage Co., Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Chenzhou Qianlifeng Beverage Co., Ltd., which comprise the statements of financial position as at 30 November 2015, 2014 and 2013, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years 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 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.

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 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 Chenzhou Qianlifeng Beverage Co., Ltd. as at 30 November 2015, 2014 and 2013, and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Wei, Wei & Co. LLP

Liren Wei
Managing Partner

12 August 2016
New York, United States of America

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

IN US DOLLARS

	Notes	For the Year Ended 30 November		
		2015	2014	2013
Revenue	3.7	705,269	142,813	63,956
Cost of sales	13	(313,623)	(110,352)	(60,478)
Gross profit		391,646	32,461	3,478
Other income		288	32,754	32,382
Selling and distribution expenses	14.1	(167,135)	(8,817)	(9,001)
Administrative expenses	14.2	(94,257)	(39,516)	(33,108)
Research and development expenses	14.3	-	-	(104,634)
Operating profit before income tax expense		130,542	16,882	(110,883)
Income tax expense (benefit)	6	32,635	4,221	(30,045)
Profit for the years		97,907	12,661	(80,838)
Other comprehensive income (loss):				
Exchange differences on translating foreign currencies		(22,393)	(55)	2,655
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		75,514	12,606	(78,183)

The notes on pages 8 to 31 are an integral part of these financial statements.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 NOVEMBER

IN US DOLLARS

	Notes	2015	2014	2013
ASSETS				
Non-current assets				
Property and equipment, net	8	1,299,265	56,919	65,465
Deferred tax assets	3.8	-	29,676	30,434
Non-current assets		1,299,265	86,595	95,899
Current assets				
Inventories	7	68,722	2,871	4,659
Trade and other receivables	5.1.1	113,624	17,465	7,032
Prepayments		13,674	-	-
Cash and cash equivalents	3.1.1	87,190	120,223	83,968
Current assets		283,210	140,559	95,659
TOTAL ASSETS		1,582,475	227,154	191,558

The notes on pages 8 to 31 are an integral part of these financial statements.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

STATEMENTS OF FINANCIAL POSITION AS AT 30 NOVEMBER IN US DOLLARS

	Notes	2015	2014	2013
EQUITY AND LIABILITIES				
Equity				
Share premium		664,184	120,674	120,674
Statutory reserve fund	3.6	11,057	1,266	-
Retained earnings		10,593	(77,523)	(88,918)
Other comprehensive income (loss)		17,555	39,948	40,003
Total equity		703,389	84,365	71,759
Current liabilities				
Trade and other payables		34,040	26,572	13,594
Taxes payable	3.8	182,397	562	217
Borrowings - shareholder	9	662,649	115,655	105,988
Current liabilities		879,086	142,789	119,799
TOTAL EQUITY AND LIABILITIES		1,582,475	227,154	191,558

The notes on pages 8 to 31 are an integral part of these financial statements.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 30 NOVEMBER 2015, 2014 AND 2013
IN US DOLLARS**

	Share Premium	Retained Earnings	Statutory Reserve Fund	Other Comprehensive Income (Loss)		Total Equity
				Statutory Reserve	Income (Loss)	
Balance at 30 November 2012	120,674	(8,080)	-	37,348	-	149,942
Profit for the year	-	(80,838)	-	-	-	(80,838)
Statutory reserve	-	-	-	-	-	-
Other comprehensive income	-	-	-	2,655	-	2,655
Balance at 30 November 2013	120,674	(88,918)	-	40,003	-	71,759
Profit for the year	-	12,661	-	-	-	12,661
Statutory reserve	-	(1,266)	1,266	-	-	-
Other comprehensive (loss)	-	-	-	(55)	-	(55)
Balance at 30 November 2014	120,674	(77,523)	1,266	39,948	-	84,365
Profit for the year	-	97,907	-	-	-	97,907
Statutory reserve	-	(9,791)	9,791	-	-	-
Shareholder loan converted to share premium	543,510	-	-	-	-	543,510
Other comprehensive (loss)	-	-	-	(22,393)	-	(22,393)
Balance at 30 November 2015	664,184	10,593	11,057	17,555	-	703,389

The notes on pages 8 to 31 are an integral part of these financial statements.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD

STATEMENTS OF CASH FLOWS

IN US DOLLARS

	Notes	For the year ended 30 November		
		2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit for the year		97,907	12,661	(80,838)
Adjustments to reconcile profit after tax to net cash flows:				
Depreciation	8.3	64,903	8,470	8,381
Interest income		(288)	(214)	(187)
Income tax expense	6	32,635	4,221	(30,045)
Working capital adjustments:				
Change in inventories	7	(65,851)	1,788	(3,427)
Change in prepayments		(13,674)	-	-
Change in trade and other receivables	5.1.1	(96,159)	(10,433)	(2,150)
Change in trade and other payables		7,468	12,978	8,423
Cash generated from operating activities		26,941	29,471	(99,843)
Interest paid		-	-	-
Income taxes paid		(268)	(3,494)	-
Net cash provided by operating activities		26,673	25,977	(99,843)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received		288	214	187
Purchase of property and equipment	8.2	(1,347,219)	-	-
Net cash provided by investing activities		(1,346,931)	214	187
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from borrowings - shareholder	9	568,385	9,762	104,634
Proceeds from share premium		543,382	-	-
Net cash provided by financing activities		1,111,767	9,762	104,634
NET INCREASE IN CASH AND CASH EQUIVALENTS				
Cash and cash equivalents - beginning		120,223	83,968	76,982
Effect of exchange rate fluctuations on cash and cash equivalents		175,458	302	2,008
CASH AND CASH EQUIVALENTS - ENDING		87,190	120,223	83,968

The notes on pages 8 to 31 are an integral part of these financial statements.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Chenzhou Qianlifeng Beverage Co., Ltd. (the “Company”) was founded on 6 July 2004, in the Hunan Province in the People’s Republic of China (“PRC”) with registered capital of \$120,674. The Company is specialized in production of selenium-rich water and is currently owned by three shareholders, Mr. Tanggen Wang, Mr. Lianhe Deng and Mr. Shenggao Xiao, with ownership of 80%, 10% and 10%, respectively.

During the year ended 30 November 2015, the Company was contracted by a major customer to bottle the selenium-rich water under the customer’s label. The bottled water is sold by the Company to the customer and is delivered directly to the stores based upon monthly orders placed by the customer. Selenium is believed to have antioxidant properties and plays a key role in the human body’s metabolism.

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 12 August 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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

2. BASIS OF PREPARATION (continued)

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 years ended 30 November 2015, 2014 and 2013, exchange differences on translating RMB to US Dollar of \$(22,393), \$(55) and \$2,655 are recognized as other comprehensive income (loss) in the statements of profit or loss and other comprehensive income.

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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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 statements 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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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 statements 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, taxes payable, and borrowings – shareholder. 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 Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average basis and comprises all costs of purchasing raw materials, direct labor and other costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimates of costs of completion and selling expenses.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related turnover is recognized. The amount of any write-down of inventories to net realizable values and all losses of inventories are recognized as an expense in the period the write down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories as an expense in the period in which the reversal occurs.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property and equipment

3.3.1 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.

3.3.2 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.

3.3.3 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	5 years
Motor vehicles	4 years
Machinery	10 years
Building	20 years

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

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Impairment

3.4.1 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.

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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 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.

The Company has the following non-financial asset: property and equipment, deferred tax assets, inventories, and prepayments.

3.6 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 \$9,791, \$1,266, and \$0 for the years ended 30 November 2015, 2014 and 2013, respectively.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 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.

3.8 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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Income taxes (continued)

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.

3.9 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.

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 Inventories

The fair value of inventories is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

4.2 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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

4. DETERMINATION OF FAIR VALUES (continued)

4.3 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.

The following table represents certain information about the Company's major customers which individually accounted for more than 10% of the Company's gross revenue for the year ended 30 November:

	2015			
	<u>Gross Revenue</u>	<u>Percentage</u>	<u>Accounts Receivable</u>	<u>Percentage</u>
Customer 1	\$167,586	24%	\$28,272	25%
Customer 2	399,392	57%	85,352	75%

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.1 Receivables (continued)

2014				
	<u>Gross Revenue</u>	<u>Percentage</u>	<u>Accounts Receivable</u>	<u>Percentage</u>
Customer 1	\$36,675	26%	\$5,491	31%
Customer 2	66,187	46%	8,146	47%
Customer 3	39,950	28%	3,828	22%

2013				
	<u>Gross Revenue</u>	<u>Percentage</u>	<u>Accounts Receivable</u>	<u>Percentage</u>
Customer 1	\$19,183	30%	\$2,216	33%
Customer 2	24,917	39%	3,181	47%
Customer 3	19,857	31%	1,379	20%

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, 2014 and 2013, the Company considers all accounts receivable to be fully collectible and, therefore, did not provide for an allowance for doubtful accounts.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (continued)

5.1.1 Receivables (continued)

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

	2015		2014		2013	
	Gross	Impairment	Gross	Impairment	Gross	Impairment
Not past due	\$113,624	\$ -	\$17,465	\$ -	\$7,032	\$ -
Past due 0-30 days	-	-	-	-	-	-
Past due 31-60 days	-	-	-	-	-	-
More than 60 days	-	-	-	-	-	-
	\$113,624	\$ -	\$17,465	\$ -	\$7,032	\$ -

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.

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.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

5. FINANCIAL RISK MANAGEMENT (continued)

5.5 Capital management

The Company's debt to adjusted capital ratios at 30 November were as follows:

	2015	2014	2013
Total liabilities	\$879,086	\$142,789	\$119,799
Less: cash and cash equivalents	87,190	120,223	83,968
Net debt	\$791,896	\$ 22,566	\$ 35,831
Total equity	\$703,389	\$ 84,365	\$ 71,759
Debt to capital ratio	1.13	0.27	0.50

6. INCOME TAX EXPENSE

The provision for (benefit from) income taxes for the year ended 30 November consists of the following:

	2015	2014	2013
Current	\$ 3,304	\$ 3,494	\$ -
Deferred	29,331	727	(30,045)
Total income tax provision	\$32,635	\$ 4,221	\$ (30,045)

7. INVENTORIES

As at 30 November, the carrying amounts of inventories consist of the following:

	2015	2014	2013
Raw materials	\$ 44,230	\$ 1,788	\$ 723
Finished goods	24,492	1,083	3,936
Total inventories at the lower of cost and net realizable value	\$ 68,722	\$ 2,871	\$ 4,659

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

8. PROPERTY AND EQUIPMENT

8.1 Carrying amounts of property and equipment

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

	2015	2014	2013
Electronic equipment	\$ 56,153	\$ 3,364	\$ 4,900
Motor vehicles	59,412	-	-
Machinery	1,171,708	40,048	46,037
Building	11,992	13,507	14,528
Total property and equipment, net	\$ 1,299,265	\$ 56,919	\$ 65,465

8.2 Cost or deemed cost

The movement of cost or deemed cost of the property and equipment for the year ended 30 November consists of the following:

	Electronic equipment	Motor vehicles	Machinery	Building	Total
As at 1 December 2012	\$ 7,545	\$ -	\$ 58,580	\$ 19,848	\$ 85,973
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Effect of exchange rate fluctuations	118	-	908	307	1,333
As at 30 November 2013	\$ 7,663	\$ -	\$ 59,488	\$ 20,155	\$ 87,306
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Effect of exchange rate fluctuations	(8)	-	(59)	(20)	(87)
As at 30 November 2014	\$ 7,655	\$ -	\$ 59,429	\$ 20,135	\$ 87,219
Additions	60,238	62,512	1,224,469	-	1,347,219
Disposals	-	-	-	-	-
Effect of exchange rate fluctuations	(2,080)	(1,836)	(38,374)	(818)	(43,108)
As at 30 November 2015	\$ 65,813	\$ 60,676	\$ 1,245,524	\$ 19,317	\$ 1,391,330

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

8. PROPERTY AND EQUIPMENT (continued)

8.3 Depreciation and impairment losses

The movement of depreciation and impairment losses of the property and equipment for the years ended 30 November consist of the following:

	Electronic equipment	Motor vehicles	Machinery	Building	Total
As at 1 December 2012	\$ 1,214	\$ -	\$ 7,406	\$ 4,599	\$ 13,219
Depreciation for the period	1,513	-	5,873	995	8,381
Impairment loss	-	-	-	-	-
Effect of exchange rate fluctuations	35	-	173	33	241
As at 30 November 2013	\$ 2,762	\$ -	\$ 13,452	\$ 5,627	\$ 21,841
Depreciation for the period	1,529	-	5,936	1,005	8,470
Impairment loss	-	-	-	-	-
Effect of exchange rate fluctuations	-	-	(7)	(4)	(11)
As at 30 November 2014	\$ 4,291	\$ -	\$ 19,381	\$ 6,628	\$ 30,300
Depreciation for the period	5,712	1,302	56,893	995	64,903
Impairment loss	-	-	-	-	-
Effect of exchange rate fluctuations	(343)	(38)	(2,458)	(299)	(3,139)
As at 30 November 2015	\$ 9,660	\$ 1,264	\$ 73,816	\$ 7,324	\$ 92,064

9. BORROWINGS

The Company obtained a loan from one of its shareholders which is unsecured and non-interest bearing. The loan of \$662,649, \$115,655, and \$105,988 as at 30 November 2015, 2014, and 2013, respectively, is reflected as borrowings.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

10. RELATED-PARTY TRANSACTIONS

10.1 Related party transactions

In the normal course of business, the Company conducts certain transactions with one of its shareholders.

The following is a summary of balances and significant transactions with related parties as at and for the year ended 30 November:

Other payables:	2015	2014	2013
Shareholder - rent	\$ 19,691	\$ 13,683	\$ 6,848
Borrowings:			
Shareholder	\$ 662,649	\$ 115,655	\$ 105,988
Rent expense:			
Shareholder	\$ 6,762	\$ 6,833	\$ 6,762

Outstanding balances as at 30 November 2015, 2014, and 2013 are unsecured and non-interest bearing.

10.2 Key management personnel compensation

Key management personnel's annual compensation for the year ended 30 November is comprised of the following:

	2015	2014	2013
Short-term employee benefits	\$ 40,412	\$ 35,144	\$ 34,770
Post-employment benefits	-	-	-
Termination benefits	-	-	-
Other long-term benefits	-	-	-
Share-based payments	-	-	-
	\$ 65,563	\$ 35,144	\$ 34,770

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

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 was as follows:

	2015	2014	2013
Trade and other receivables	\$113,624	\$ 17,465	\$ 7,032
Cash and cash equivalents	87,190	120,223	83,968
	200,814	137,688	\$91,000

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

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	\$ 34,040	\$ 34,040	\$ 34,040	\$ -	\$ -
Taxes payable	182,397	182,397	182,397	-	-
Borrowings	662,649	662,649	662,649	-	-
As at 30 November 2015	\$879,086	\$879,086	\$879,086	\$ -	\$ -

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	\$ 26,572	\$ 26,572	\$ 26,572	\$ -	\$ -
Taxes payable	562	562	562	-	-
Borrowings	115,655	115,655	115,655	-	-
As at 30 November 2014	\$142,789	\$142,789	\$142,789	\$ -	\$ -

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS (continued)

11.2.1 Non-derivative financial liabilities (continued)

	Carrying amount	Contractual cash flow	6 months or less	6-12 months	More than 1 year
Trade and other payables	\$ 13,594	\$ 13,594	\$ 13,594	\$ -	\$ -
Taxes payable	217	217	217	-	-
Borrowings	105,988	105,988	105,988	-	-
As at 30 November 2013	\$119,799	\$119,799	\$119,799	\$ -	\$ -

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 statements of financial position were as follows:

Assets carried at amortized cost

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Financial assets not measured at fair value					
Trade and other receivables	\$ 113,624	\$ -	\$ -	\$ -	\$113,624
Cash and cash equivalents	87,190	-	-	-	87,190
As at 30 November 2015	\$ 200,814	\$ -	\$ -	\$ -	\$200,814

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS (continued)

11.3.1 Fair values versus carrying amounts (continued)

Assets carried at amortized cost

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Financial assets not measured at fair value					
Trade and other receivables	\$ 17,465	\$ -	\$ -	\$ -	\$ 17,465
Cash and cash equivalents	120,223	-	-	-	120,223
As at 30 November 2014	\$ 137,688	\$ -	\$ -	\$ -	\$ 137,688

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Financial assets not measured at fair value					
Trade and other receivables	\$ 7,032	\$ -	\$ -	\$ -	\$ 7,032
Cash and cash equivalents	83,968	-	-	-	83,968
As at 30 November 2013	\$ 91,000	\$ -	\$ -	\$ -	\$ 91,000

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS (continued)

11.3.1 Fair values versus carrying amounts (continued)

Liabilities carried at amortized cost

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Financial liabilities not measured at fair value					
Trade and other payables	\$ 34,040	\$ -	\$ -	\$ -	\$ 34,040
Taxes payable	182,397	-	-	-	182,397
Borrowings – shareholder	662,649	-	-	-	662,649
As at 30 November 2015	\$ 879,086	\$ -	\$ -	\$ -	\$ 879,086

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Financial liabilities not measured at fair value					
Trade and other payables	\$ 26,572	\$ -	\$ -	\$ -	\$ 26,572
Taxes payable	562	-	-	-	562
Borrowings – shareholder	115,655	-	-	-	115,655
As at 30 November 2014	\$ 142,789	\$ -	\$ -	\$ -	\$ 142,789

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

11. FINANCIAL INSTRUMENTS (continued)

11.3.1 Fair values versus carrying amounts (continued)

Liabilities carried at amortized cost

	Carrying amount	Fair Value			Total
		(Level I)	(Level II)	(Level III)	
Financial liabilities not measured at fair value					
Trade and other payables	\$ 13,594	\$ -	\$ -	\$ -	\$ 13,594
Taxes payable	217	-	-	-	217
Borrowings – shareholder	105,988	-	-	-	105,988
As at 30 November 2013	\$ 119,799	\$ -	\$ -	\$ -	\$119,799

11.3.2 Fair value hierarchy

Financial assets and financial liabilities measured at fair value in the statements 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, 2014 and 2013, carrying values of non-derivative financial instruments disclosed above, approximate fair values due to the short term nature of these financial instruments.

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

12. OPERATING LEASE ARRANGEMENTS

12.1 Leasing arrangements

The Company leases its office space and manufacturing plant under a ten-year operating lease from a shareholder, which started on 1 December 2012 and expires on 30 November 2022. Upon the expiration of the lease, the Company is required to return the properties to the landlord in their original condition.

12.2 Payments recognized as an expense

	2015	2014	2013
Minimum lease payments	\$ 6,762	\$ 6,833	\$ 6,762

12.3 Non-cancellable operating lease commitments

	2015	2014	2013
Not later than 1 year	\$ 6,762	\$ 6,833	\$ 6,762
Later than 1 year and not later than 5 years	20,286	13,667	13,524
Later than 5 years	20,286	34,167	40,572

13. COST OF SALES

13.1 Details of cost of sales

The following schedule is the reconciliation of cost of sales for the year ended 30 November:

	2015	2014	2013
Cost of sales:			
Inventory – finished goods, inception	\$ 1,803	\$ 3,936	\$ 848
Additions	337,018	108,225	63,504
	338,821	112,161	64,352
Less: inventory – finished goods, end of period	24,492	1,803	3,936
Effect of exchange rate fluctuations	(758)	(6)	61
Total cost of sales	\$ 313,571	\$110,352	\$60,477

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

14. OPERATING EXPENSES

14.1 Details of selling and distribution expenses

The selling and distribution expenses for the year ended 30 November consist of the following:

	2015	2014	2013
SELLING AND DISTRIBUTION			
Salaries and wages	\$ 13,467	\$ 6,264	\$ 6,036
Fringe benefits	2,533	1,638	1,572
Advertising expenses	79,697	-	-
Depreciation	124	126	124
Utilities	169	98	46
Office expenses	138	70	51
Travel expenses	8,352	621	1,172
Shipping expenses	62,655	-	-
Total selling and distribution expenses	\$ 167,135	\$ 8,817	\$9,001

14.2 Details of administrative expenses

The administrative expenses for the year ended 30 November consist of the following:

	2015	2014	2013
ADMINISTRATIVE			
Salaries and wages	\$ 45,914	\$ 27,604	\$ 22,330
Fringe benefits	11,290	7,589	6,351
Entertainment expenses	1,734	654	894
Office expenses	512	346	282
Rent	1,352	1,367	1,352
Depreciation	4,289	1,688	1,670
Utilities	367	246	97
Pest sterilization expenses	16,100	-	-
Transportation expenses	12,699	22	132
Total administrative expenses	\$ 94,257	\$ 39,516	\$33,108

CHENZHOU QIANLIFENG BEVERAGE CO., LTD.

NOTES TO FINANCIAL STATEMENTS

14. OPERATING EXPENSES (continued)

14.3 Details of research and development expenses

The research and development expenses for the year ended 30 November consist of the following:

	2015	2014	2013
RESEARCH AND DEVELOPMENT			
Consulting expenses relating to product development	-	-	\$104,634

15. SUBSEQUENT EVENTS

On 16 May 2016, the Company's three shareholders entered into an agreement with Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd. ("Guangdong Tianmei"), a major customer of the Company during the year ended 30 November 2015, to transfer 100% ownership to Guangdong Tianmei for RMB 5,000,000 (approximately USD 768,000). This agreement is subject to various preconditions, which must be satisfactorily completed prior to 31 December 2016.

An initial payment of 20% (RMB 1,000,000), of the total price, was made by Guangdong Tianmei to the Company on 20 May 2016. The payment was made into a joint account managed by the Company and Guangdong Tianmei. Upon satisfactory completion of the preconditions of the agreement, the remaining balance shall also be paid into the same account.

