



18 May 2017

## EXPANSION OF CONTRACTED STORES AND SUPPLIERS

- Added eight new contracted stores since the launch of Prospectus, bringing the total to 949
- Contracted stores to feature Tianmei's product lines of bottled drinking water and third parties' fast-moving consumer products
- Added three more Product Promotion Services Agreements with key fast-moving consumer good suppliers, growing the revenue from monthly promotion fees
- New stores and agreements with new suppliers continue to grow the product promotion business model, a key part of the Company's growth strategy

Tianmei Beverage Group Corporation Limited (ASX: TB8) ("Tianmei" or the "Company") is pleased to advise that since the launch of its prospectus in late 2016, it has added another eight convenience stores and supermarkets to its network of Contracted Stores, bringing the total to 949 (*see Table 1*). The new stores are located in Chenzhou City, Zhuhai City and Foshan City.

Contracted stores are small to medium scale retail stores that sell food, beverages and other grocery items. Tianmei 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.

*Table 1: Distribution of contracted stores in Guangdong Province*

Geographical division in Guangdong Province	Tier 1 Stores	Tier 2 Stores
Central Region	88	458
Non-Central Region	38	365
<b>Total</b>	<b>126</b>	<b>823</b>

At present, Tianmei's contracted stores are concentrated in the major cities of Guangdong Province. Guangdong Province is China's most populous province with 108 million people. Tianmei plans to further expand the coverage of its stores in Guangdong Province with careful planning and stricter assessment criteria including the store's geographical location, turnover and consumer behaviour. Tianmei will also undertake regular assessments of the contracted stores' sales performance to identify and potentially remove underperforming stores to protect its margins and brand name.

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## Suppliers and Product Promotion Business Model

A significant portion of Tianmei's revenue is generated through the Product Promotion Business Model. Revenue is generated through fees charged by Tianmei to its suppliers for introducing and promoting suppliers' products at its contracted stores. The fees charged represent a premium over the slotting fees paid by Tianmei to its contracted stores.

The Company has added three new suppliers, bringing the number of Product Promotion Services Agreements with fast-moving consumer good suppliers to 72. In return for promoting their products, contracted suppliers pay a monthly promotion fee to Tianmei based upon the number of items being placed in each store.

Although the list of suppliers and their product mix are growing, Tianmei intends to increase the promotion of Tianmei branded products in order to improve the income derived from its own branded products, further enhancing the return from contracted stores and creating its own brand influence.



Figure 1: One of the contracted stores in Guangzhou Province



Figure 2: Tianmei's bottled drinking water at a contracted store's promotional event

## ENDS

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