TIANMEI BEVERAGE GROUP CORPORATION LIMITED

ACN 611 845 811

FINANCIAL REPORT
FOR THE YEAR ENDED 30 NOVEMBER 2016

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FOR THE YEAR ENDED 30 NOVEMBER 2016
FINANCIAL REPORT

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DIRECTORS' REPORT (CONTINUED)

CORPORATE DIRECTORY

Directors	Mr Anthony Gardiner Sherlock (Non-Executive Chairman) Mr Chen Chik Ong (Non-Executive Director & Public Officer) Mr Songpei Guo (Executive Director & Chief Executive Officer) Ms Han Xu (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)

DIRECTORS' REPORT (CONTINUED)

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 year ended 30 November 2016. Throughout the report, the consolidated entity is referred to as the Group.

The Company was incorporated in Western Australia on 06 May 2016 as the vehicle for listing on the ASX the business carried out by the Chinese company Guangdong Tianmei Selenium-Rich Beverage Chain Co. Ltd.

Restructuring
The operating business 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 full financial year of operating activities of Tianmei China from 01 December 2015 to 30 November 2016 and the comparatives represent the activities for the year 01 December 2014 to 30 November 2015.

Directors
The following persons were directors of Tianmei Beverage Group Corporation Limited during the whole of the financial 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 Han Xu (Executive Director)	(appointed 06 May 2016)
Mr Xiaoran Zhang (Non-Executive Director)	(appointed 06 May 2016)

Principal activities
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.

The Company's business model is two-pronged:

- 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. 519 retail outlets in China, 518 of which are part of the Company's network of Contracted Stores).

Product promotion business
Suppliers of fast moving consumer goods
Tianmei China enters into standard Product Promotion Services Agreements with its suppliers. Under these contracts, Tianmei China is responsible for introducing and promoting the supplier's products to its Contracted Stores. In return for promoting their products, contracted suppliers pay a monthly promotion fee to Tianmei China based upon the number of items being placed in each store.

Contracted stores
To promote the products from the suppliers, Tianmei China establishes cooperative relationship with local supermarkets and grocery stores by entering into standard Cooperation Agreements. Tianmei China will also sign standard Supermarket Access Agreements with the Contracted Stores to place its promoted products in store.

DIRECTORS' REPORT (CONTINUED)

Principal activities (continued)

Contracted stores (continued)
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 product through Supermarket Access Agreements with each Contracted Store.

Tianmei China divides the contracted stores into two levels: "tier 1 stores" and "tier 2 stores". Tier 1 stores are typically larger non-community based stores in premier locations, whilst tier 2 stores are community-based and primarily serve local customers of a residential block community. The slotting fees payable to tier 1 stores are usually higher than those paid to tier 2 stores.

Water products business
Tianmei water products
Tianmei Water Products Business currently focuses on the sale of Tianmei branded water products, including bottled water and other water related products. Tianmei Water Product Business uses spring water which has been tested to be rich in multiple trace elements such as lithium, selenium, strontium and silicic acid. It is also weakly alkaline to improve the health benefits of the drinking water.

Tianmei also sells a range of water and water related products including bottled water, water dispensers and filtration systems. These products are sold to Contracted Stores and other retailers.

Sourcing and processing
Water processing adopts advanced foreign production equipment, strict production management systems and disinfection treatment technologies. Water sourcing and processing is currently undertaken by Qianlifeng, an entity that Tianmei has entered into an agreement with to acquire, conditional only on it raising the minimum subscription of the IPO Offer and gaining admission to the ASX.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
For the financial year ended 30 November 2016, the Group recorded total sales revenue of $66.41 million, an encouraging result compared to $10.11 million of sales revenue recorded in financial year 2015. Gross profit margin increased year-on-year by 14.4% to a near record gross margin of 62.36%.

Net profit after tax (NPAT) was $25.12 million, a 623% increase on 2015 NPAT of $3.47 million. Net profit margin increased to 37.82% in 2016 compared to 34.33% in 2015.

The significant increase in NPAT was largely due to the Group expanding its product lines including the manufacture of patented selenium-rich water related products including different types of drinking water stands, the all-house water purifier and beauty sprayer. The products are sold to the stores based upon orders placed by each store. The new infant water products released to the market and revenue increased by approximate $0.54 million. And a new strong distributor generated sales for approximate $3.4m since July 2016 and the distribution stores have increased by 45. Meanwhile, promotion income relates to the different type of food products distributed increased from 50 types to 461 types for the period from the earlier 2015 to end of 2016.

The Group's net asset position increased by $36.35 million to $38.76 million at 30 November 2016 from $2.4 million at 30 November 2015.

The Consolidated Statement of Cash Flows illustrates that operating cash flow remained solid at $10.3 million (FY2015: $2.3 million). The $57.8 million increase of receipts from customers have been offset by an $44.0 million net increase of payment to suppliers and employees, mainly due to variation between suppliers payment cycle and production schedule.

The Group's IPO related activities are reflected in the cash flow from financing activities. $10.95 million was received from issuing shares.

As at 30 November 2016, the Group remained well funded with $20 million of cash at bank and working capital of $33.5 million.

DIRECTORS' REPORT (CONTINUED)

Review of operations (continued)

Tianmei has a growing range of water products including bottled water, water for infants, water dispensers, water purifiers and beauty nano spray. Its product development is underpinned by research and development efforts to provide unique and high quality products which cater to market needs. Tianmei has begun discussions with Australian suppliers of food and beverage products with two memorandums of understanding signed documenting the intention to explore and test the suitability of Australian products for the Chinese market.

Fast moving consumer goods (FMCG) marketing channels are mainly reflected in the stabilisation of the retailer market growth rate. End demand growth rate continues to be strong with upstream suppliers providing more diversified product variety. The number of enterprises within the industry has increased steadily towards 30,000, creating an industry aggregate economic value of 8.9 billion yuan, of which Tianmei reached 200 million yuan in marketing channel business revenue in the 2016 fiscal year. This accounts for about 2.2% of the industry, placing Tianmei in a favorable position for market competition.

To deliver a strong and sustainable growth in the volatile economic climate where market competition is further intensified, the Group will pursue the following five strategic counter measures:

- Firstly, thestrengthen production cost control. We believe that continuously evolving our production system to optimise our cost-to-sales ratio is the foundation to success. By synchronising the sales forecast with production planning processes, the Group is expecting to increase productivity and reduce wastage through expansive scale of mass production. The ultimate goal is achieving the highest quality production with the lowest possible cost.

- Secondly, gradually expanding our competitive edge and diversifying the product development. We intend to combine our own brand of water positioning ourselves and to diversify product development. Tianmei combines its own brand of water products with its marketing channel business. Tianmei will provide significant supply of its premium brand of water products to the drinking water industry, especially in infant bottled water as well as other water products.

- Thirdly, deepen the market segmentation. With the continuous expansion of Tianmei's own brand of water products and marketing channel business, and the gradual increase of its market share, Tianmei will use segmentation strategy to strengthen its market operations and expand to meet the diversified needs of the local market, while expanding market sales.

- Fourthly, Tianmei China has an established business facilitating the sale of FMCG through entering contracts for the use of shelf space in contracted stores. Suppliers of FMCG suitable for the market place goods in the stores for sale. Placement fees are paid by suppliers to the Group. It is intended that the range and number of these products will be expanded thus adding to the revenue streams derived by the Group. Furthermore, it is anticipated that goods sourced from Australian suppliers will be introduced to the market in China adding to the mix and volume of products offered for sale. Preliminary negotiations with Australian suppliers have been undertaken.

- Finally, expand brand support. Tianmei will continue to expand its operations and at the same time build its own brand and brand value. It will increase the market added value of its products and services in order to bring profits in the long-term development of Tianmei.

Given the Group's strong balance sheet and cash flow, Tianmei is actively pursuing organic growth and acquisitions that facilitate upstream and downstream supply chain integration. This could potentially enable the Group to deliver higher margins and grow market share in China to which Tianmei supplies its products.

The Group is cautiously optimistic and expects moderate growth in the new Financial Year.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 30 November 2016.

DIRECTORS' REPORT (CONTINUED)

Likely developments and expected results of operations

The Company anticipates it will be listed on the Australian Securities Exchange (ASX) on 28 February 2017. A minimum subscription amount of $8,000,000 is expected, representing 40,000,000 shares at the offer price of $0.20 per share.

The Company plans to acquire Qianlifeng, subject to the Company's approval and listing on ASX. The legally binding agreement of the acquisition intention for a consideration of RMB 5,000,000 had been entered on 12 May 2016. A deposit of RMB 1,000,000 has been paid as at 30 November 2016. Refer to Note 9 for further detail.

The Company has established a solid foundation in 2016 and expects to record moderate sales and profit growth in 2017.

Tianmei's proprietary trading business and marketing channel operations will continue to expand in the future to surrounding and national regions. At the same time, it will introduce international procurement business to combine with its proprietary trading business and channel marketing operations platform. This will further meet the needs of its domestic as well as Australian consumers, and help promote Tianmei's brand internationally.

Tianmei's goal is to create a highly reputable, modern enterprise platform. This platform will provide consumers with quality products and services, allowing Tianmei to withstand the test of time, adapt to modern developments, and become a high-grade enterprise that can provide sustained returns for its shareholders.

In 2016, Tianmei's proprietary products production and sales operations as well as its marketing channel business has seen steady growth, especially in market development. To enhance Tianmei's competitiveness in the market, it has been actively building its own premium brand of water products as well as water filtration systems and other patented product research and development. Tianmei also aims to promote their channel operations and proprietary trading business development through efforts to control and reduce costs, improve the effective use of funds and increase profits. Based on this strong foundation, we expect the following:

- Tianmei has a stable partnership with its suppliers, and on this basis, will continue to strive to increase its long-term supplier partnerships, and to increase the variety and supply of its products. Tianmei will not restrict its promotion to only local products, but also introduce Australian import business to meet the various needs of its domestic customers.

- Tianmei will continue to maintain the number of existing contracted stores and improve the sales of these stores; at the same time it will increase the number of tier 1 and tier 2 stores throughout Guangdong Province and its surrounding cities. It is expected that by 2017, the number of stores will up to 1,000, which will help to increase the sales of its marketing channels as well as promote its own Tianmei branded water products. Tianmei will also establish an experimental store in Australia to further promote its business.

- Tianmei will strive to build its own premium brand of water products by making full use of its precious water source of natural, high quality spring water, and its own production base Qian Li Feng water plant, to research and produce water that can be used for different demographics and purposes. Tianmei aims to highlight its market reputation for drinking water by further balancing its sales network, improving service quality and maintaining substantial growth in its production and sales. At the same time, Tianmei's patented vacuum water dispenser and nano-silicon ceramic water dispenser will have wide-spread usage, to further expand Tianmei's brand effect.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth, State law or the People's Republic of China law.

Corporate governance

The Board of Directors ("the Board") of the Group is responsible for the corporate governance of the consolidated entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Group have adopted the third edition of the Corporate Governance Principles and Recommendations on 1 December 2016 which was released by the ASX Corporate Governance Council and became effective for financial years ending on or after 30 June 2015.

The consolidated entity's Corporate Governance Statement for the financial year ending 30 November 2016 is dated 30 November 2016 and was approved by the Board on 22 February 2017. The Corporate Governance Statement is available on the Tianmai website at http://tianmei.com.au/go-cg.html

DIRECTORS' REPORT (CONTINUED)

Information on directors

The following information is current as at the date of this report.

Anthony Gardiner Sherlock *Non-Executive Chairman*

Experience and expertise	Mr Sherlock has over 30 years' experience in public company governance, credit risk management, private equity, mergers and acquisitions, corporate restructures and administration. Mr Sherlock co-founded Bennelong Capital Partners, a boutique financial advisory firm, with extensive experience in corporate advisory including restructures, refinancing, turnarounds and corporate governance. Mr Sherlock was the Head of the Credit Risk Management division for Coopers & Lybrand (now Price Waterhouse Coopers) for over 10 years. Mr Sherlock is an experienced non-executive director. He is the former Chairman of Australian Wool Corporation Limited, Woolmark Company Pty Ltd, Network Limited and Equatorial Mining Limited, a former non-executive Director of Austral Coal Limited, Sydney Attractions Group Limited, iSOFT Group Limited, KH Foods Limited and Export Finance Insurance Corporation Limited. Mr Sherlock is a director of Stockland Capital Partners Limited and has acted on a number of committees for both Federal and State governments, advising on regulatory and organisational process.
Expertise / Qualifications	Bachelor of Economics FCA (CAANZ) Member of AICD (Australian Institute of Company Directors)
Other current directorships	Kerry Gold Mines Limited, Invigor group Limited
Former directorships in last 3 years	None
Special responsibilities	Non-Executive Chairman Member of Audit and Risk Committee Member of Nomination and Remuneration Committee
Interests in shares and options	Nil

DIRECTORS' REPORT (CONTINUED)

Information on directors (continued)

Nicholas Ong *Non-Executive Director, Company Secretary, Public Officer*

Experience and expertise	Mr Ong was a Principal Adviser at the Australian Securities Exchange in Perth and brings 12 years' experience in listing rules compliance and corporate governance. He has overseen the admission of over 100 companies to the official list of the ASX. Mr Ong now runs a boutique corporate advisory firm in Perth, Western Australia. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia. Mr Ong is currently a director of Segue Resources Limited and CoAssets Limited and is company secretary to three listed companies.
Expertise / Qualifications	Bachelor of Commerce Graduate Diploma of Applied Finance Graduate Diploma of Applied Corporate Governance Member of ACIS (Institute of Chartered Secretaries and Administrators) Member of AICD (Australian Institute of Company Directors) AGIA (Associate of Government Institute of Australia) Master of Business Administration
Other current directorships	Segue Resources Limited, CoAssets Limited
Former directorships in last 3 years	Excelsior Gold Limited, Minerals Corporation Ltd, Fraser Range Metals Group Ltd, Auroch Minerals Limited
Special responsibilities	Company Secretary Public Officer Member of Audit and Risk Committee Member of Nomination and Remuneration Committee
Interests in shares and options	Nil

Xiaoran Zhang *Non-Executive Director*

Experience and expertise	Mr Zhang graduated from Capital University of Economics and Business with a Master of Economics. He has acted as President of Harbin Ridaxing Science and Technology Industrial Co., Ltd., Director of Advanced Battery Technology, USA and is the General Manager and President of Beijing Ruihua Future Investment Management Co., Ltd.
Expertise / Qualifications	Master of Economics
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	Member of Audit and Risk Committee Member of Nomination and Remuneration Committee
Interests in shares and options	Nil

DIRECTORS' REPORT (CONTINUED)

Information on directors (continued)

Songpei Guo Non-Independent, Executive director, Chief Executive Officer

Experience and expertise	Mr Guo graduated from the University of International Business and Economics. Mr Guo was the chief financial officer of China National Light Industrial Products Import & Export Corp between 1991 and 2004, and the chief financial officer of Tianjin Tianrun Hongtai Commerce and Trade Co Limited between 2004 and 2007, and the chief financial officer of the Beijing representative office of Hong Kong Taili Clothing Co Lte between 2007 and 2015. Mr Guo has been the Executive Director of Tianmei China since 2016.
Expertise / Qualifications	Bachelor degree from University of International Business and Economics
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	Nil

Han Xu Non-Independent, Executive director

Experience and expertise	Ms Xu graduated from the University of Birmingham, UK, with a Master of International Finance and Management. Between 2013 and 2014 she was the President Assistant at the Guangzhou branch of British HSBC Bank. Since 2015 she has acted as Tianmei's Legal Representative and Executive Director.
Expertise / Qualifications	Master of International Finance and Management
Other current directorships	None
Former directorships in last 3 years	None
Special responsibilities	None
Interests in shares and options	36,000,000 fully paid ordinary shares

Company Secretary Information

Chen Chik Ong *Company Secretary*

Mr Ong was a Principal Adviser at the Australian Securities Exchange in Perth and brings 12 years' experience in listing rules compliance and corporate governance. He has overseen the admission of over 100 companies to the official list of the ASX.

Mr Ong now runs a boutique corporate advisory firm in Perth, Western Australia. He is a member of the Governance Institute of Australia and holds a Bachelor of Commerce and a Master of Business Administration from the University of Western Australia.

Mr Ong is currently a director of Segue Resources Limited and CoAssets Limited and is company secretary to three listed companies.

Expertise / Qualifications: Bachelor of Commerce, Graduate Diploma of Applied Finance, Graduate Diploma of Applied Corporate Governance, Member of ACIS (Institute of Chartered Secretaries and Administrators), Member of AICD (Australian Institute of Company Directors), AGIA (Associate of Government Institute of Australia), Master of Business Administration.

DIRECTORS' REPORT (CONTINUED)

Meetings of directors
There have been no meetings of the Company's Board of directors, including committee meetings, held during the year ended 30 November 2016.

Prior to listing, the Company underwent a rigorous due diligence process that covers all facets of the Company's operation, including its risk management and financial management framework. The Board of Directors noted that the various audit and risk management framework is still being implemented at the group level, and are satisfied with the progress so far. Arrangements have been put in place to have at least two meetings each year going forward. However, the Board continues to monitor the Company's audit and risk management functions on an ongoing basis.

Shares under option
There were no unissued ordinary shares of Tianmei Beverage Group Corporation Limited under option at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of Tianmei Beverage Group Corporation Limited issued on the exercise of options during the year ended 30 November 2016 and up to the date of this report.

Indemnity and insurance of officers
During the financial year, the Company paid a premium in respect of a contract insuring directors, secretaries and executive officers of the Company and its controlled entities against a liability incurred as director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Company or any of its controlled entities against a liability incurred as such an officer.

Indemnity and insurance of auditor
The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under relevant law for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 7 the financial statements.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor, is compatible with the general standard of independence for auditors imposed by *the Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out above, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

DIRECTORS' REPORT (CONTINUED)

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 12.
This report is made in accordance with a resolution of directors.

On behalf of the directors

徐涵

Han Xu
Executive Director

22 February 2017
Sydney, Australia

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Australia

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

As lead auditor of Tianmei Beverage Group Corporation Limited for the year ended 30 November 2016, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

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, 22 February 2017

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

TIANMEI BEVERAGE GROUP CORPORATION LIMITED
FOR THE YEAR ENDED 30 NOVEMBER 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	FY2016	FY2015
		$	$
Sales revenue	4	66,408,514	10,112,485
Cost of sales	5	(24,993,131)	(4,600,043)
Gross profit		41,415,383	5,512,442
Other income	4	1,024,769	698
Administration expenses		(3,026,452)	(365,332)
Selling and distribution expenses		(3,686,607)	(894,144)
Finance costs	5	(17,680)	(1,917)
Research and development expenses		(1,432,843)	-
Profit before income tax expense		34,276,570	4,251,747
Income tax expense	6	(9,158,291)	(779,863)
Net profit for the year		25,118,279	3,471,884
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(2,123,652)	(29,870)
Other comprehensive income for the year, net of tax		(2,123,652)	(29,870)
Total comprehensive income for the year		22,994,627	3,442,014
Profit for the year is attributable to:			
Owners of Tianmei Beverage Group Corporation Limited		25,118,279	3,471,884
		25,118,279	3,471,884
Total comprehensive income for the year is attributable to:			
Owners of Tianmei Beverage Group Corporation Limited		22,994,627	3,442,014
		22,994,627	3,442,014

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 November 2016 $	30 November 2015 $
Cash and cash equivalents	8	20,140,567	1,964,196
Trade and other receivables	9	2,082,498	2,508
Inventories	10	634,491	-
Prepaid slotting fees	11	11,605,048	1,806,083
Prepayments and other assets	12	4,167,942	-
Current assets		38,630,546	3,772,787
Property, plant and equipment	13	1,321,713	349,782
Intangible assets	14	15,000	-
Prepayments	15	3,936,043	-
Non-current assets		5,272,756	349,782
Total assets		43,903,302	4,122,569
Trade and other payables	16	1,756,811	299,686
Advance from customers	17	205,186	173,455
Borrowings	18	105,553	864,880
Current tax liabilities	19	3,079,491	376,812
Current liabilities		5,147,041	1,714,833
Total liabilities		5,147,041	1,714,833
Net assets		38,756,261	2,407,736
Share capital	20	13,353,898	-
Reserves	21	(780,274)	546,986
Retained earnings		26,182,637	1,860,750
Total equity		38,756,261	2,407,736

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Reserves	Retained earnings	Total equity
	$		$	$
Balance at 1 December 2014	-	370,106	3,126,775	3,496,881
Profit for the year	-	-	3,471,884	3,471,884
Other comprehensive income	-	(29,870)	-	(29,870)
Total comprehensive income for the year	-	(29,870)	3,471,884	3,442,014
Statutory Reserves	-	206,750	(206,750)	-
Transactions with owners in their capacity as owners:				
Distributions to shareholders of predecessor entity	-	-	(4,531,159)	(4,531,159)
Balance at 30 November 2015	-	546,986	1,860,750	2,407,736
Balance at 1 December 2015	-	546,986	1,860,750	2,407,736
Profit for the year	-	-	25,118,279	25,118,279
Other comprehensive income	-	(2,123,652)	-	(2,123,652)
Total comprehensive income for the year	-	(2,123,652)	25,118,279	22,994,627
Statutory reserve	-	796,392	(796,392)	-
Transactions with owners in their capacity as owners:				
Contribution of equity	10,953,898	-	-	10,953,898
Share based compensation	2,400,000	-	-	2,400,000
Balance at 30 November 2016	13,353,898	(780,274)	26,182,637	38,756,261

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	FY2016 $	FY2015 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		66,139,013	8,339,721
Payments to suppliers and employees		(49,382,938)	(5,366,373)
Interest paid		(17,680)	(1,917)
Income tax paid		(6,455,612)	(403,051)
CASH PROVIDED BY OPERATING ACTIVITIES	26	10,282,783	2,568,380
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchase of property, plant and equipment		(1,334,817)	(371,991)
Deposit paid for acquisition of Qianlifeng	9	(785,720)	-
Payments for purchase of intangible assets		(15,000)	-
CASH USED IN INVESTING ACTIVITIES		(2,135,537)	(371,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		10,953,898	-
Proceeds/(Repayments) from borrowings - shareholders		(759,327)	1,013,223
Distributions to shareholders of predecessor entity		-	(4,531,159)
CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		10,194,571	(3,517,936)
NET INCREASE/ (DECREASE) IN CASH		18,341,817	(1,321,547)
CASH AT BEGINNING OF YEAR		1,964,196	2,829,619
Effect of exchange rate changes on cash and cash equivalents		(165,446)	456,124
CASH AT END OF YEAR	8	20,140,567	1,964,196

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Contents of the notes to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Corporate Information

The financial statements of Tianmei Beverage Group Corporation Limited for the year ended 30 November 2016 were authorised for issue in accordance with a resolution of the directors on 22 February 2017 and cover the Group consisting of Tianmei Beverage Group Corporation Limited and its subsidiaries.

The financial statements are presented in Australian dollars. The functional currency of the operating subsidiary, Guangdong Tianmei Selenium Enrichment Beverage Chain Co., Ltd is Chinese yuan Renminbi.

Tianmei Beverage Group Corporation Limited is a company limited by shares incorporated in Australia and was established on 6 May 2016. The Company's shares are in the process of being listed on the Australian Securities Exchange and at the date of this report, it is anticipated this will occur on 28 February 2017.

Note 2: Summary of Significant Accounting Policies

a) Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements have been prepared on accruals basis and are based on historical costs.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Restructuring

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

The Group has been restructured as part of an IPO process with Tianmei Beverage Group Corporation Limited ("Tianmei") being incorporated in Australia on 06 May 2016.

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 full financial year of operating activities of Tianmei China from 1 December 2015 to 30 November 2016 and the comparatives represent the activities for the year 1 December 2014 to 30 November 2015.

b) Basis of consolidation

The consolidated financial statements comprise the financial statements of Tianmei Beverage Group Corporation Limited and its subsidiaries at 30 November 2016 ("the Group"). The Group was restructured as part of an IPO process and the acquisition by Tianmei Beverage Group Corporation Limited and the other group entities represents a common control transaction.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where shareholding is less than one-half of the voting rights, the Group is considered to have control over the entity when it can exercise power over more than one-half of its voting rights by virtue of an agreement with other shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (continued)

Pooling of interest method

The Group has used the pooling of interest methodology where there is common control within the combining entity prior to the combination. At the time of the acquisition transaction, the combining entities are ultimately controlled by the same party or parties.

Under the pooling method the assets and liabilities of the acquired entities are recorded at book value not fair value and no goodwill is recorded. Any costs of the combination are expensed as incurred.

Comparative periods have also been re-stated to the beginning of the comparative period.

Subsidiaries

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Potential voting rights that are currently exercisable or convertible are considered when assessing control.

Consolidated financial statements include all the subsidiaries from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra Group transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Investments in subsidiaries are accounted for in the parent entity financial statements at cost.

c) Foreign currency translation

The financial statements are presented in Australian dollars.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

d) Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns, trade discounts and volume rebates.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services
Rendering of services revenue is recognised when the services is provided.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (continued)
d) Revenue recognition (continued)

Grant
Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

e) Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

f) Current and non-current classification
Assets and liabilities are presented in the Consolidated Statement of Financial Position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed within the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled within the normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

g) Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (continued)

h) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are recognised at amortised cost, less any provision for impairment.

i) Inventories

Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

j) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives or in the case of leasehold improvements, the shorter lease term, as follows:

Plant and Machinery	3 years
Furniture, fittings and equipment	5 years
Motor vehicles	4 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

k) Prepaid slotting fees

In connection with the Group's product promotion and placement services, the Group is required to prepay each store where it places a vendor's product, an annual slotting fee, which is shown as prepaid slotting fees on the consolidated statement of financial position. Each slotting fee contract is renewed annually, therefore the prepaid slotting fees will be recognized within the following twelve months and are recognised as a current asset.

m) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 2. Significant accounting policies (continued)

n) Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

o) Borrowing costs
Borrowing costs are expensed in the period in which they are incurred.

p) Employee benefits
Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave not expected to be settled within 12 months of the reporting date is recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

q) Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

r) Share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (continued)

s) Goods and Services Tax ('GST') and other similar taxes

GST

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Consolidated Statement of Financial Position.

Chinese Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of VAT, except where the amount of VAT incurred is not recoverable from the local tax office. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of VAT.

Cash flows are presented on a gross basis. The GST and VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the tax authority.

t) Financial instruments

Financial assets

Classification

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or available-for-sale investments, as appropriate. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets of the Group are classified in one category as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less any impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Impairment of financial assets

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

u) Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 2: Summary of Significant Accounting Policies (continued)

w) Critical accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) are discussed below.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold are written-off or written down.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

x) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (‘AASB’) that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or financial position of the Group.

y) Accounting standards issued, not yet effective

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018)

  The Standard will be applicable retrospectively (subject to the provisions on hedge accounting) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specially, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognize full lifetime expected losses on a more timely basis.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group’s financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

Note 2: Summary of Significant Accounting Policies (continued)

y) Accounting standards issued, not yet effective (continued)

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards* – Effective Date of AASB 15)

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented per AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* (subject to certain practical expedients in AASB 15); or recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application. There are also enhanced disclosure requirements regarding revenue.

  Although the directors anticipate that the adoption of AASB 15 may have an impact on the Group’s financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019)

  When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

  The main changes introduced by the new Standard include:

  - recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
  - depreciation of right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
  - variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
  - by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
  - additional disclosure requirements.

  The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

  Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 both a product and geographic perspective and assesses performance and allocates resources on this basis. 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:

2016	Water related products	Product promotion business	Total
Segment revenue	$	$	$
Revenues from external customers	24,380,838	42,028,676	66,408,514
Gross profit	11,712,852	29,702,531	41,415,383
Segment assets and liabilities			
Segment assets	2,065,815	11,605,048	13,670,863
Segment liabilities	1,754,860	205,186	1,960,046

2015	Water related products	Product promotion business	Total
Segment revenue	$	$	$
Revenues from external customers	2,634,634	7,477,851	10,112,485
Gross profit	823,239	4,689,203	5,512,442
Segment assets and liabilities			
Segment assets	-	1,806,083	1,806,083
Segment liabilities	299,686	173,455	473,141

Geographical information

Sales revenues and non-current assets by geographical location is as follows:

	Revenues from		Non-current assets	
Geographic location	FY 2016 $	FY 2015 $	30 November 2016 $	30 November 2015 $
China	66,408,514	10,112,485	5,257,756	349,782
	66,408,514	10,112,485	5,257,756	349,782

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 4: Sales Revenue and Other Revenue

	FY2016 $	FY2015 $
Sales revenue		
Provision of services	42,028,339	7,477,851
Sales of goods	24,380,175	2,634,634
	66,408,514	10,112,485
Other revenue		
Other income	-	698
Government Grant	1,024,769	-
	1,024,769	698

Government Grant

Tianmei China applied for a government subsidy relating to technology innovation based on its two patents. As at 02 May 2016, Tianmei China received an approval letter from the government with a subsidy of RMB 5,000,000 and received this amount on 4 September 2016.

Note 5: Expenses

	FY2016 $	FY2015 $
Profit before income tax includes the following specific expenses:		
Cost of sales		
Cost of goods sold	13,179,611	1,559,938
Slotting fees	11,813,520	3,040,105
	24,993,131	4,600,043
Depreciation		
Plant and machinery	101,567	20,955
Furniture, fittings and equipment	96,313	13,062
Motor vehicles	89,496	8,236
Total depreciation	287,376	42,253
Employee benefits expenses		
Share compensation	2,400,000	-
Employee benefits expense excluding superannuation	1,750,983	598,536
Total employee benefits expenses	4,150,983	598,536
Finance costs		
Interest	17,680	1,917
Total finance costs	17,680	1,917
Rental expenses relating to operating leases		
Lease expenses	611,666	63,004
	611,666	63,004

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 6: Income Tax Expenses

	FY2016 $	FY2015 $
Income tax expense		
Current tax expense	9,158,291	779,863
Total income tax expense in profit or loss	9,158,291	779,863
Reconciliation of the effective tax rate		
Profit before income tax expense from other jurisdictions	34,276,570	4,251,747
Tax at the tax rate of 30% (2015: tax at the PRC statutory tax rate of 25%)	10,282,971	1,062,937
Overseas tax rate differential	(1,833,828)	-
Tax effect amounts which are not deductible/(assessable) in calculating tax expense:		
Non deductible share compensation expenses (Tax rate of 30%)	720,000	-
Non taxable of earnings from predecessor operations (Tax rate of 6.67%)	-	(283,317)
Other	(10,852)	243
Total	9,158,291	779,863

Applicable income tax rate

The applicable income tax rate in 2016 and 2015 for PRC subsidiaries is 25%.

Note 7: Auditor's Remuneration

During the year, the following fees were paid or payable for services to BDO East Coast Partnership (BDO ECP) and Wei Wei & Co LLP:

	FY2016 $	FY2015 $
Audit services		
Audit of the financial statements for the entity or any entity in the Group		
- BDO ECP	55,000	-
- Wei Wei & Co LLP	127,000	96,000
Other services		
Investigating Accountant's report as part of IPO process of Tianmei Beverage Group Corporation Limited	45,000	-
Taxation services		
Tax compliance and advisory services	10,000	-
	237,000	96,000

Note 8: Cash and Cash Equivalents

	30 November 2016 $	30 November 2015 $
Cash on hand	7,037	-
Cash at bank	20,133,530	1,964,196
Cash and cash equivalents	20,140,567	1,964,196

Credit risk

The maximum exposure to credit risk is the fair value of cash and cash equivalents. Refer to note 22 for more information relating to the risk management policy of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 9: Trade and Other Receivables

	30 November 2016 $	30 November 2015 $
Trade receivables	1,296,778	2,508
Deposits	785,720	-
	2,082,498	2,508

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to nil (2015: nil).

The Group did not consider a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

Fair value and credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Refer to note 22 for more information relating to the risk management policy of the Group.

Deposits
On 12 May 2016 Tianmei China entered into a legally binding agreement of acquisition intention for the acquisition of 100% of shares in Chenzhou Qianlifeng Beverage Co., Ltd ("Qianlifeng"). A deposit of 20% of the consideration (RMB5,000,000) has been paid. The acquisition is subject to the Group's approval and listing on ASX and raises a minimum of $6.7 million through its IPO. If Tianmei fails to pay the consideration amount, it agrees to pay 0.03% of the outstanding payments per day as liquidated damages, however the aggregated amounts of the liquidated damages is capped at 10% of the consideration amount. If the acquisition is not completed due to the failure to meet any one of the condition precedents, Tianmei is not liable for breach of the contract and Qianlifeng must refund all payments made by Tianmei China in full.

Note 10: Inventories

	30 November 2016 $	30 November 2015 $
Finished goods - at cost	634,491	-
	634,491	-

Note 11: Prepaid Slotting Fees

	30 November 2016 $	30 November 2015 $
Prepaid slotting fees	11,605,048	1,806,083
	11,605,048	1,806,083

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 11: Prepaid Slotting Fees (continued)

Reconciliation	30 November 2016 $	30 November 2015 $
Opening	1,806,083	-
Slotting fees paid	21,612,485	4,846,188
Transfer to cost of sales	(11,813,520)	(3,040,105)
Closing	11,605,048	1,806,083

Note 12: Prepayments and Other Assets

	30 November 2016 $	30 November 2015 $
Current		
General prepayments	1,257,402	-
Lease prepayments	2,292,550	-
Prepaid listing fees	617,990	-
	4,167,942	-

From June through September 2016, the Group entered into a series of one-year lease agreements with a third party to rent cold storage warehouses for the purpose of storing imported food from Australia in the near future. Total lease payment of RMB16,243,110 (Approximately AUD$3,191,000) was made by the Group.

Note 13: Property, Plant and Equipment

	30 November 2016 $	30 November 2015 $
Plant and machinery -at cost	541,475	167,566
Less: Accumulated depreciation	(117,546)	(22,228)
	423,929	145,338
Furniture, fittings and equipment -at cost	674,398	143,164
Less: Accumulated depreciation	(104,900)	(13,856)
	569,498	129,308
Motor Vehicles -at cost	422,002	83,873
Less: Accumulated depreciation	(93,716)	(8,737)
	328,286	75,136
	1,321,713	349,782

Note 13: Property, Plant and Equipment (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year is as follows:

	Plant and machinery	Furniture, fittings and equipment	Motor vehicles	Total
30 November 2015	$	$	$	$
Opening net book value	42,208	26,691	-	68,899
Additions	157,964	134,961	79,066	371,991
Disposal	(44,940)	(28,802)	-	(73,742)
Depreciation charge	(20,955)	(13,062)	(8,236)	(42,253)
Foreign exchange translation	11,061	9,520	4,306	24,887
Closing net book value	145,338	129,308	75,136	349,782
30 November 2016				
Opening net book value	145,338	129,309	75,136	349,783
Additions	406,110	567,919	360,788	1,334,817
Depreciation charge	(101,567)	(96,313)	(89,496)	(287,376)
Foreign exchange translation	(25,952)	(31,417)	(18,142)	(75,511)
Closing net book value	423,929	569,498	328,286	1,321,713

Note 14: Intangible Assets

	30 November 2016 $	30 November 2015 $
Software	15,000	-
	15,000	-

Note 15: Prepayments

	30 November 2016 $	30 November 2015 $
Non-current assets - prepaid lease assets	3,936,043	-
	3,936,043	-

The Group has entered into a lease agreement with the Guangzhou Municipal government for leasing a 680 square meters building as a research and development center. The lease term is from 1 June 2016 to 31 May 2046 for 30 years. The Group prepaid the entire lease of CNY20,414,100 (Approximately AUD $4M) in July 2016.

Note 16: Trade Payables

	30 November 2016 $	30 November 2015 $
Trade payables	1,756,811	299,686
	1,756,811	299,686

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 17: Advance From Customers

	30 November 2016 $	30 November 2015 $
Advance from customers	205,186	173,455
	205,186	173,455

Note 18: Borrowings

	30 November 2016 $	30 November 2015 $
Borrowings from related party	105,553	864,880
	105,553	864,880

The borrowings from Donghe Group of $105,553 as at 30 November 2016 are short-term borrowings. Donghe Group has no legal relationship with the Group as at 30 November 2016, it is controlled by one of the non-executive directors (Mr.Zhang).

Amount due to the prior shareholder of Guangdong Tianmei of $864,880 was fully repaid as at 30 November 2016.

Note 19: Current Tax Liabilities

	30 November 2016 $	30 November 2015 $
Provision for income tax	3,079,491	376,812
	3,079,491	376,812

Note 20: Share Capital

(a) Share capital

	30 November 2016		30 November 2015	
	Shares	$	Shares	$
Ordinary shares fully paid	120,000,000	13,353,898	N/A	-

(b) Movements in share capital

Details	Date	Number of shares	Issue price	$
Issued capital	06/05/2016	48,000,000	$0.20	9,600,000
Issued as share compensation to KMP	06/05/2016	12,000,000	$0.20	2,400,000
Issued as part of restructure	06/05/2016	24,000,000	$0.00	-
Issued capital	06/05/2016	36,000,000	$0.037	1,353,898
At 30 November 2016		120,000,000		13,353,898

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 20: Share Capital (continued)

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.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can provide returns for shareholders, and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group plans to acquire Qianlifeng, subject to the Group obtaining in principle approval from ASX for its listing and raises a minimum of $6.7 million though its IPO, refer to Note 9 above. There is no capital risk in relation to the proposed acquisition of Qianlifeng.

There have been no significant changes to the Group's capital management objectives, policies, and processes in the year nor has there been any change in what the Group considers to be its capital.

Note 21: Reserves

	30 November 2016 $	30 November 2015 $
Foreign currency translation reserve	(1,783,416)	340,236
Statutory reserve fund	1,003,142	206,750
	(780,274)	546,986

Statutory reserve under the corporate law in PRC
The reserve pursuant to corporate law of the PRC, the Group is required to transfer 10% of its net income, to a statutory reserve fund until the reserve balance reaches 50% of the Tianmei China'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 utilised 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 $766,392 and $206,750 for the years ended 30 November 2016 and 2015 respectively. The statutory reserve balance has reached the required 50% of Tianmei China's registered capital as at 30 November 2016. From 1 December 2016, there is no further obligation to make contributions to this reserve.

Foreign currency translation reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22: Financial Risk Management

Financial risk management objectives

The overall financial risk management strategy focuses on the unpredictability of the finance markets and seeks to minimise the potential adverse effects on financial performance and protect future financial security.

The Group's risk management framework is supported by the Board and management. The Board is responsible for approving and reviewing the Group's risk management strategy and policy. Management are responsible for monitoring that appropriate processes and controls are in place to effectively and efficiently manage risk. Management is also responsible for identifying, monitoring and managing significant business risks faced by the Group and considering the effectiveness of its internal control system. Management reports to the Board.

The overall objective of the Board is to set polices that seeks to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

At 30 November 2016 and 30 November 2015, the Group held the following financial instruments:

	30 November 2016	30 November 2015
	$	$
Financial Assets		
Current		
Cash and cash equivalents	20,140,567	1,964,196
Trade receivables	1,296,778	2,508
	21,437,345	1,966,704
Financial liabilities		
Current		
Trade payables	1,756,811	299,686
	1,756,811	299,686

The fair value of these financial instruments is assumed to approximate their carrying value.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.

Concentration of credit exposure analysis

The concentration of credit risk is monitored by the Group through geographical areas. The following tables show the maximum exposure to credit risk at reporting date by geographical areas.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 22: Financial Risk Management (continued)

(a) Credit risk (continued)

Analysis of credit exposure by geographical areas

	30 November 2016	30 November 2015
	$	$
Cash and cash equivalents		
Mainland China	20,140,567	1,964,196
	20,140,567	1,964,196
Trade and other receivables		
Mainland China	1,296,778	2,508
	1,296,778	2,508
	21,437,345	1,966,704

There was no concentration of credit risk with respect to the remaining receivables of the Group.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board has determined an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring budgeted and actual cash flows and matching the maturity profiles of financial assets, expenditure commitments and liabilities. There were no changes in the group's liquidity risk management policies from previous periods.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities.

Maturity analysis

30 November 2016	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	$	$	$	$	$
Trade payables	1,756,811	-	-	-	1,756,811
Advance from customers	205,186	-	-	-	205,186
Borrowings	105,553	-	-	-	105,553
	2,067,550	-	-	-	2,067,550

Maturity analysis

30 November 2015	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
	$	$	$	$	$
Trade and other payables	299,686	-	-	-	299,686
Advance from customers	173,455	-	-	-	173,455
Borrowings	864,880	-	-	-	864,880
	1,338,021	-	-	-	1,338,021

Note 22: Financial Risk Management (continued)

(c) Market risk

Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Foreign currency risk

The functional currency of the operating entities of the company is the Chinese Yuan Renminbi, whilst the presentation currency of the consolidated entity is Australian Dollars. There is also a holding company in Hong Kong that holds assets and liabilities in Hong Kong Dollars, but only transacts with other group companies. This gives rise to risks associated with translating the results and net assets of the consolidated entity from functional currency to presentation currency. The consolidated entity does not undertake any actions to mitigate such risks, focusing instead on maximizing the results of the operations. The operating entities do not undertake significant levels of transactions in foreign currencies, and therefore are not subject to significant levels of market risk relating to foreign currencies. The average exchange rates and reporting date exchange rates applied were as follows:

	Average exchange rates		Reporting date exchange rates	
	2016	2015	2016	2015
Australian dollars				
Chinese Yuan Renminbi	4.8794	4.9060	5.0908	4.6249
Hong Kong Dollar	5.7035	N/A	5.7320	N/A

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date was as follows:

	Assets		Liabilities	
	2016	2015	2016	2015
Consolidated	$	$	$	$
Chinese Yuan Renminbi	109,131,255	9,095,809	8,943,573	1,386,018
Hong Kong Dollar	3,969	N/A	N/A	N/A

Based on the financial assets and financial liabilities held at 30 November 2016, a 5% variance in foreign exchange rates at year end, if all other factors had remained constant, would have resulted in a variance in the net assets of the consolidated entity by $984,007. Such a variance would not have had a direct impact on profit, other than if it had impacted the average exchange rate over the year, which is the rate at which the profit or loss of foreign entities is translated into Australian Dollars.

Price risk

The Group is not exposed to any significant price risk.

Interest risk

The Group is not exposed to any significant interest risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23: 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 25.

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.

The Company 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.

There was also service income from China Gewang in the amount of AUD 819,149 for the year ended 30 November 2016.

Loan from related parties

	FY2016	FY2015
	$	$
Current payable (loan from related parties)		
Associates	105,553	-

Loan payable from associates is unsecured without interest. Refer to Note 18 for additional detail.

Key Management Personnel
The key management personnel ("KMP") of the Group is defined as any person(s) having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise). Accordingly the KMP of the Group are as follows:

Non-executive directors

Anthony Sherlock	(appointed 25 August 2016)
Chen Chik Ong	(appointed 25 August 2016)
Xiaoran Zhang	(appointed 06 May 2016)

Executives directors

Songpei Guo	(appointed 06 May 2016)
Han Xu	(appointed 06 May 2016)

Other key management personnel

Zuliang Xu
Xian Li
Jifen Liu
Ru Liu
Haoyun Tang
Haiping Wu

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	FY2016	FY2015
	$	$
Short-term employee benefits	152,638	42,235
Share-based payments	2,400,000	-
Total KMP Compensation	2,552,638	42,235

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 23: Related Party Transactions (continued)

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 November 2016 are set out below:

Name	Date	No of shares	Issue price	Fair value at grant date
			$	$
Xian Li	6 May 2016	1,200,000	$0.20	240,000
Jifen Liu	6 May 2016	1,200,000	$0.20	240,000
Ru Liu	6 May 2016	1,200,000	$0.20	240,000
Haoyun Tang	6 May 2016	1,200,000	$0.20	240,000
Haiping Wu	6 May 2016	1,200,000	$0.20	240,000
Zuliang Xu	6 May 2016	6,000,000	$0.20	1,200,000

Note 24: Parent Entity

The following information relates to the parent entity Tianmei Beverage Group Corporation Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.

	Parent	
	2016	2015
	$	$
Current assets	13,973,388	-
Non-current assets	15,000	-
Total assets	13,988,388	-
Current liabilities	634,490	-
Non-current liabilities	-	-
Total liabilities	634,490	-
Contributed equity	13,353,898	
Retained earnings	-	-
Total equity	13,353,898	-
Profit/(loss) for the year	-	-
Total comprehensive income/(loss) for the year	-	-

Contingent liabilities

The parent entity had no contingent liabilities as at 30 November 2016.

Contractual commitments for the acquisition of property, plant and equipment

The parent entity had no contractual commitments as at 30 November 2016, other than the acquisition of water plant described in Note 9 and Note 28.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 25: 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 30 November 2016 %	Ownership interest 30 November 2015 %
Hong Kong Tianmei International Holdings Co. Ltd (i)	Hong Kong	100	-
Guangdong Tianmei Selenium-Rich Beverage Chain Co., Ltd	People's republic of China	100	-
Shenzhen Tianmei Selenium Enrichment Information Consulting Co. Ltd (i)	People's republic of China	100	-
Tianmei International Beverage Co. Ltd (i)	British Virgin Island	100	-

(i)Incorporated on 06 May 2016.

Note 26: Reconciliation of Profit after Income Tax to Net Cash from Operating Activities

	FY2016 $	FY2015 $
Profit after income tax expense for the year	25,118,279	3,471,884
Adjustments for:		
Depreciation and amortisation	287,376	42,253
Share based payment	2,400,000	-
Foreign exchange difference	(1,882,696)	(49,914)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,294,270)	(2,391)
Increase in inventories	(634,491)	-
Increase in prepaid slotting fees	(9,798,965)	(1,721,157)
Increase in prepayments	(8,103,985)	-
Increase in current tax liabilities	2,702,679	376,812
increase in trade and other payables	1,457,125	285,594
Increase in advance from customers	31,731	165,299
Net cash from operating activities	10,282,783	2,568,380

Note 27: Contingent Liabilities

The Group had no contingent liabilities as at 30 November 2016 and 30 November 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 28: 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 are renegotiated.

	30 November 2016 $	30 November 2016 $
Within one year	137,838	132,754
One to five years	315,755	453,593
More than five years	-	-
	453,593	586,347

Capital commitments
The Company plans to acquire Qianlifeng, subject to the Company's approval and listing on ASX. The legally binding agreement of the acquisition intention for a consideration of RMB5,000,000 had been entered on 12 May 2016. 20% of the consideration had been paid.

Note 29: Events after the End of the Reporting Period

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in the financial years subsequent to 30 November 2016.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporation Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2(a) to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 November 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

徐涵

Han Xu
Executive Director

22 February 2017
Sydney, Australia

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INDEPENDENT AUDITOR'S REPORT

To the members of Tianmei Beverage Group Corporation Limited

Report on the Financial Report

We have audited the accompanying financial report of Tianmei Beverage Group Corporation Limited, which comprises the consolidated statement of financial position as at 30 November 2016, 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of Tianmei Beverage Group Corporation Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 November 2016 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

BDO East Coast Partnership

BDO

Wai Aw
Partner

Melbourne, 22 February 2017