

TIANMEI BEVERAGE GROUP CORPORATION LIMITED

ABN 88 611 845 811

**APPENDIX 4D AND
INTERIM FINANCIAL REPORT
For the half-year ended 31 May 2017**

TIANMEI BEVERAGE GROUP CORPORATION LIMITED
ABN 88 611 845 811
Appendix 4D

1. Details of the reporting period

Current Reporting Period: 1 December 2016 - 31 May 2017

Previous Corresponding Period: 1 December 2015 - 31 May 2016

2. Result for announcement to the market

Comparison to previous period		Increase/Decrease	Change %	To \$
2.1	Revenue from continuing operations	Increase	253%	52,560,831
2.2	Profit from ordinary activities after income tax attributable to members	Increase	416%	18,928,993
2.3	Net profit attributable to members	Increase	416%	18,928,993

3. Net tangible assets per ordinary share

	31 May 2017	30 November 2016
	Cents	Cents
Net tangible assets per ordinary share	39.89	36.59

4. Details of entities over which control has been gained or lost during the period

Chenzhou Qianlifeng Beverage Co., LtdF

5. Dividend Payment Information

N/A

6. Dividend/distribution reinvestment plan

N/A

7. Review Disputes or Qualifications

There are no review disputes or qualifications.

8. Accounting Standards

Australian Accounting Standards have been used in complying the information contained in Appendix 4D.

TIANMEI BEVERAGE GROUP CORPORATION LIMITED

ACN 611 845 811

**HALF YEAR FINANCIAL REPORT
ENDED 31 MAY 2017**

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017
FINANCIAL REPORT**

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**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

CORPORATE DIRECTORY

Directors	Mr Anthony Gardiner Sherlock (Non-Executive Chairman) Mr Chen Chik Ong (Non-Executive Director & Company Secretary) Mr Songpei Guo (Executive Director & Chief Executive Officer) Ms Xiao Han (Executive Director) Mr Xiaoran Zhang (Non-Executive Director)
Company Secretary	Mr Chen Chik Ong
Registered Office	Servcorp, 'Gateway' L 36, 1 Macquaire Place Sydney NSW 2000
Principal Place of Business in Australia	Level 2, 45 Richardson Street West Perth WA 6005
Principal Place of Business in China	Unit 2901, 2902, No. 334 Huanshi East Road, Yuexiu Qu Guangzhou 510060, China
Share Register	Advanced Share Registry Ltd 110 Stirling Hwy Nedlands WA 6009
Auditor	BDO East Coast Partnership Collins Square, Tower 4 Level 18, 727 Collins St Melbourne, VIC 3008
Bankers	Industrial and Commercial Bank of China, Sydney Branch Level 1, 220 George Street, Sydney NSW 2000
Website address	http://www.tianmei.com.au/ (English Website)

TIANMEI BEVERAGE GROUP CORPORATION LIMITED FOR THE HALF YEAR ENDED 31 MAY 2017

DIRECTORS' REPORT

The directors present their report, together with the financial statements, on the consolidated entity consisting of Tianmei Beverage Group Corporation Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 May 2017. Throughout the report, the consolidated entity is referred to as the Group.

The Company was incorporated in Western Australia on 6 May 2016 as the vehicle for listing on the ASX of the business carried out by the Chinese subsidiary company Guangdong Tianmei Selenium-Rich Beverage Chain Co. Ltd.

Restructuring

The operating company is Guangdong Tianmei Selenium-Rich Beverage Chain Co. Ltd ("Tianmei China").

In order to IPO on the ASX, a Group restructure, commenced in August 2015 and completed in February 2016, resulted in:

- The establishment of Tianmei International Beverage Co., Ltd. in BVI;
- The establishment of Hong Kong Tianmei International Holdings Co., Ltd (Tianmei HK) by Tianmei BVI;
- The establishment of Shenzhen Tianmei Selenium Enrichment Informational Consulting Co., Ltd (Tianmei Shenzhen) by Tianmei HK; and
- The acquisition of Tianmei China by Tianmei Shenzhen.

This restructuring constitutes a business combination under common control and, therefore, this financial report has been prepared as a continuation of Tianmei China and the financial report includes the half year of operating activities of Tianmei China from 1 December 2016 to 31 May 2017 and the comparatives represent the activities for the half year 1 December 2015 to 31 May 2016.

Directors

The following persons were directors of Tianmei Beverage Group Corporation Limited during the financial half year and up to the date of this report, unless otherwise stated:

Mr Anthony Gardiner Sherlock (Non-Executive Chairman)	(appointed 25 August 2016)
Mr Chen Chik Ong (Non-Executive Director & Public Officer)	(appointed 25 August 2016)
Mr Songpei Guo (Executive Director & Chief Executive Officer)	(appointed 06 May 2016)
Ms Xiao Han (Executive Director)	(appointed 27 April 2017)
Ms Han Xu (Executive Director)	(resigned 27 April 2017)
Mr Xiaoran Zhang (Non-Executive Director)	(appointed 06 May 2016)

Review of operations and financial results

Commentary on half-year results

Through this report, the board of directors seeks to provide information to its shareholders and the market on the results achieved for the half year ended 31 May 2017.

The Group realized an after-tax profit from continuing operations of \$18.9 million for the financial half year ended 31 May 2017 which represented an increase of 416% compared to the half year ended 31 May 2016.

The Group's cash and cash equivalents reserves as at 31 May 2017 were \$40.97 million.

Corporate result summary

The Group is engaged in the distribution and promotion of fast moving consumer goods, such as food, beverages and other grocery items in Guangdong province of China. Tianmei also promotes and distributes its own brand of drinking water products in China.

For the reporting period, the Group, through its wholly owned China-based subsidiaries, achieved the following:

- On 23 February 2017 Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd, a subsidiary of Tianmei Beverage Group Corporation Limited, acquired 100% of the ordinary shares of Chenzhou Qianlifeng Beverage Co., Ltd ("Qianlifeng") for a total consideration transferred of RMB5,000,000. Qianlifeng has the ownership and control of a water processing plant in Hunan Province, China. The water plant is adjacent to the Yinshan Longwu Water Spring, an area renowned for producing quality drinking water.
- On 11 May 2017 the Group announced the expansion of Qianlifeng to meet increasing demand for Tianmei's bottled drinking water. The expansion will involve constructing a new water plant at a new site which is in close proximity to the existing plant.
- The Group's gross margin increased by 7.81% compared to that of the half year ended 31 May 2016, primarily driven by the increased margins on Tianmei branded water products and the sales through contracted stores.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

- The Group has a strong cash position of \$40.97 million, to allow for expansion opportunities.
- The Group's net profit before tax (NPBT) of \$25.46 million represents an increase of 214% over the previous comparative period NPBT of \$5.7 million.
- The Group's revenue was \$52.56 million compared to 2016 revenue of \$14.87 million for the comparable period. This is attributable to the growth in sales of Tianmei branded water products and sales channelled through contracted stores and suppliers.

Events after the End of the Reporting Period

As at the date of this directors' report, the directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods, except for:

On 28 July 2017, the Company announced the issuance of 10 million ordinary shares at \$0.20 per share to sophisticated investors, raising \$2 million for working capital purpose.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5. This report is made in accordance with a resolution of directors.

On behalf of the directors



Xiao Han
Executive Director

31 July 2017
Beijing, China

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF TIANMEI BEVERAGE GROUP CORPORATION LIMITED

As lead auditor for the review of Tianmei Beverage Group Corporation Limited for the half-year ended 31 May 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Tianmei Beverage Group Corporation Limited and the entities it controlled during the period.



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 31 July 2017

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Half-year ended 31 May 2017 \$	Half-year ended 31 May 2016 \$
Sales revenue	4	52,560,831	14,874,695
Cost of sales		(17,626,673)	(5,704,956)
Gross profit		<u>34,934,158</u>	<u>9,169,739</u>
Gain from acquisition	13	578,442	-
Other revenue	4	62,298	1,050,460
Administration expenses		(1,372,368)	(2,696,144)
Selling and distribution expenses		(7,158,400)	(1,279,370)
Listing expenses		(586,093)	-
Finance costs		-	(12,968)
Research and development expenses		(951,464)	(534,147)
Other expenses		(48,608)	-
Profit before income tax expense		<u>25,457,965</u>	<u>5,697,570</u>
Income tax expense		(6,528,972)	(2,028,513)
Net profit for the half year		<u>18,928,993</u>	<u>3,669,057</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		710,300	(136,442)
Other comprehensive income for the year, net of tax		<u>710,300</u>	<u>(136,442)</u>
Total comprehensive income for the year		<u>19,639,293</u>	<u>3,532,615</u>
Profit for the year is attributable to:			
Owners of Tianmei Beverage Group Corporation Limited		18,928,993	3,669,057
		<u>18,928,993</u>	<u>3,669,057</u>
Total comprehensive income for the year is attributable to:			
Owners of Tianmei Beverage Group Corporation Limited		19,639,293	3,532,615
		<u>19,639,293</u>	<u>3,532,615</u>
Earnings per share for the period		Cents	Cents
Basic earnings per share	17	13.02	3.06
Diluted earnings per share	17	13.02	3.06

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

TIANMEI BEVERAGE GROUP CORPORATION LIMITED
AS AT 31 MAY 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		31 May 2017	30 November 2016
	Notes	\$	\$
Cash and cash equivalents	5	40,975,586	20,140,567
Trade and other receivables	6	9,620,606	2,082,498
Inventories	7	1,053,313	634,491
Prepaid slotting fees	8	3,041,924	11,605,048
Prepayments and other assets		5,137,305	4,167,942
Current assets		59,828,734	38,630,546
Property, plant and equipment		2,440,669	1,321,713
Intangible assets		15,000	15,000
Prepayments	9	9,629,110	3,936,043
Non-current assets		12,084,779	5,272,756
Total assets		71,913,513	43,903,302
Trade and other payables		1,519,386	1,862,364
Advance from customers		34,460	205,186
Current tax liabilities		2,549,959	3,079,491
Current liabilities		4,103,805	5,147,041
Total liabilities		4,103,805	5,147,041
Net assets		67,809,708	38,756,261
Share capital	10	22,768,052	13,353,898
Reserves		88,218	(780,274)
Retained earnings		44,953,438	26,182,637
Total equity		67,809,708	38,756,261

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Retained earnings	Total equity
	\$		\$	\$
Balance at 1 December 2016	13,353,898	(780,274)	26,182,637	38,756,261
Profit for the period	-	-	18,928,993	18,928,993
Other comprehensive income	-	710,300	-	710,300
Total comprehensive income for the half year	-	710,300	18,928,993	19,639,293
Statutory Reserves	-	158,192	(158,192)	-
<i>Transactions with owners in their capacity as owners:</i>				
New issued shares in IPO (Less issue costs)	9,414,154	-	-	9,414,154
Balance at 31 May 2017	22,768,052	88,218	44,953,438	67,809,708
Balance at 1 December 2015	-	197,921	2,286,417	2,484,338
Profit for the period	-	-	3,669,057	3,669,057
Other comprehensive income	-	(136,442)	-	(136,442)
Total comprehensive income for the half year	-	(136,442)	3,669,057	3,532,615
Statutory reserve	-	373,640	(373,640)	-
<i>Transactions with owners in their capacity as owners:</i>				
Share based compensation	2,461,949	-	-	2,461,949
Balance at 31 May 2016	2,461,949	435,119	5,581,834	8,478,902

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

CONSOLIDATED STATEMENT OF CASH FLOWS

		Half-year ended 31 May 2017 \$	Half-year ended 31 May 2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		44,957,177	16,819,482
Payments to suppliers and employees		(25,427,417)	(10,309,247)
Interest paid		-	(17,511)
Income tax paid		(7,228,789)	(1,147,710)
CASH PROVIDED BY OPERATING ACTIVITIES		<u>12,300,971</u>	<u>5,345,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(345,632)	(405,276)
Deposit paid for construction of a new water plant		(1,884,675)	-
Deposit paid for acquisition of Qianlifeng		-	(210,078)
Acquisition of Qianlifeng, net of cash acquired	13	490,202	-
Interest received		33,559	4,542
CASH USED IN INVESTING ACTIVITIES		<u>(1,706,546)</u>	<u>(610,812)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,000,000	-
Costs of issue shares		(585,846)	-
Proceeds from issue of convertible debts		-	1,386,513
Proceeds from borrowings – related parties		-	9,148,742
Proceeds from borrowings		-	106,755
Distributions to shareholders of predecessor entity		-	(840,206)
CASH PROVIDED BY FINANCING ACTIVITIES		<u>9,414,154</u>	<u>9,801,804</u>
NET INCREASE IN CASH		20,008,579	14,536,006
CASH AT THE BEGINNING OF THE FINANCIAL HALF-YEAR		20,140,567	1,970,369
Effect of exchange rate changes on cash and cash equivalents		826,440	233,513
CASH AT THE END OF THE FINANCIAL HALF-YEAR	5	<u>40,975,586</u>	<u>16,739,888</u>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

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TIANMEI BEVERAGE GROUP CORPORATION LIMITED FOR THE HALF YEAR ENDED 31 MAY 2017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate Information

The consolidated financial statements of Tianmei Beverage Group Corporation Limited ("the Company") and its subsidiaries for the half-year ended 31 May. The subsidiaries are

- Tianmei International Beverage Co., Ltd ('Tianmei BVI')
- Hongkong Tianmei International Holding Co., Ltd ('Tianmei HK')
- Shenzhen Tianmei Selenium Enrichment Informational Consulting Co., Ltd ('Tianmei Shenzhen')
- Tianmei Selenium-Rich Beverage Chain Co. Limited ("Tianmei China")
- Chenzhou City Qianlifeng Beverage Co., Ltd. ('Qianlifeng'), refer to Note 13

The Company and its subsidiaries together are referred to in these financial statements as Group.

The principal activities of the Group during this half-year include:

- Product Promotion Business: introducing third party food, beverage and general grocery suppliers to Contracted Stores (approx. 940 stores in China), with revenue generated through charging suppliers a promotion fee based upon the number of items placed in each store; and
- Water Products Business: selling Tianmei branded water products, including bottled water and water dispensers through retail outlets (approx. 522 retail outlets in China, 521 of which are part of the Company's network of Contracted Stores).

Restructuring

Tianmei Beverage Group Corporation Limited is a company limited by shares incorporated in Australia and was established on 6 May 2016.

The operating business company is Guangdong Tianmei Selenium-Rich Beverage Chain Co. Limited ("Tianmei China").

In order to IPO on the ASX, a Group restructure, commenced in August 2015 and completed in February 2016, resulted in:

- The establishment of Tianmei International Beverage Co., Ltd. in BVI (Tianmei BVI);
- The establishment of Hong Kong Tianmei International Holdings Co., Ltd (Tianmei HK) by Tianmei BVI;
- The establishment of Shenzhen Tianmei Selenium Enrichment Informational Consulting Co., Ltd (Tianmei Shenzhen) by Tianmei HK; and
- The acquisition of Tianmei China by Tianmei Shenzhen.

This restructuring constitutes a business combination under common control and, therefore, this financial report has been prepared as a continuation of Tianmei China and the financial report includes the half year of operating activities of Tianmei China from 1 December 2016 to 31 May 2017 and the comparatives represent the activities for the year 1 December 2015 to 31 May 2016.

Note 2: Summary of Significant Accounting Policies

a) Basis of preparation

These general purpose interim financial statements for the half-year reporting period ended 31 May 2017 have been prepared in accordance with requirements of *Corporation Act 2001* and Australian Accounting Standards AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The interim financial report is intended to provide users with an update on the latest financial statements of the Group. As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 November 2016, together with any public announcements made during the following half-year.

These interim financial statements were authorized for issue on 31 July 2017.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies

b) Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Group has considered the implications of new or amended Accounting Standards applicable for the period and has determined that their application to the financial statements is either not relevant or not material.

Note 3: Segment Reporting

Description of segment

Operating segments have been determined on the basis of reports reviewed by the Board of Directors (“Board”). The Board is considered to be the chief operating decision makers of the group. The Board considers the business from a product performance perspective and allocates resources on this basis. All operating activities are in China. The reportable segments are as follows:

The Group has two operating segments, which are water related products and product promotion business.

Sale of Water related products

Tianmei branded water products, including bottled water and water dispensers and Nano spray.

Product promotion business

Tianmei China establishes cooperative relationship with local supermarkets and grocery stores by entering into standard Cooperation Agreements to promote the products from suppliers. A fee is charged for this product promotion.

Entity-wide disclosures

Products and services

Revenues from external customers for each group of similar products and services are as follows:

	Water related products	Product promotion business	Unallocated	Total
Half-year ended 31 May 2017				
Segment revenue	\$	\$		\$
Revenues from external customers	17,707,841	34,852,990	-	52,560,831
Gross profit	11,265,850	23,668,308	-	34,934,158
As at 31 May 2017				
Segment assets and liabilities				
Segment assets	11,876,585	8,216,779	51,820,149	71,913,513
Segment liabilities	1,278,161	34,227	2,791,417	4,103,805
Half-year ended 31 May 2016				
Segment revenue	\$	\$		\$
Revenues from external customers	6,180,845	8,693,850	-	14,874,695
Gross profit	3,382,045	5,787,693	-	9,169,739
As at 30 November 2016				
Segment assets and liabilities				
Segment assets	2,065,815	11,605,048	30,232,439	43,903,302
Segment liabilities	1,754,860	205,186	3,186,995	5,147,041

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Sales Revenue and Other Revenue

	Half-year ended 31 May 2017 \$	Half-year ended 31 May 2016 \$
<i>Sales revenue</i>		
Sale of goods	17,707,841	6,180,845
Provision of services	34,852,990	8,693,850
	<u>52,560,831</u>	<u>14,874,695</u>
<i>Other income</i>		
Government grant	-	1,050,460
Interest income	33,559	-
Other income	28,739	-
	<u>62,298</u>	<u>1,050,460</u>

Note 5: Cash and Cash Equivalents

	31 May 2017 \$	30 November 2016 \$
Cash on hand	9,225	7,037
Cash at bank	40,966,361	20,133,530
	<u>40,975,586</u>	<u>20,140,567</u>

Note 6: Trade and Other Receivables

	31 May 2017 \$	30 November 2016 \$
Trade receivables	9,029,006	1,296,778
Deposits	591,600	785,720
	<u>9,620,606</u>	<u>2,082,498</u>

Note 7: Inventories

	31 May 2017 \$	30 November 2016 \$
Raw materials	370,180	-
Finished goods	683,133	634,491
	<u>1,053,313</u>	<u>634,491</u>

Note 8: Prepaid Slotting Fees

	31 May 2017 \$	30 November 2016 \$
Prepaid slotting fees	3,041,924	11,605,048
	<u>3,041,924</u>	<u>11,605,048</u>

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 8: Prepaid Slotting Fees

To promote the suppliers' products, Tianmei China establishes cooperative relationships with local supermarkets and grocery stores by entering into standard Cooperation Agreements with the Contracted Stores. Tianmei China will also sign standard Supermarket Access Agreements with the Contracted Stores to place its promoted products in store. Contracted Stores charge a slotting fee for placing the products of Tianmei's suppliers on their shelves. The slotting fee is separately agreed on a case by case basis for each supplier's product through Supermarket Access Agreements with each Contracted Store. Prepaid slotting fees balance as at 31 May 2017 represents unused prepaid slotting fees. Tianmei China has renewed the agreements with the contracted stores subsequent 31 May 2017.

Note 9: Non Current Prepayments

	31 May 2017 \$	30 November 2016 \$
Non-current assets - prepaid lease assets	9,629,110	3,936,043
	<u>9,629,110</u>	<u>3,936,043</u>

i) The Group has entered into a lease agreement with the Guangzhou Fuli Property Co., Ltd to lease a 666.8 square metre office in Tianyin building in Dongguan City for use as an office building. The lease term is from 1 December 2016 to 31 December 2036 for 20 years. The Group prepaid the entire lease of CNY24,000,000 (Approximately AUD4.78M) in December 2016.

ii) As a part of the development plan after the acquisition of Qianlifeng, the Group also entered into a lease agreement with Chen Zhou City Beihu District Tangtianhu Yaozuxiang Qianshan Village Committee to lease 26.7 acres of land for 20 years. The Group prepaid the entire lease of CNY8,010,000 (approximately AUD1.518M) in February 2017.

Note 10: Share Capital

(a) Share capital

	31 May 2017		30 November 2016	
	Shares	\$	Shares	\$
Ordinary shares fully paid	170,000,000	22,768,052	120,000,000	13,353,898

(b) Movements in share capital

Details	Date	Number of shares	Issue price	\$
Balance at 30 November 2016		120,000,000		13,353,898
Issued shares as part of IPO	28/02/2017	50,000,000	\$0.20	10,000,000
Less: issue costs	28/02/2017			(585,846)
At 31 May 2017		<u>170,000,000</u>		<u>22,768,052</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Related Party Transactions

Ultimate parent

The parent entity of the Group is Tianmei Beverage Group Corporation Limited.

Subsidiaries

Interests in subsidiaries are set out in note 12.

Associates

In the normal course of business, Tianmei China conducts certain transactions with China Gewang Biotechnology, Inc. ("China Gewang"), a related party affiliated by common control, and Tianmei, the Company's parent company.

Tianmei China entered into an agreement on 10 June 2015 for the right to use China Gewang's trademark for 10 years. The future commitment is approximately AUD 3,600 each year. As at 31 May 2017 an amount of AUD104,527 was payable to China Gewang (30 November 2016: AUD105,553)

Other related party transactions

Beijing Ruihua Yuanjing Investment Advisory Co.,Ltd, a company of which Mr Xiaoran Zhang is a director, was paid AUD394,400 for provision of Pre-IPO related services for the period from 1 January 2016 to 31 December 2016. The amount has paid in full during the period. Beijing Ruihua Yuanjing Investment Advisory Co.,Ltd was paid AUD197,200 for provision of the same services for the period from 1 January 2015 to 31 December 2015. The amount has paid in full during the same period.

Note 12: Interests in Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2.

Name of entity	Countries of incorporation	Ownership interest	
		31 May 2017	30 November 2016
		%	%
Hong Kong Tianmei International Holdings Co. Ltd	Hong Kong	100	100
Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd	People's republic of China	100	100
Shenzhen Tianmei Selenium Enrichment Information Consulting Co. Ltd	People's republic of China	100	100
Tianmei International Beverage Co. Ltd	British Virgin Island	100	100
Chenzhou Qianlifeng Beverage Co., Ltd ("Qianlifeng")	People's republic of China	100	-

Note 13: Business Combination

On 23 February 2017, Guangdong Tianmei Selenium-Rich Beverage Chain Company Limited, a subsidiary of Tianmei Beverage Group Corporation Limited, acquired 100% of the issued capital of Chenzhou Qianlifeng Beverage Co., Ltd ("Qianlifeng"), for a purchase consideration of RMB5,000,000.

The acquisition is part of the Group's overall strategy to expand its water products business coupled with a strong focus on research and development. The water plant is adjacent to the Yinshan Longwu Water Spring, this area is renowned for producing quality drinking water. The licence of this water plant is effective until March 2021 and is capable of producing approximately 34,560,000 litres of drinking water each year. The acquired business contributed revenues of AUD\$136,560 to the consolidated entity for the period from 24 February 2017 to 31 May 2017.

Through acquiring 100% of the issued capital of Qianlifeng the Group has obtained control of the company. If the acquisition occurred on 1 December 2016, the revenue of the Group from operations would have been \$52.832 million, and the profit for the year would have been \$17.01 million.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 13: Business Combination

Details of the acquisition are as follows:

	Fair Value AUD
Cash and cash equivalents	1,239,394
Trade receivables	51,505
Prepayments	9,832
Inventories	776,791
Property, plant and equipment	1,314,300
Trade payables	(710,457)
Salary payables	(5,228)
Other payables	(972,656)
Tax payables	(165,769)
 Net assets acquired	 1,537,712
Gain on bargain purchase (i)	578,442

(i) Gain on acquisition arose because the acquisition has been in the commercial advantage of Qianlifeng and the consideration for the acquisition included a discount. The gain arising on the acquisition is not expected to be taxable for tax purposes.

	CNY	AUD
Acquisition-date fair value of the total consideration transferred	5,000,000	959,270
 Representing:		
Total cash paid to vendor	5,000,000	959,270
Less: cash deposit paid in 2016		(210,078)
Less: cash paid in current period		(749,192)
Add: Cash at bank in Qianlifeng on acquisition date		1,239,394
Net cash received on acquisition		<u>490,202</u>

Note 14: Contingent Liabilities

The Group had no contingent liabilities as at 31 May 2017 and 30 November 2016.

Note 15: Commitments

Operating lease commitments

Operating lease commitments includes contracted amounts for offices under non-cancellable operating leases expiring within one to three years with, in some cases, options to extend exist. The leases have various escalation clauses. On renewal, the terms of the leases will be renegotiated.

	31 May 2017	30 November 2016
	\$	\$
Within one year	138,128	137,838
One to five years	421,644	315,755
More than five years	12,178	-
	<u>571,950</u>	<u>453,593</u>

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 15: Commitments

Capital commitments

Committed at the reporting date but not recognized as liabilities, payable:

	31 May 2017	30 November 2016
	\$	\$
Property, plant and equipment – Qianlifeng water plant expansion	1,884,675	-

Note 16: Events after the End of the Reporting Period

As at the date of this directors' report, the directors are not aware of any matter or circumstance not otherwise dealt with in these financial statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods, except for:

On 28 July 2017, the Company announced the issuance of 10 million ordinary shares at \$0.20 per share to sophisticated investors, raising \$2 million for working capital purpose.

Note 17: Earnings per Share

Reconciliation of earnings used in calculating earnings per share

	Half-year ended 31 May 2017	Half-year ended 31 May 2016
	\$	\$
Basic earnings per share		
Profit after income tax attributable to owners of Tianmei Beverage Group Corporation Limited used to calculate basic earnings per share:	18,928,993	3,669,057
	<hr/>	<hr/>
Diluted earnings per share		
Profit after income tax attributable to owners of Tianmei Beverage Group Corporation Limited used to calculate diluted earnings per share:	18,928,993	3,669,057
	<hr/>	<hr/>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	145,414,365	120,000,000
	<hr/>	<hr/>
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	145,414,365	120,000,000
	<hr/>	<hr/>

Diluted earnings per share are equal to basic earnings per share as the Group has not issued any dilutive instruments.

**TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE HALF YEAR ENDED 31 MAY 2017**

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Tianmei Beverage Group Corporation Limited, the directors of the Group declare that:

1. The consolidated interim financial statements and notes, as set out on pages 6 to 17:
 - comply with Australian Accounting Standard AASB 134: Interim Financial Reporting; the *Corporations Act 2001* and other mandatory professional reporting requirements; and
 - give a true and fair view of the Group's financial position as at 31 May 2017 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the directors



Xiao Han
Executive Director

31 July 2017
Beijing, China

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Tianmei Beverage Group Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Tiammei Beverage Group Corporation Limited, which comprises the consolidated statement of financial position as at 31 May 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 May 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Tianmei Beverage Group Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Tianmei Beverage Group Corporation Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Tianmei Beverage Group Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 May 2017 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO East Coast Partnership

BDO


Wai Aw
Partner

Melbourne, 31 July 2017