



2017 Annual Report

Beroni Group Limited
ACN: 613 077 526
NSX Code: BTG



Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

Consolidated Financial Statements
For the Year Ended 31 December 2017

Contents

	<i>Page</i>
A message from the Chairman	3
Directors' report	5
Other Shareholder Information	11
Corporate Directory	13
Auditor's independence declaration.....	14
Statement of profit or loss and other comprehensive income.	15
Statement of financial position.. . . .	16
Statement of changes in equity	17
Statement of cash flows.	18
Notes to the financial statements.	19
Directors' declaration	36
Independent auditor's report.	37

A MESSAGE FROM THE CHAIRMAN

Dear Fellow Shareholders

On behalf of the Board and Management of Beroni Group Limited ("Beroni"), I am pleased to present the 2017 Annual Report.

This is Beroni's first Annual Report since its successful listing on the National Stock Exchange (NSX) on 12 May 2017. It has been a very busy period with Beroni growing its business in China and at the same time, exploring new product and investment opportunities with strategic business partners in China, Australia, Japan and the USA. Subsequent to the end of this financial year, Beroni was successfully listed on the Frankfurt Stock Exchange (FSE) on 19 January 2018. This has opened up another avenue for the trading of the Company's shares thereby increasing the liquidity of the shares. Beroni intends to tap into the European market to raise funds for future expansion and investment opportunities.

Financial Performance

Beroni reported FY2017 revenue of \$2.29 million (FY2016 \$4.36million), and underlying EBITDA of -\$0.58 million (FY2016: +\$0.66 million) and NPAT -\$0.73 million (FY2016: +\$0.48 million). This year's sales have been affected by the delay in shipment of our Nicobloc product from our UK supplier although the sales of our other products have generally increased. Expenses have increased significantly mainly due to the listing costs (that could not be offset against equity) associated with our listing on the National Stock Exchange and later on the Frankfurt Stock Exchange.

The Company is actively working to diversify its product mix by developing new products with strategic partners and cross selling products in partnership with other vendors. This is in line with our strategy of reducing reliance on one major product.

Financial Position

The Company is still in a strong financial position with cash of \$8.67 million and no bank finance. In December 2017, we issued new shares amounting to \$3.13 million to a new investor who has expressed confidence in the future of Beroni.

Innovation

Product innovation is a significant part of Beroni's business growth strategy. Beroni hopes to achieve business growth through new products development or acquiring businesses with strong complementary products. Beroni will be working with the University of New South Wales to develop a new anti-cancer drug called PENAO. This research will soon enter the second stage of clinical trials. At the same time, the Company is in advanced discussions with a Japanese company to establish a partnership in immune cell therapy business. Immune cell therapy is now being used as a cancer treatment in which immune cells are cultured artificially and activated to suppress cancer cells. In addition to these two new developments, Beroni is looking to establish a research and development (R&D) centre for the following:

1. A precision medicine R&D centre with the Nankai University

The R&D centre will be based in Tianjin, China to develop new precision medicine products. Precision medicine is an emerging approach for disease treatment and prevention that takes into account individual variability in genes, environment, and lifestyle for each person.

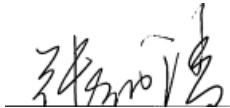
2. A R&D centre in partnership with Columbia University (USA)

The R&D centre will also be based in China to develop a PCR-based molecular diagnostic assay for detecting diseases such as Zika, Dengue, West Nile and Chikungunya.

Outlook

Beroni plans to continue its current growth strategy of product innovation and bringing new products to market through our strategic partnerships and alliances in Australia, China, Japan and the USA. Beroni will reap the benefits from commercialisation of new products and selling or licensing of patents and intellectual properties not only in China but also in the international markets.

I would like to thank the Board, the management and staff for their hard work and dedication in making the past year a very eventful and memorable year. And I would also like to thank our shareholders for their support and interest in Beroni.



Boqing (Jacky) Zhang
Chairman

Directors' Report

The directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as the 'Group') consisting of Beroni Group Limited (referred to hereafter as the 'Company' or 'Beroni') and the entities it controlled at the end of, or from 1 January 2017 to 31 December 2017.

Directors

The following persons were directors of Beroni during the whole of the financial period and up to the date of this report, unless otherwise stated:

Boqing ZHANG (Executive Director, Chairman)

Chris DENG (Executive Director)

Hai HUANG (Executive Director)

Peter Yap Ting WONG (Non-executive Director)

Libing GUO (Non-executive Director)

Company secretary

Nicholas Ong

Information on Directors

(a) Boqing Zhang

Mr Zhang is the founder, Chairman and CEO of Tianjin Beroni and is the Chairman of the Company. Mr Zhang is also the vice-chairman and the Asia-Pacific region CEO of NicoBloc Plc. Mr Zhang has a bachelor degree from the school of biotechnology and food science in Tianjin School of Commerce, an MBA from Nankai University and a PhD from University of Sussex.

Prior to studying in the United Kingdom, Mr Zhang worked at China North Industries Group Corporation, Shanshui Industrial Co., Ltd as the head/manager of human resources and director of marketing. During Mr Zhang's time overseas, he was employed as the chief strategic consultant of SIG Group and project general manager. After joining NicoBloc Plc, Mr Zhang was the project manager, general manager of research and development, strategic planning and an executive director of the board. Mr Zhang participated in improving NicoBloc product formula and was fully responsible for NicoBloc Plc's global strategic planning and market development. Mr Zhang no longer holds any position or interest in Nicobloc PLC.

Mr Zhang is a resident of the PRC. He is the Chairman of the Nomination & Remuneration Committee.

(b) Hai Huang

Mr Huang is one of the founding directors of Tianjin Beroni. He has a business management degree from the Capital University of Economics and Business.

Mr Huang worked for a world Top 500 company for approximately 15 years and was responsible for commodity import and export and domestic trade business. Mr Huang has extensive international trade experience and more than 10 years experience in business franchising, e-commerce business planning and implementation and team building.

Mr Huang is a resident of the PRC. He is a member of the Nomination & Remuneration Committee.

(c) Libing Guo

Mr Guo is one of the founding directors of Tianjin Beroni. He has a financial management degree from Henan University.

Mr Guo has approximately 20 years' experience in cold-chain logistics particularly in areas of infrastructure planning, construction, fund raising, allocation of resources and implementation. Mr Guo is also experienced in professional team building, training and management.

Mr Guo is a resident of the PRC. He is a member of the Nomination & Remuneration Committee and the Audit & Risk Committee.

Directors' Report (Continued)

(d) Yap Ting (Peter) Wong

A Chartered Accountant by profession, Mr Wong is a 30-year veteran in the financial services industry. He has gained extensive experience across a wide spectrum of business functions such as audit, taxation, finance, operations, technology, HR, risk management, compliance and control.

Mr Wong started his career in the accounting profession in 1984 and trained with two major international accounting firms; Deloitte and Price Waterhouse Coopers. He subsequently joined several large corporations where he took up senior positions managing large portfolio of functions and people. The companies he has worked with include Citibank, Hong Leong Group (Malaysia), Hong Kong Stock Exchange and Hong Kong Telecom. Before coming to Australia, Peter was in Shanghai, China where he spent 3 years with Citibank China and another 2 years with Shanghai Pudong Development Bank, a strategic partner of Citibank. He travelled extensively within China conducting seminars and giving advice to the staff and management of the Chinese bank.

Having worked in England, Hong Kong, Malaysia, China and Australia, Mr Wong is familiar with the different financial and business practices across Asia. He is well equipped to advise clients on cross-border trade and investment. He focuses on providing financial, taxation and investment advice to Australian and Asian enterprises wanting to invest or do business in the Asia-Pacific region.

Mr Wong resides in Sydney, Australia. He is the Chairman of the Audit & Risk Committee and a member of the Nomination & Remuneration Committee.

(e) Chris Deng

Mr Deng holds a Bachelor of Accounting from the Tianjin University of Commerce. He also holds Masters' Degrees in Project Management and Accounting Information Systems from the University of Sydney and University of Technology Sydney respectively.

From 2004 to 2015, Mr Deng held Project Management, Project Director, and Chief Financial Director roles in the business software and financial technology industries. Mr Deng is now an executive director of Investment and Real Estate company based in Sydney. His key responsibilities are business development, analysing business model and business processes, ensure and coordinating compliance as well as managing an offshore team based in Shanghai.

Mr Deng is a resident of Australia. He is a member of the Audit & Risk Committee and the Nomination & Remuneration Committee.

Directors' meetings

Directors	Board		Audit committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Boqing Zhang	6	6	1	1	0	0
Chris Deng	6	6	1	1	0	0
Hai Huang	6	6	1	1	0	0
Libing Guo	6	6	1	1	0	0
Yap Ting (Peter) Wong	6	6	1	1	0	0

Principal activities

The principal activities of the Group during the financial year are the sales of smoking control product (NicoBloc), air purifier, and healthcare products and supplements in China.

There have been no significant changes in the nature of these activities during the period.

Directors' Report (Continued)

Review of Operations

The table below sets out the selected key performance indicators for the half year's ending 31 December 2017 ("FY2017") and 31 December 2016 ("FY2016"):

	FY2017	FY2016	Change %
Sales revenue	2,291,162	4,360,202	-47.5%
Cost of sales	(501,513)	(1,541,301)	-67.5%
Gross profit	1,789,649	2,818,901	-36.5%
Other income	366,319	-	N/A
Selling and distribution expenses	(345,580)	(557,213)	-38%
General and administrative expenses	(2,434,830)	(1,626,308)	49.7%
Finance expense	(16,887)	(70)	*
Finance income	18,771	4,177	*
Profit (Loss) before income tax	(622,548)	639,487	-197.4%
Depreciation	43,473	23,105	*
Finance expense	16,887	70	*
Finance income	18,771	4,177	*
EBITDA **	(580,969)	658,485	-188.2%
Income tax expense	(102,523)	(163,605)	-37.3%
NPAT	(725,071)	475,882	-252.4%

* Insignificant amounts

** EBITDA relates to profit before tax, depreciation and net finance costs

(A) Revenue

Sales revenue has decreased by 47.5% from \$4,360,202 to \$2,291,162 as a result of the substantial decline in sales of the Company's key product, NicoBloc from \$2,552,755 to \$95,806. This is mainly due to the delay in the shipment of the NicoBloc product from its UK supplier affecting the sales in this period. The Company is working with the supplier to resolve this issue. Sales of the other two key products, Fogibloc air purifier and Olansi water filter have increased from \$505,400 to \$1,013,132 and from \$391,623 to \$577,191 respectively. The Company is continuing its efforts to increase its product diversity and reduce its reliance on the key product, NicoBloc. It is also actively pursuing new product developments with strategic partners.

(B) Gross Profit

The decrease in gross profit from \$2,818,901 to \$1,789,649 is mainly due to the decrease in sales of the NicoBloc product.

(C) Expenses

The general and administrative expenses included the listing expenses of \$722,629 in FY2017 and \$846,910 in FY2016. Of the listing expenses incurred in FY2017, fees totalling \$539,751 were paid to the consultant for the listing of the Company on the Frankfurt Stock Exchange in January 2018. In FY2017, rental expenses have increased to around \$200,000 due to the Company occupying another new office building in Tianjin in December 2016. Also, the set-up of the Australian Head Office in 2017 contributed about \$500,000 in rental and salary expenses.

Dividend

No dividends were paid or declared during or subsequent to the end of the financial period.

Significant Changes in State of Affairs

The Company was incorporated on 17 June 2016. It was listed on the National Stock Exchange of Australia on 12 May 2017 having raised \$4,795,380 by issuing 13,701,086 ordinary shares in the Initial Public Offering.

On 18 December 2017, the Company raised \$3,130,163 by issuing additional 5,796,597 shares in a share placement.

Directors' Report (Continued)

There were no other significant changes in the state of affairs of the Company during the period.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Matters subsequent to the end of the financial year

1. The Company was listed on the Open Market of the Frankfurt Stock Exchange on 19 January 2018.
2. The Company has entered into an agreement on 20 March 2018 with the Columbia University, New York ("Columbia University"), to provide US\$1 million funding to a 12-month research program in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus, under the direction of Professor Walter Ian Lipkin.

In return for the research funding support, Columbia University grants the Company an exclusive option to:

- obtain an exclusive, compensation bearing license in the territory of China to the background patents and inventions in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus; and
 - a non-exclusive, compensation bearing license in the territory of China to the information and materials developed in the course of Research (as each term is hereinafter defined) in the field of ArboViroPlex rRT-PCR Test.
3. The Company has signed an investment term sheet with Cystemix Pty Limited ("Cystemix") and NewSouth Innovations Pty Limited on 28 March 2018 for the acquisition of an initial 2.2% shares in Cystemix for \$400,000, effective upon signing of the term sheet. The parties also agreed to enter into a share subscription and shareholders agreement by October 2018, setting out terms of subsequent investments by the Company into Cystemix. Subject to final negotiations of terms, it is intended that the Company will invest a total of \$10 million for 40% shares in Cystemix by the end of Phase 2 clinical trials of PENAO. Cystemix is a company set up by the University of New South Wales to develop an anti-cancer drug called PENAO for treatment of brain tumour.
 4. There has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:
 - a) the Company's operations in future financial years, or
 - b) the results of those operations in future financial years, or
 - c) the Company's state of affairs in future financial years.

Directors' Report (Continued)

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 31 December 2017.

The term "Key Management Personnel" refers to executive directors and non-executive directors named above.

Remuneration governance and determination

The Board has established the Nomination & Remuneration Committee to govern remuneration of KMPs. The Nomination & Remuneration Committee determines details of remuneration, including nature, amount and make-up of remuneration for KMPs. The Nomination & Remuneration Committee also reviews these details on an annual basis.

Details for KMPs:

Name	Position	Appointment date	Location
Executive Directors			
Boqing Zhang	Founder, Chairman, Chief Executive Officer	17 June 2016	Tianjin, P.R. China
Chris Deng	Executive Director	30 September 2016	Sydney, Australia
Hai Huang	Founder, Executive Director	3 November 2016	Tianjin, P.R. China
Non-executive directors			
Yap Ting (Peter) Wong	Independent, Non-executive Director	30 September 2016	Sydney, Australia
Libing Guo	Independent, Non-executive Director	3 November 2016	Tianjin, P.R. China

Remunerations of KMPs:

KMP		Short Term				Post employment	Share based payments		Total	
Name	Year	Base salary	Cash bonus	Non-cash benefit	Other	Super-annuation	Options	Shares	Total	Performance-related
Boqing Zhang	2017	40,000	-	-	-	-	-	-	40,000	0%
	2016	-	-	-	-	-	-	-	-	-
Chris Deng	2017	30,000	-	-	-	-	-	-	30,000	0%
	2016	-	-	-	-	-	-	-	-	-
Hai Huang	2017	30,000	-	-	-	-	-	-	30,000	0%
	2016	-	-	-	-	-	-	-	-	-
Yap Ting (Peter) Wong	2017	40,000	-	-	-	-	-	-	40,000	0%
	2016	-	-	-	-	-	-	-	-	-
Libing Guo	2017	20,000	-	-	-	-	-	-	20,000	0%
	2016	-	-	-	-	-	-	-	-	-

KMPs' shareholding and interests in the Company

	Balance 01.01.2017	Acquired	Granted as remuneration	Disposed	Options/ Rights Vested & Exercisable at 31.12.2017	Balance 31.12.2017
Boqing Zhang	35,255,782 ¹	-	-	-	-	35,255,782 ¹
Chris Deng	Nil	-	-	-	-	Nil
Hai Huang	Nil ¹	-	-	-	-	Nil
Yap Ting (Peter) Wong	Nil	-	-	-	-	Nil
Libing Guo	Nil ¹	-	-	-	-	Nil

¹ Boqing Zhang, Libing Guo and Hai Huang are shareholders of Beroni Technology Limited (incorporated in Seychelles) holding 64.4%, 11.04% and 4.6% respectively. Beroni Technology Limited is the ultimate holding company of Beroni Group Limited.

Directors' Report (Continued)

Indemnification and insurance of directors and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company residing in Australia, against a liability incurred as such a Director or 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, indemnified any Director residing outside Australia or Auditor of the Company against a liability incurred as such a Director or Auditor.

Rounding of amounts

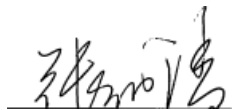
The company is of a kind referred to in ASIC Corporations Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar, or in certain cases, the nearest 1/10th of a dollar.

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 14.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) (a) of the Corporations Act 2001.

On behalf of the directors



Boqing Zhang
Managing Director
28 March 2018

Other Shareholder Information

Distribution of shareholders

As at 31 December 2017, the Company had 210 shareholders and a total of 60,177,683 fully paid ordinary shares on issue. As at 31 December 2017, the distribution of shareholders was as follows:

Size of holding	Number of shareholders	Number of ordinary shares	% of issued capital
1 - 1,000	3	2,972	0.00%
1,001 – 5,000	24	82,910	0.14%
5,001 – 10,000	28	185,881	0.31%
10,001 – 100,000	117	3,500,488	5.82%
100,001 and over	38	56,405,432	93.73%
Total	210	60,177,683	100.00%

Substantial Shareholders

Substantial shareholders as at 31 December 2017 were as follows:

Shareholder	Number of ordinary shares	Percentage (%) of total issued shares
Beroni Technology Ltd *	35,255,782	58.59%
Kai, Shen	7,508,538	12.48%

* Boqing Zhang, Libing Guo and Hai Huang are shareholders of Beroni Technology Ltd (incorporated in Seychelles) holding 64.4%, 11.04% and 4.6% respectively. Beroni Technology Limited is the ultimate holding company of Beroni Group Limited

Voting Rights

Fully paid ordinary shares in the Company carry voting rights of one vote per share. Unlisted options and unlisted performance rights do not carry voting rights.

Restricted Securities

2,667,327 fully paid ordinary shares in the Company are subject to voluntary escrow restrictions until 12 May 2018. Another 35,255,782 fully paid ordinary shares in the Company are subject to voluntary escrow restrictions until 12 May 2019.

Other Shareholder Information (Continued)

Top 20 Shareholders (by number of ordinary shares)

Rank	Name	Units	% of Units
1	Beroni Technology Ltd	35,255,782	58.59%
2	Kai, Shen	7,508,538	12.48%
3	Eagle IG Limited	1,864,506	3.1%
4	Jianxia, Gao	1,320,394	2.19%
5	Xiaokun, Wang	1,037,453	1.72%
6	Hanlin, Zha	777,375	1.29%
7	Mygoldenman Technology Ltd	723,408	1.20%
8	Yan, Sun	571,599	0.95%
9	Bingyan, Yu	571,599	0.95%
10	Fengkui, Ma	550,872	0.92%
11	Xiangxin, Li	547,065	0.91%
12	Bo Ma	517,297	0.86%
13	Bohua, Zhang *	517,297	0.86%
14	Zhancheng, Xiao	337,243	0.56%
15	Long, Zhang	305,428	0.51%
16	Long, Zhang	289,513	0.48%
17	Zhongxing, Hua	285,799	0.47%
18	Weijun, Cao	257,219	0.43%
19	Qian, Du	257,219	0.43%
20	Biao, Zhang	248,645	0.41%
	Top 20 holders of ordinary fully paid shares	53,744,251	89.31%
	Remaining holders balance	6,433,432	10.69%
	Total	60,177,683	100.00%

* A relative of Boqing Zhang

Corporate Directory

Registered Office

Beroni Group Limited

Level 36, Gateway Tower
1 Macquarie Place
Sydney NSW 2000
Australia

Telephone (Sydney): +61 2 8051 3055

Telephone (Tianjin): + 86 22 5853 0398

Email: beronigroup_australia@126.com

Website: www.beronigroup.com

Tianjin Head Office

Beroni Biotechnology Co., Ltd

Level 10, Dian Shang Tower
Zhonglian Industrial Park
Zhongbei Town, Tianjin
China

Beroni Group Limited is listed on the National Stock Exchange.

NSX Code: BTG

Auditor

Prosperity Audit Services
Level 11, 309 Kent Street
Sydney NSW 2000
Australia

Directors

Boqing Zhang
Chris Deng
Hai Huang
Libing Guo
Peter Wong

Share Registry

Advanced Share Registry
Suite 8H
325 Pitt Street
Sydney NSW 2000

PO Box Q1736
Queen Victoria Building
NSW 1230

T: (612) 8096 3502

www.advancedshare.com.au

Company Secretary

Nicholas Ong



prosperity
audit services

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF BERONI GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2017 there have been no contraventions of:

- (i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES

Luke Malone

LUKE MALONE
Director

28 March 2018

Sydney

Sydney

Level 11
309 Kent Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 8262 8700
F 02 8026 8377

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 8026 8376

Brisbane

Level 22
333 Ann Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755
F 07 3839 1037

mail@prosperityadvisers.com.au
prosperityadvisers.com.au

Prosperity Advisers Audit Services Pty Ltd
ABN 90 147 151 228

Chartered Accountants
Liability limited by a Scheme approved under
the Professional Standards Legislation.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 31.12.2017 AUD	Consolidated Year Ended 31.12.2016 AUD
-			
Sales revenue	5	2,291,162	4,360,202
Cost of sales		(501,513)	(1,541,301)
Gross profit		1,789,649	2,818,901
Other income			
Government subsidy	6	366,319	-
Selling and distribution expenses	7	(345,580)	(557,213)
General and administration expenses	7	(2,434,830)	(1,626,308)
Finance expense		(16,877)	(70)
Finance income		18,771	4,177
Profit / loss before income tax		(622,548)	639,487
Income tax expense	12	(102,523)	(163,605)
Net profit / (loss) for the period		(725,071)	475,882
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		121,420	(106,858)
Total comprehensive income / (loss) for the period		(603,651)	369,024
Profit / (loss) for the period is attributable to:			
Owners of Beroni Group Limited		(725,071)	475,882
Total profit / (loss) for the period		(725,071)	475,882
Total comprehensive income / (loss) for the period attributable to:			
Owners of Beroni Group Limited		(603,651)	369,024
Total comprehensive income / (loss) for the period		(603,651)	369,024
		Cents	Cents
Earnings per share for profit for the period			
Basic earnings / (loss) per share	14	(1.40)	1.35*
Diluted earnings / (loss) per share	14	(1.40)	1.35*

* Number of shares (35,255,782) at 31 December 2016 was used to calculate EPS as the Company was restructured during the year 2016.

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	Consolidated As at 31.12.2017 AUD	Consolidated As at 31.12.2016 AUD
Current Assets			
Cash and cash equivalents	8	8,669,709	2,251,843
Trade receivables	9	1,637,105	1,098,609
Inventories	10	162,964	89,877
Prepayments		475,803	245,807
Other receivables	9	106,317	-
Receivables from related parties		-	564,529
Total current assets		<u>11,051,898</u>	<u>4,250,665</u>
Non-Current Assets			
Property, plant and equipment	11	152,759	157,102
Intangible assets		644	55
Deferred tax assets		47,058	72,462
Other assets		47,651	63,856
Total non-current assets		<u>248,112</u>	<u>293,475</u>
Total Assets		11,300,010	4,544,140
Current Liabilities			
Trade and other payables	13	32,388	1,107,771
Convertible notes payable	16	-	1,245,899
Payables to related parties	18	196,688	308
Other current tax liabilities		93,586	-
Other liabilities	13	161,613	35,498
Total current liabilities		<u>484,275</u>	<u>2,389,476</u>
Non-Current Liabilities		-	-
Total Liabilities		<u>484,275</u>	<u>2,389,476</u>
Net Assets		<u><u>10,815,735</u></u>	<u><u>2,154,664</u></u>
Equity			
Issued capital	20	11,372,072	2,107,354
Reserves	21	8,682	(129,623)
Retained earnings		<u>(565,019)</u>	<u>176,933</u>
Total Equity		<u><u>10,815,735</u></u>	<u><u>2,154,664</u></u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings	Total
	AUD	AUD	AUD	AUD	AUD
Consolidated 2017					
Balance at 1 January 2017	2,107,354	-	(129,623)	176,933	2,154,664
Total comprehensive income/(loss) for the period	-		121,420	(725,071)	(603,651)
Appropriation to surplus reserve	-	16,885	-	(16,885)	-
Capital contribution from debt-conversion	1,245,899	-	-	-	1,245,899
Premium on debt-conversion	830,983	-	-	-	830,983
Capital contribution from IPO, net of transaction cost	4,057,673	-	-	-	4,057,673
Capital contribution from share placement	3,130,163				3,130,163
Balance at 31 December 2017	11,372,072	16,885	(8,203)	(565,019)	10,815,735
Consolidated 2016					
Balance at 1 January 2016	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(106,858)	176,208	69,350
Capital contributed by owners	2,107,354	-	-	-	2,107,354
Group reorganisation	-	-	(22,765)	725	(22,040)
Balance at 31 December 2016	2,107,354	-	(129,623)	176,933	2,154,664

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated Year Ended 31.12.2017 AUD	Consolidated Year Ended 31.12.2016 AUD
Cash flows from operating activities:			
Receipts from customers		2,013,229	6,201,963
Payments to suppliers and employees		(4,087,208)	(4,681,632)
Interest paid		(16,877)	(70)
Income tax paid		(73,090)	(64,481)
Receipts from government		366,319	-
Net cash generated/(used) in operating activities	24	(1,797,627)	1,455,780
Cash flows from financing activities:			
Gross proceeds from issue of equity instruments of the Company, net of transaction costs		7,832,378	103,608
Gross proceeds from / (repayment of) borrowings		196,688	(16,166)
Net cash generated from financing activities		8,029,066	87,442
Cash flows from investing activities:			
Purchase of property, plant and equipment		(24,792)	(136,603)
Interest received		18,771	4,177
Payments for intangible assets		(586)	-
Net cash generated from / (used in) investing activities		(6,607)	(132,426)
Net increase in cash and cash equivalents		6,224,832	1,410,796
Cash and cash equivalents at beginning of the period		2,251,843	843,413
Exchange gain/(loss) on cash and cash equivalents		193,034	(2,366)
Cash and cash equivalents at end of the period	8	8,669,709	2,251,843

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

Notes to Financial Statements

Note 1. Corporate information

The financial statements cover Beroni Group Limited ("Parent entity" or the "Company") as a consolidated entity consisting of Beroni Group Limited and the entities it controlled (together referred to as the "Group") at the end of, or during, the year ended 31 December 2017. The financial statements are presented in Australian dollars, which is the Company's presentation currency, with all values rounded to the nearest dollar unless otherwise stated.

The Company is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. The Company's shares are publicly traded on the National Stock Exchange.

The Company's registered office and the Group's principal place of business are:

Registered office	Principal place of business
Level 36 Gateway Tower 1 Macquarie Place Sydney NSW 2000 Australia	15-2 Zhonglian Industry Park Zhongbei, Xiqing District Tianjin 300380 People's Republic of China

The Company is principally engaged in the sale of smoking control product (NicoBloc), air purifier and healthcare products and supplements in China.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2018.

Note 2. Basis of preparation

This general purpose financial statement for the annual reporting period ended 31 December 2017 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

This general purpose financial report has been prepared on a historical cost basis, except for a few items where the basis used will be explicitly stated in the relevant note.

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Beroni Group Limited and its subsidiaries at 31 December 2017 ("the Group").

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.

Subsidiaries

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. 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.

Notes to Financial Statements (Continued)

2.1 Basis of consolidation (continued)

Consolidated financial statements include all the subsidiaries other than those acquired in business combinations involving entities under common control 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 intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

2.2 Foreign currency translation

The functional currency of Beroni Group Limited is Australian dollars. The functional currency of the company's subsidiary, Beroni Hongkong Limited, is Hong Kong dollars and its subsidiary, Tianjin Beroni Biotechnology Co., Limited in mainland China is Chinese Yuan (Renminbi). The presentation currency is Australian dollars (AUD).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period.

Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

At the end of the reporting period, the assets and liabilities of the Group are translated into the presentation currency at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the period. All resulting exchange difference is recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

2.3 Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimated provision for impairment of receivables

The Company makes provision for impairment of receivables based on an assessment of the collectability of trade and other receivables. Provisions for impairment are applied to trade and other receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of doubtful debts requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate is changed.

(b) Depreciation and amortisation

Leasehold land and land use rights, property, plant and equipment (excluding land and construction in progress) and intangible assets (excluding goodwill and intangible assets with indefinite useful life) are depreciated and amortised using the straight-line method during the estimated useful lives of these assets to allocate the cost of the assets to their estimated net residual values. The Company reviews the estimated useful lives and estimated residual values periodically, to ensure that method and rate of depreciation/amortisation are consistent with the pattern how such assets' economic benefits are expected to be realised.

Notes to Financial Statements (Continued)

2.3 Critical accounting judgements and estimates (continued)

The Company makes estimates of the useful lives and residual values of such assets, based on historical experience and with reference to estimated technical improvement. In case of significant changes in estimated useful lives and residual values, depreciation and amortisation expenses will be adjusted accordingly.

(c) Provision for decline in the value of inventories

The Company measures inventories according to the lower of cost and net realisable value at the balance sheet date, and the calculation of net realisable value requires assumptions and estimates. If the management revises the estimated selling price and cost and expenses to be incurred till completion, the estimates of net realisable value will be impacted, and the difference from the original estimates will affect the provision for decline in the value of inventories.

2.5 New, revised or amended Accounting Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018 and have not been applied in preparing these financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

(i) *AASB 9 Financial Instruments*

AASB 9 Financial Instruments becomes mandatory for the Group's 2019 financial statements and includes changes to the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment. It also includes a new hedge accounting model to simplify hedge accounting requirements and more closely align hedge accounting with risk management activities.

(ii) *AASB 15 Revenue from contracts with customers*

AASB 15 Revenue from Contracts becomes mandatory for the Group's 2019 financial statements and outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contract, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programs, Interpretation 15 Agreements for Construction of Real Estate, Interpretation 18 Transfer of Assets from Customers and Interpretation 131 Revenue-Barter Transactions involving Advertising Services. The core principle is that an entity recognises 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 those goods or services.

(iii) *AASB 16 Leases*

AASB 16 Leases becomes mandatory for the Group's 2020 financial statements and removes the classification of leases between finance and operating leases, effectively treating all leases as finance leases for the lessee. The purpose is to provide greater transparency of a lessee's financial leverage and capital employed.

The Group has not yet determined the potential effect of these standards on the Group's future financial statements.

Note 3. Group restructure

Beroni Group Ltd was incorporated on 17 June 2016, owning 100% shares of Beroni HongKong Limited ("Beroni Hong Kong") which owns 100% shares of Tianjin Beroni Biotechnology Co., Limited ("Tianjin Beroni"), the company of principal business.

On 21 May 2014, Tianjin Beroni was incorporated as a wholly owned subsidiary of Beijing Benehealth Biotechnology Co. Ltd in Tianjin, the People's Republic of China (the "PRC"). On 8 September 2016, Tianjin Beroni placed 0.99% shares to Eagle IG Limited for a cash consideration of RMB 100,000.

On 9 September 2016, pursuant to a share sale agreement, Beijing Benehealth Biotechnology Co. Ltd and Eagle IG Limited sold the entire share capital of Tianjin Beroni to Beroni Hong Kong for a consideration of RMB 10,010,000. On 24 October 2016, Mr Boqing Zhang, the sole shareholder of Beroni Hong Kong transferred all of his shares in Beroni HongKong to Beroni Group Limited for HKD10,000, which completed the final step of the restructuring process.

When combined with the transactions above, Beroni Hong Kong become the intermediate holding company for the Group. Through this transaction, effective control of Tianjin Beroni passed to the shareholders of the Company. The transaction is not within the scope of *AASB 3 Business Combinations* and has been treated as a capital restructure, where following the corporate restructure of the Group, the Company took control of Tianjin Beroni with no change in underlying control.

Notes to Financial Statements (Continued)

Note 3. Group restructure (continued)

Consequently, the comparative financial information presented in these financial statements is the historical information of Tianjin Beroni, represented as a continuation of the financial statements of Tianjin Beroni.

Note 4. Segment reporting

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating Decision Makers) in assessing performance and determining the allocation of resources. The Group is managed primarily on the basis of the nature of the business activities. Operating segments are therefore determined on the same basis.

The following operating segments have been noted:

- Nicobloc
- Fogibloc air purifier
- Olansi water filter
- MRET water activator

Segment information

Segment information provided to the board of directors for the year ended 31 December is as follows:

Segment	Segment Revenue		Segment Gross Profit	
	2017 AUD	2016 AUD	2017 AUD	2016 AUD
Nicobloc	95,806	2,552,755	68,340	1,710,213
Fogibloc air purifier	1,013,132	505,400	767,859	397,304
Olansi water filter	577,191	391,623	489,660	326,066
MRET water activator	242,737	489,864	157,587	358,163
All other	362,296	420,560	306,203	27,155
Total for all segments	<u>2,291,162</u>	<u>4,360,202</u>	1,789,649	2,818,901
Other income			366,319	-
Unallocated selling and distribution expenses			(345,580)	(557,213)
Central general and administrative expenses			(2,434,830)	(1,626,308)
Net finance costs			1,894	4,107
Profit / (loss) before income tax			<u>(622,548)</u>	<u>639,487</u>

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2016: nil).

Notes to Financial Statements (Continued)

Note 4. Segment reporting (continued)

The executive management committee monitors segment performance based on gross profit. Segment gross profit represents the gross profit earned by each segment without allocation of selling and distribution expenses, central general and administration expenses, other income as well as net finance costs.

Geographical information

Segment revenues based on the geographical location of customers has not been disclosed, as the Group derives all of its revenue from its operations in China.

Major customers

The Group derives revenues from a wide range of customers. There is no concentration of revenue on a single external customer.

Note 5. Revenue

	Consolidated 2017 AUD	Consolidated 2016 AUD
Sales	2,291,162	4,360,202

Accounting policy: Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. The company currently generates revenue only from sale of goods in China.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) the Group retains neither continuing managerial involvement nor effective control over the goods sold;
- c) the amount of revenue can be measured reliably;
- d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's subsidiaries are translated into presentation currency using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to noncontrolling interests as appropriate).

Note 6. Government subsidy

	Consolidated 2017 AUD	Consolidated 2016 AUD
Government subsidy	366,319	-

Accounting policy: Government subsidy

Government subsidy is not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government subsidy is recognized in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government subsidy is applied for by the Group to Chinese local government authorities based on various entitlements the Group is eligible to. Applications for various government subsidies are raised, checked, and approved on an annual basis.

Government subsidy that is receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Notes to Financial Statements (Continued)

Note 7. Expenses

Profit before income tax is derived at after taking the following significant expense items into account:

	Consolidated 2017 AUD	Consolidated 2016 AUD
Wages and salaries	385,377	346,302
Rent expenses	256,628	121,603
Listing expenses *	722,629	846,910
Doubtful debts expense	3,376	294,760

* These were the costs that could not be offset against equity in accordance with the accounting standards required.

Note 8. Cash and cash equivalents

	Consolidated 2017 AUD	Consolidated 2016 AUD
Cash on hand	197	-
Cash at bank	8,649,843	2,251,843
Marketable securities	19,669	-
Total cash and cash equivalents	<u>8,669,709</u>	<u>2,251,843</u>

Accounting policy: Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with 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 and bank overdrafts.

Term deposits with maturity over three months include bank deposits with fixed terms over three months' period. For the purpose of the Consolidated Statement of Cash Flows, term deposits with maturity over three months are shown as cash flows from investing activities.

Note 9. Trade and other receivables

	Consolidated 2017 AUD	Consolidated 2016 AUD
Amounts due from customers	1,927,225	1,388,458
Less: Provision for doubtful debts	(290,120)	(289,849)
Trade receivables	<u>1,637,105</u>	<u>1,098,609</u>
Other receivables	106,317	-
Receivables from related parties	-	564,529
	<u><u>1,743,422</u></u>	<u><u>1,663,138</u></u>

Accounting policy: Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Notes to Financial Statements (Continued)

Note 9. Trade and other receivables (continued)

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. The loss is recognised in the profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

The aging profile of trade receivables is disclosed in note 17.

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

Note 10. Inventories

	Consolidated 2017 AUD	Consolidated 2016 AUD
Inventories	162,964	89,877

Accounting policy: Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Note 11. Property, plant and equipment

2017	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	-	104,154	21,734	31,214	157,102
Additions	22,299	-	19,841	1,797	43,937
Disposal	-	-	-	-	-
Depreciation charge	(176)	(24,379)	(14,412)	(8,425)	(47,392)
Foreign exchange translation	392	(1,634)	835	(481)	(888)
Closing net book value	22,515	78,141	27,998	24,105	152,759

2016	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	-	-	29,923	20,589	50,512
Additions	-	105,890	9,773	17,158	132,821
Disposal	-	-	-	-	-
Depreciation charge	-	(1,715)	(16,101)	(5,288)	(23,104)
Foreign exchange translation	-	(21)	(1,861)	(1,245)	(3,127)
Closing net book value	-	104,154	21,734	31,214	157,102

Accounting policy: Property, plant and equipment

Land and buildings are leased for use in the production or supply of goods or services, or for administrative purposes.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straightline method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to Financial Statements (Continued)

Note 11. Property, plant and equipment (continued)

Assets are depreciated over their useful lives as follows:

Machinery	10 years
Motor vehicles	4 years
Office Equipment	3 years
Other Equipment	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Profit and Loss.

Note 12. Income tax

	Consolidated 2017 AUD	Consolidated 2016 AUD
Profit / (loss) before income tax	(622,547)	639,487
Adjusted for loss in parent	1,138,185	-
Adjusted for adjustment at group level	(89,745)	-
Profit before tax derived from operations in China	425,894	639,487
25% Income tax on profit in China	106,473	159,872
(Increase) / decrease in deferred tax asset	(25,404)	(26,781)
Adjusted for foreign currency exchange impact	21,453	30,514
Income tax expense	102,523	163,605

Accounting policy: Taxation

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Notes to Financial Statements (Continued)

Note 12. Income tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Note 13. Trade and other payables

	Consolidated 2017 AUD	Consolidated 2016 AUD
Trade and other payables	32,388	1,107,771
Other liabilities	161,613	35,498
Payables to related parties	196,688	308
	<u>390,689</u>	<u>1,143,577</u>

Accounting policy: Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the business prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Note 14. Earnings per share

	Consolidated 2017 AUD	Consolidated 2016 AUD
Basic earnings / (loss) (cents) per share	(1.40)	1.35
Diluted earnings / (loss) (cents) per share	(1.40)	1.35

Note 15. Auditor's remuneration

	Consolidated 2017 AUD	Consolidated 2016 AUD
Prosperity Audit Services	81,500	102,900
Shanghai WSP CPA	23,160	-
Shandong Haoxin CPA Co. Limited	-	59,279
	<u>104,660</u>	<u>162,179</u>

Note 16. Convertible notes payable

The Company raised funds through convertible loans from 73 investors during June 2016. The money raised has been used for general working capital, paying costs and expenses for the listing, marketing, research and development and costs associated with pursuing new products or new business opportunities. There is no interest on the loan amount. Subsequent to 31 December 2016, two investors terminated their convertible loan agreements and withdrawn their funds from the company, resulting in convertible notes payable balance of A\$1,245,899 as of 31 December 2016.

The full amount of the loans was converted into 3,559,712 ordinary shares upon the Company's successful listing on the National Stock Exchange on 12 May 2017.

Notes to Financial Statements (Continued)

Note 16. Convertible notes payable (continued)

Accounting policy: Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

Any difference arising between the historical cost of the convertible notes and the fair value of equity issued on conversion remains in equity.

Note 17. Financial risk management

Accounting classifications and fair values

The Group has financial assets of cash and cash equivalents, and trade and other receivables. The financial assets are measured at amortised cost, and the carrying amount is a reasonable approximation of fair value at 31 December 2017.

The Group has financial liabilities of trade and other payables and payables to related parties. Non-derivative financial liabilities are measured at amortised cost, and the carrying amount is a reasonable approximation of fair value at 31 December 2017.

General objectives, policies and processes

Activities undertaken by the Group may expose the Group to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority to its finance team, for designing and operating processes that ensure the effective implementation of the objectives and policies of the Group. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives monthly reports from the Group Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

At 31 December 2017 and 31 December 2016, the Group held the following financial instruments:

	Consolidated 2017 AUD	Consolidated 2016 AUD
Financial Assets		
<i>Current</i>		
Cash and cash equivalents	8,669,709	2,251,843
Trade receivables	1,637,105	1,098,609
Other receivables	106,317	-
Receivables from related parties	-	564,529
	<u>10,413,131</u>	<u>3,914,981</u>
Financial liabilities		
<i>Current</i>		
Trade and other payables	32,388	1,107,771
Payables to related parties	196,688	308
Other liabilities	161,613	35,498
	<u>390,689</u>	<u>1,143,577</u>

Notes to Financial Statements (Continued)

Note 17: Financial risk management (continued)

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

(a) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

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.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of financial asset is the carrying amount of those assets, which is net of impairment losses. Refer to the summary of financial instruments table above for the total carrying amounts of financial assets.

Trade and other receivables

Impairment

The balance of trade and other receivables that were aged over 360 days and impaired at 31 December 2017 is \$290,120 (2016: \$289,849).

The aging of the trade and other receivables that were not impaired as at 31 December 2017 are set out in the following table.

	2017 AUD	2016 AUD
Neither past due nor impaired	-	-
0 to 180 days past due but not impaired	821,877	418,981
180 to 360 days past due but not impaired	459,671	383,212
Over 360 days past due but not impaired	355,557	296,416
	1,637,105	1,098,609

The main source of credit risk to the Group is considered to relate to the class of assets described as trade and other receivables. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in note 9.

No collateral is held over other receivables.

Cash and cash equivalents

The Group held cash and cash equivalents of \$8,669,709 at 31 December 2017. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency Standard and Poor's ratings.

(b) Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

Prudent liquidity risk management implies maintaining sufficient cash to meet its financial commitments. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to Financial Statements (Continued)

Note 17: Financial risk management (continued)

Maturity analysis

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1 and 2 years	Total contractual cash flows	Carrying amount
	AUD	AUD	AUD	AUD	AUD
At 31 December 2017					
Trade and other payables	-	125,974	-	125,974	125,974
Payables to related parties	-	196,688	-	196,688	196,688
Other liabilities	-	161,613	-	161,614	161,614
	-	484,275	-	484,276	484,276
At 31 December 2016					
Trade and other payables	-	2,353,670	-	2,353,670	2,353,670
Payables to related parties	-	308	-	308	308
Other liabilities	-	35,498	-	35,498	35,498
	-	2,389,476	-	2,389,476	2,389,476

(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).

Accounting policy: Financial instruments

Financial assets

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value and transaction costs are expensed in the profit or loss. Financial assets are derecognised when rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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 two categories as following:

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.

Notes to Financial Statements (Continued)

Note 17: Financial risk management (continued)

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.

Accounting policy: Fair value

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Note 18. Related party transactions

a) Related parties

The Group's major related parties are as follows:

- | | |
|-----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1) Key management personnel | Boqing Zhang
Yap Ting (Peter) Wong
Hai Huang
Libing Guo
Chris Deng |
| 2) Substantial shareholders | Beroni Technology Ltd (incorporated in Seychelles) |
| 3) Other related entities | Beijing Yisheng Huikang (previous holding company)
Tianjin Zhongkebeicheng Technology Co. Ltd (A director was previously a shareholder and director of this company)
Beroni Hongkong Limited (subsidiary of Beroni Group Limited) |

b) Key Management Personnel (KMP)

Compensation

	2017 AUD	2016 AUD
Total KMP Compensation		
Short-term employee benefits	160,000	-
Post-employment benefits	-	-
Share-based payments	-	-
	160,000	-

Detailed remuneration disclosed are provided in the remuneration report on page 9.

Other transactions

In the year ended 31 December 2017, the Company has engaged the services of Asia Invest Partners Limited to manage its financial and tax affairs in Australia, including the preparation of the half year and annual accounts for the Group. Asia Invest Partners is owned by the Australian director, Yap Ting (Peter) Wong. The Company has paid a total of \$15,927 for the services rendered in the financial year.

Notes to Financial Statements (Continued)

Note 18. Related party transactions (continued)

c) *Transactions with other related parties*

	2017 AUD	2016 AUD
1) Purchase from related parties		
Purchases from Beijing Yisheng Huikang (previous holding company)	-	277,633

	2017 AUD	2016 AUD
2) Sales to related parties		
Sales to Tianjin Zhongkebeicheng Technology Co. Ltd (A director was previously a shareholder and director of related company)*	372,370	1,387,920

* Tianjin Zhongkebeicheng ceased to be a related party of Beroni Group Ltd in FY2017 as their previous director and shareholder, Mr. Boqing Zhang, resigned from this company in May 2016. Zhongkebeicheng, however, still has a contract in effect in this period, which was signed with Tianjin Beroni prior to the cessation of Mr. Boqing Zhang's directorship and shareholding.

d) *Receivables from related parties*

	2017 AUD	2016 AUD
Tianjin Zhongkebeicheng Technology Co. Limited (previously director-related company until May 2016)	-	316,022
Beijing Yisheng Huikang (Previous holding company)	-	158,173
Beroni HongKong Limited	-	1,265
Other related parties	-	89,069
Total amounts due from related parties	<u>-</u>	<u>564,529</u>

e) *Payables to related parties*

	2017 AUD	2016 AUD
Mr. Boqing Zhang (Director)	196,688*	308
Total amounts due to related parties	<u>196,688</u>	<u>308</u>

* This represents the financial award received on behalf of Boqing Zhang who was granted the Chinese government subsidy to assist returned overseas talents settled in China. This payable is interest free and has no fixed repayment terms.

Note 19. Dividends

There was no dividend paid nor declared during the period

Note 20. Share capital

	2017 Number of shares	AUD	2016 Number of shares	AUD
Ordinary shares fully paid				
Issued to original equity amount	35,255,782	2,107,354	35,255,782	2,107,354
Conversion of convertible notes (refer note 7)	3,559,712	1,245,899	-	-
Premium on debt-conversion	-	830,983	-	-
Issued through IPO on 12 May 2017	13,701,086	4,795,380	-	-
Shares issued to Eagle IG Limited on IPO	1,864,506	652,577	-	-
Cost of issuing shares on IPO	-	(1,390,284)	-	-
Share placement on 18 December 2017	5,796,597	3,130,163	-	-
Total ordinary shares fully paid	<u>54,381,086</u>	<u>11,372,072</u>	<u>35,255,782</u>	<u>2,107,354</u>

Notes to Financial Statements (Continued)

Note 20. Share capital (continued)

Accounting policy: Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Note 21. Reserves

	Consolidated 2017 AUD	Consolidated 2016 AUD
Surplus reserve	16,885	-
Foreign currency translation reserve	(8,203)	(129,623)
Total Reserves	8,682	(129,623)

Note 22. Parent entity

The following information relates to the parent entity Beroni Group Limited (2016: Beroni Group Limited). The information presented has been prepared using accounting policies that are consistent with those presented in Note 2.

	2017 AUD	2016* AUD
Current assets	2,708,188	-
Non-current assets	7,632,651	-
Total assets	10,340,839	-
Current liabilities	17,205	-
Non-current liabilities	-	100
Total liabilities	17,205	100
Contributed equity	11,461,820	100
Accumulated losses	(1,138,186)	-
Reserves	-	-
Total equity	10,323,634	100
(Loss) for the year	(1,138,186)	-
Other comprehensive for the year	-	-
Total comprehensive income for the year	(1,138,186)	-

* Beroni Group Limited (parent company) was incorporated in Australia on 17 June 2016.

Note 23. Subsidiaries

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

Name of Entity	Countries of incorporation	Equity Holding		Principle Activities
		31.12.2017	31.12.2016	
Beroni HongKong Limited	Hong Kong	100	100	Investment holdings
Tianjin Beroni Biotechnology Co., Limited	P.R. China	100	100	Retail of health products

Notes to Financial Statements (Continued)

Note 24. Reconciliation of Profit after income tax to Net Cash from operating activities

	2017 AUD	2016 AUD
Operating profit / (loss) after tax	(725,071)	475,882
Depreciation & Amortisation	47,448	23,105
Unrealised foreign exchange gain	12,728	178,133
(Increase)/Decrease in receivables	26,033	(317,408)
(Increase)/Decrease in prepayments	(229,996)	(216,297)
(Increase)/Decrease in inventory	(73,087)	352,616
Increase/(Decrease) in payables	(1,075,383)	974,179
Increase/(Decrease) in other liabilities	219,701	(14,430)
Net cash flow from operating activities	(1,797,627)	1,455,780

Note 25. Commitments

Operating lease commitments

	Consolidated 2017 AUD	Consolidated 2016 AUD
Operating lease commitment		
Within one year	193,979	196,124
One to five years	524,783	657,183
Over five years	136,116	206,431
Total	854,878	1,059,738

Note 26. Contingent liabilities

The Group has no contingent liabilities or commitments as at 31 December 2017. (31 December 2016: \$nil)

Note 27. Events after the Balance Sheet date

- The Company was listed on the Open Market of the Frankfurt Stock Exchange on 19 January 2018.
- The Company has entered into an agreement on 20 March 2018 with the Columbia University, New York ("Columbia University"), to provide US\$1 million funding to a 12-month research program in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus, under the direction of Professor Walter Ian Lipkin.

In return for the research funding support, Columbia University grants the Company an exclusive option ("Option") to:

- obtain an exclusive, compensation bearing license in the territory of China to the background patents and inventions in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus; and
- a non-exclusive, compensation bearing license in the territory of China to the information and materials developed in the course of Research (as each term is hereinafter defined) in the field of ArboViroPlex rRT-PCR Test.

- The Company has signed an investment term sheet with Cystemix Pty Limited ("Cystemix") and NewSouth Innovations Pty Limited on 28 March 2018 for the acquisition of an initial 2.2% shares in Cystemix for \$400,000, effective upon signing of the term sheet. The parties also agreed to enter into a share subscription and shareholders agreement by October 2018, setting out terms of subsequent investments by the Company into Cystemix. Subject to final negotiations of terms, it is intended that the Company will invest a total of \$10 million for 40% shares in Cystemix by the end of Phase 2 clinical trials of PENAO. Cystemix is a company set up by the University of New South Wales to develop an anti-cancer drug called PENAO for treatment of brain tumour.

Notes to Financial Statements (Continued)

Note 27. Events after the Balance Sheet date (continued)

4. There has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:
- a) the Company's operations in future financial years, or
 - b) the results of those operations in future financial years, or
 - c) the Company's state of affairs in future financial years.


Directors' Declaration

In the opinion of the directors of Beroni Group Limited ("the Company"):

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors



Boqing Zhang

Chairman

28 March 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017**

Report on the Financial Report

Opinion

We have audited the financial report of Beroni Group Limited and Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- a. the accompanying financial report of Beroni Group Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended; 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Sydney

Level 11
309 Kent Street
Sydney NSW 2000
PO Box 20726
World Square NSW 2002
T 02 8262 8700
F 02 8026 8377

Newcastle

Hunter Mall Chambers
2nd Floor, 175 Scott Street
Newcastle NSW 2300
PO Box 234
Newcastle NSW 2300
T 02 4907 7222
F 02 8026 8376

Brisbane

Level 22
333 Ann Street
Brisbane QLD 4000
GPO Box 2246
Brisbane QLD 4001
T 07 3839 1755
F 07 3839 1037

mail@prosperityadvisers.com.au
prosperityadvisers.com.au

Prosperity Advisers Audit Services Pty Ltd
ABN 90 147 151 228

Chartered Accountants
Liability limited by a Scheme approved under
the Professional Standards Legislation.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 31 December 2017. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the matter
<p>Compliance with Australian Equivalents to International Financial Reporting Standards ('AIFRS')</p> <p>The majority of the Group's operations are in mainland China through the operating subsidiary, Tianjin Beroni Biotechnology Co. Limited. The management accounts for this subsidiary are prepared in accordance with the relevant accounting standards governing Chinese entities.</p> <p>This is a key audit matter due to the significance of the subsidiary to the financial statements for the Group as a whole and the requirement for the Group to comply with AIFRS in the preparation of general purpose financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Issuance of audit instructions and supervision of the Tianjin Beroni Biotechnology Co., Limited auditor. This included discussions and instructions with respect to potential accounting standard treatments and differences between AIFRS and Chinese accounting standards. • Review of the working papers and AIFRS adjustments proposed by the auditor of the Tianjin Beroni Biotechnology Co., Limited subsidiary. • We assessed the adequacy of the disclosures included within the financial statements.
<p>Revenue recognition</p> <p>As disclosed in Note 5, the Group derives revenue from the sale of various products with revenue recognised when the goods are delivered and title has passed to the purchaser.</p> <p>During the previous year end audit, an adjusted audit difference was identified with respect to the timing of certain revenues recorded.</p> <p>This is a key audit matter due to the significance of revenue in the consolidated statement of profit or loss and other comprehensive income, and the identification of an audit adjustment in the prior year.</p>	<p>We evaluated the design and operating effectiveness of key controls over the capture and measurement of revenue transactions, including timing of the revenue recognition. We performed tests over a sample of revenue items and traced these transactions to supporting evidence.</p> <p>We assessed the Group accounting policies as set out in Note 5 Revenue, and the adequacy of disclosures for compliance with the revenue recognition requirements of Australian Accounting Standards (AASBs).</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017**

Key audit matter	How our audit addressed the matter
<p>Existence and Valuation of Accounts Receivable</p> <p>As disclosed in Note 9 and Note 17 (a) the Group has trade and other receivables with a net balance of \$1,637,105 (incorporating a provision of impairment of receivables of \$290,120). As at 31 December 2017 an amount of \$355,557 was aged greater than 12 months and related to debtors in mainland China.</p> <p>This is a key audit matter due to the management judgement involved in determining the fair value of trade and other receivables at 31 December 2017.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Examination of the ageing profile of the trade and other receivable balances at 31 December 2017 and movements subsequent to the reporting date. • Performance of confirmation and subsequent receipts testing for a sample of trade and other receivables balances, as well as revenue recognition testing procedures including evidence of goods delivery for a sample of items. • Inquiries and discussions with management with respect to trade and other receivables to assess whether any balances were in dispute. • Review of the working papers and procedures performed by the auditor of the Tianjin Beroni Biotechnology Co. Limited subsidiary. • Understanding the credit terms and basis for the ageing profile. • Assessment of the adequacy of the provision for impairment of receivables recorded by management in light of the procedures performed above. <p>We assessed the adequacy of the disclosures included in Note 2.3 (a) Estimated Provision for Impairment of Receivables, Note 9 Trade Receivables and Note 17 (a) Trade and Other Receivables Impairment.</p>

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017**

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017**

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 9 of the directors' report for the year ended 31 December 2017. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2017**

Auditor's Opinion

In our opinion, the remuneration report of Beroni Group Limited, for the year ended 31 December 2017, complies with s 300A of the Corporations Act 2001.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES

Luke Malone

LUKE MALONE
Director

28 March 2018

Sydney