2018 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 2018

Contents

A MESSAGE FROM THE CHAIRMAN

Dear Fellow Shareholders

On behalf of the Board and Management of Beroni Group Limited ("Beroni" or the "Company"), I am pleased to present the 2018 Annual Report.

It has been an eventful year for Beroni as it has been making investment inroads into Australia, Japan and the USA. The Company has also signed collaboration agreements with a few strategic business partners. This is a "big investment year" which will pave the way for the Company to expand its business exponentially in the future years.

Financial Performance

Beroni reported FY2018 revenue of $2.16 million (FY2017 $2.29 million), and underlying EBITDA of -$2.55 million (FY2017: -$0.58 million) and NPAT -$ 2.51 million (FY2017: -$0.73 million). This year's sales have remained at almost the same level as the previous year. The slight decrease is mainly due to the significant drop in sales of the water filter products although sales of other key products like Nicobloc and the health supplements (Bei Feiqing and Bei Jingli) have increased. Expenses have increased significantly mainly due to the expenses associated with the dual listing of the Company on the Frankfurt Stock Exchange, the investment deals done in Japan, the set-up of the Japanese subsidiary company, international travels and roadshows, and higher spending on product improvements in China.

Once the acquisition of the Japanese pharmaceutical company, Medicine Plus, is completed, Beroni will have a higher revenue base and will work toward increasing the profitability of the products in both Japan and China. Armed with an extensive range of products, it plans to expand its business by cross selling of the products between its markets and also selling them in new markets.

Investments

Beroni has made several investments and joint-ventures in FY2018 thereby expanding its range of products and scope of business. This is part of its growth strategy to acquire new businesses and expand into the international markets. As China is now opening up its biotechnology sector to bring in technology from the outside and foster the right environment for innovation, Beroni will take advantage of its new technologies and products to fast track the expansion of its business in the massive Chinese market.

The Way Forward

Based on a recent strategic review of the business, Beroni has set its vision to be a world's leading biotechnology company committed to improving the human health. Our new strategy will focus on developing 5 pillars of the business, as follows:

1. Strengthen the board and management team;
2. Diversify its products and expand into new markets;
3. Become a billion-dollar value company;
4. Collaborate with strategic partners to develop new technologies and expand existing businesses; and
5. Establish a strong brand name and reputation

In addition, the strategic review has led to a realignment of Beroni's business model which is now re-organised into four core businesses:

- Cell therapy business
- New anti-cancer drugs
- Diagnostic tools for detecting infectious diseases
- E-commerce platform for sales of pharmaceutical and healthcare products

I am confident that with the new focus, Beroni will leverage its business presence in Japan, USA, Australia and China and this would lead to an acceleration of growth and internationalisation of its business.

Once again, I would like to thank the board of directors, management team and staff for their hard work and commitment in taking the business to the next level in 2018. And I would also like to thank our shareholders for their support and interest in Beroni.

Boqing (Jacky) Zhang
Chairman
29 March 2019

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 2018 to 31 December 2018.

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 (Non-executive Director)

Hai HUANG (Executive Director)

Peter Yap Ting WONG (Executive Director and CFO)

Libing GUO (Non-executive Director)

Dr Zhinan Yin (Non-executive Director, appointed on 1 July 2018)

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. He has gained extensive marketing, operational and research experience in the biotechnology sector. He holds a bachelor's degree in Biotechnology from Tianjin University of Commerce, an MBA from Nankai University, another MBA from Tsinghua University, and a MSC in International Management from the University of Sussex.

Mr Zhang has previously worked in different roles including Head of Human Resources, Project Manager of R&D, CEO Asia Pacific Region, and Executive Director for companies based in China and the UK. He has a special interest in collaborating with global research institutions on bioscience and medicinal R&D, as well as technology transfer and new product development. He has been instrumental in developing Beroni since incorporation, winning various title recognition programs from the Chinese government such as "Tianjin High and New Technology Enterprise" in 2015, "National High and New Technology Enterprise" in 2016, "Tianjin Patent Pilot Unit" in 2017, and "China Market Credit Enterprise" in 2018.

Mr Zhang is a resident of the PRC. He is a member 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 than10 years of 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.

Directors' Report (continued)

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

(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.

(f) Dr Zhinan Yin

Dr. Zhinan Yin graduated from Hubei Medical University in 1984 and finished his Master's Degree in Immunology from Shanghai Second Medical University in 1988. Dr. Yin went to the National Cancer Centre of Italy to study and research on the immune mechanism of tumour cell metastasis and spread in 1992.Dr. Yin obtained his Doctorate degree with excellent results from the Free University of Berlin in 1997, and his academic dissertation won the Excellent Paper Award. Dr. Yin is an excellent scientist who has gained rich experience in the academic world in both US and China. Dr. Yin has over 30 years of working experience with a range of universities including Yale University, Nankai University and Jinan University. Dr. Yin's main research area is the differentiation and development of γδ T cells and their roles in the regulation of tumour immunity, hepatitis, and intestinal flora. Dr. Yin has published 103 academic articles, among which he is the first author, communication author, or co-corresponding author for 52 academic articles. Dr. Yin is a current Dean, Professor and PhD Tutor at Institute of Biomedical Transformation of Jinan University and Visiting Professor at Yale University School of Medicine.

Dr Yin is a resident of the PRC and the USA.

Directors' Report (continued)

Directors' meetings

Directors	Board		Audit committee		Remuneration committee	
	Held	Attended	Held	Attended	Held	Attended
Boqing Zhang	4	4	2	2	0	0
Chris Deng	4	4	2	2	0	0
Hai Huang	4	4	2	2	0	0
Libing Guo	4	4	2	2	0	0
Yap Ting (Peter) Wong	4	4	2	2	0	0
Dr Zhinan Yin *	4	1	-	-	-	-

* Appointed on 1 July 2018

Principal activities

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

The Company has recently invested in two entities in Japan – Dendrix Inc and Youtokukai Foundation – which specialise in precision and regenerative medicine such as gene therapy, immune cell therapy, and stem cell therapy. In addition to expanding this business in Japan, the Company plans to launch these products and services in its China market subject to local regulatory approvals.

Towards the end of June 2018, Beroni has entered into a subscription agreement to acquire 100% of Medicine Plus Co., Ltd, a pharmaceutical company based in Osaka, Japan. Once this acquisition is fully settled in 2019, the Company intends to expand the sales of their pharmaceutical products to China and other Asian markets.

Review of Operations

The table below sets out the selected key performance indicators for the full year ending 31 December 2018 ("FY2018") and 31 December 2017 ("FY2017"):

	FY2018	FY2017	Change %
Sales revenue	2,164,330	2,291,162	-5.5%
Cost of sales	(504,120)	(501,513)	0.5%
Gross profit	1,660,210	1,789,649	-7.2%
Other income	246,376	366,319	-32.7%
Selling and distribution expenses	(279,554)	(345,580)	-19.1%
General and administrative expenses	(4,260,955)	(2,434,830)	75.0%
Finance expense	(2,444)	(16,887)	*
Finance income	36,260	18,771	*
Profit (Loss) before income tax	(2,600,107)	(622,548)	-317.7%
Depreciation & Amortisation	85,149	47,448	*
Finance expense	2,443	16,887	*
Finance income	36,260	18,771	*
EBITDA **	(2,548,775)	(576,984)	341.7%
Income tax expense	93,733	(102,523)	-191.4%
NPAT	(2,506,374)	(725,071)	-238.6%

* Insignificant amounts
** EBITDA relates to profit before tax, depreciation & amortisation, and net finance costs

Directors' Report (continued)

(A) Revenue

Sales revenue has slightly decreased by 5.5% from $2,291,162 to $2,164,162 mainly due to the decline in sales of the water filter products (Olansi water filter and MRET water activator) from $819,928 to $415,705. Other key products like Nicobloc and health supplements - Bei Feiqing and Bei Jingli - have increased in sales from $95,806 to $213,969 and from $106,893 to $240,461 respectively. Sales of another key product, Fogibloc have decreased slightly from $1,013,132 to $946,464.

(B) Gross Profit

The slight decrease in gross profit from $2,818,901 to $1,789,649 is mainly due to the decrease in sales of the water filter products.

(C) Expenses

The significant increase in general and administrative expenses by $1,826,125 is mainly due to the following:

- the issuance of 960,000 shares worth $1,008,000 to the directors and company secretary in May 2018
- set-up and running expenses incurred for the new Japanese subsidiary company totalling $172,975 which comprised mainly wages and salaries of $106,006
- consulting fees of $353,717 paid to the listing consultant for the dual listing on the Frankfurt Stock Exchange in January 2018
- consultant fees of $112,274 paid to the German consultant to promote the dual listing on the Frankfurt Stock Exchange
- an increase in R&D expenses incurred by the Chinese company from $178,319 to $426,328 as a result of more product development spending to improve the quality of the existing products
- due diligence expenses totalling $121,681 paid to accountants and lawyers in relation to the investments in Dendrix Inc. and Medicine Plus
- roadshow, international travel and conference expenses have increased by $338,323 for the purpose of advertising and promoting the Company in Europe and making investment deals in Japan

Dividend

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

Significant Changes in State of Affairs

1. Dual listing on Frankfurt Stock Exchange

The Company was dual-listed on the Open Market of the Frankfurt Stock Exchange on 19 January 2018. The dual listing was subsequently removed by the Frankfurt Stock Exchange on 24 September 2018 due to its subsequent decision not to recognise the National Stock Exchange of Australia as an Approved Stock Exchange.

2. Issue of new shares

In April and May 2018, the Company raised $3,973,093 through the placement of 6,112,452 new ordinary shares at an issue price of A$0.65. The new shares were issued in two tranches; 2,360,565 shares in April 2018 raising $1,534,367 and 3,751,887 shares raising $2,438,726 in May 2018.

In June 2018, the Company also issued another 784,313 new ordinary shares at an issue price of A$1.20 per share and raising A$941,176.

As part of the directors' compensation, 960,000 fully paid ordinary shares at the price of $1.05 were granted to the directors and company secretary in June 2018.

3. Investments

Columbia University

The Company signed an agreement in March 2018 with the Columbia University, New York 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:

Directors' Report (continued)

- 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 is in the process of signing a 20-year exclusive licensing agreement with the Columbia University to sell the diagnostic kit product on a worldwide basis. The agreement is expected to be completed and signed in April 2019.

Cystemix Pty Ltd

Beroni has signed an investment term sheet with Cystemix Pty Limited and NewSouth Innovations Pty Limited on 28 March 2018 for the acquisition of an initial 2.2% shares in Cystemix for $400,000. The parties also agreed to enter into a share subscription and shareholders agreement, setting out terms of subsequent investments by the Company into Cystemix. Subject to finalisation of the agreements which are expected to be completed in April 2019, 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.

Dendrix Inc.

The Company entered into a share subscription agreement to acquire 30.40% of the total share capital of Dendrix Inc., a Japanese company specialising in immune cell therapy, for a total investment of JPY400 million (approximately A$4.87 million). The investment is to be completed in two tranches. The first tranche for 17.92% of the share capital of Dendrix Inc for JPY200 million was completed in April 2018 and the second tranche for JPY200 million to bring Beroni's total shareholding interest in Dendrix to 30.40% was to be completed before 30 September 2018, subject to certain conditions being met. However, due to certain conditions precedent not being met, Beroni has deferred the second tranche of investment until Dendrix has made significant progress in its development plans.

Beroni Japan

The Company acquired 51% of the shares in Beroni Japan for an amount of $31,114 in April 2018.

Youtokukai Foundation

In June 2018, Beroni invested JPY100 million (A$1.22 million) into a capital fund; the Youtokukai Foundation which was set up to fund the establishment and development of the Tokyo Ginza International Medical Clinic to be operated by Youtokukai, a medical group based in Japan specialising in regenerative medicine technology such as gene therapy, immune cell therapy, and stem cell therapy. The investment can be fully redeemed after 30 June 2021.

Medicine Plus

Towards the end of June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd, a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A$14.37 million) via a combination of cash and shares. Beroni has initially until 20 September 2018 to pay the consideration. The vendor has extended the settlement date to 30 April 2019 to provide more time for Beroni to raise the capital to pay for the consideration. Beroni has issued 2,067,900 shares at $1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. Should this acquisition cannot be completed, the cost of the shares issued which has been recognised as an asset will be expensed.

Beroni USA

On 9 November 2018, Beroni established a new 100%-owned company in the USA, Beroni USA Corporation to develop the ArboViroPlex rRT-PCR diagnostic kit business.

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.

Directors' Report (continued)

Matters subsequent to the end of the financial year

1. Beroni has announced in November 2018 that the share subscription and shareholders' agreement for the investment in Cystemix Pty Ltd, the company set up by the University of New South Wales to advance the clinical development of the anti-cancer drug PENAO would be expected to be finalised and signed in December 2018. The transaction documents have been revised a few times and are currently being reviewed by the lawyers and the other shareholders. Beroni expects these documents to be completed in April 2019.

2. On 20 June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd, a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A$14.37 million) via a combination of cash and shares. In October 2018, Beroni issued 2,067,900 shares at $1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. The original settlement price of $14.3 million agreed in June 2018 was increased by 10% to approximately $15.8 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. The directors are in the process of raising the required capital to complete this acquisition.

3. Other than the above events, 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.

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 2018.

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
Hai Huang	Founder, Executive Director	3 November 2016	Tianjin, P.R. China
Yap Ting (Peter) Wong	Executive Director and CFO	30 September 2016	Sydney, Australia
Non-executive directors			
Chris Deng	Non-executive Director	30 September 2016	Sydney, Australia
Dr Zhinan Yin	Non-executive Director	1 July 2018	Guangzhou, P.R. China
Libing Guo	Non-executive Director	3 November 2016	Tianjin, P.R. China

Directors' Report (continued)

Remunerations of KMPs:

KMP		Short Term				Post employ-ment	Share based payments		Total	
Name	Year	Base salary	Cash bonus	Non-cash benefit	Other	Super-annuation	Options	Shares	Total $	Performance-related
Boqing Zhang	2018	40,000	-	-	-	-	-	525,000	565,000	0%
	2017	40,000	-	-	-	-	-	-	40,000	0%
Chris Deng	2018	30,000	-	-	-	-	-	42,000	72,000	0%
	2017	30,000	-	-	-	-	-	-	30,000	0%
Hai Huang	2018	30,000	-	-	-	-	-	126,000	156,000	0%
	2017	30,000	-	-	-	-	-	-	30,000	0%
Yap Ting (Peter) Wong	2018	40,000	-	-	-	-	-	126,000	166,000	0%
	2017	40,000	-	-	-	-	-	-	40,000	0%
Libing Guo	2018	20,000	-	-	-	-	-	105,000	125,000	0%
	2017	20,000	-	-	-	-	-	-	20,000	0%
Dr Zhinan Yin	2018	20,000*	-	-	-	-	-	-	20,000	0%
	2017	-	-	-	-	-	-	-	-	0%

* Appointed on 1 July 2018 with annual salary of $40,000

KMPs' shareholding and interests in the Company

	Balance 01.01.2018	Acquired	Granted as remuneration	Fair value of Grant $	Disposed	Options/ Rights Vested & Exercisable at 31.12.2018	Balance 31.12.2018
Boqing Zhang	35,979,190[1]	-	500,000	525,000	-	-	36,479,190
Chris Deng	Nil	-	40,000	42,000	-	-	40,000
Hai Huang	Nil[1]	-	120,000	126,000	-	-	120,000
Yap Ting (Peter) Wong	Nil	-	120,000	126,000	-	-	120,000
Libing Guo	Nil[1]		100,000	105,000			100,000
Dr Zhinan Yin	Nil	-	-	-	-	-	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.

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.

Directors' Report (continued)

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 16.

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 2019

Other Shareholder Information

Distribution of shareholders

As at 31 December 2018, the Company had 205 shareholders and a total of 70,101,348 fully paid ordinary shares on issue. As at 31 December 2018, the distribution of shareholders was as follows:

Size of holding	Number of shareholders	Number of ordinary shares	% of issued capital
1 - 1,000	2	1,972	0.00%
1,001 – 5,000	19	65,669	0.09%
5,001 – 10,000	26	171,411	0.25%
10,001 – 100,000	118	3,532,167	5.04%
100,001 and over	40	66,331,129	94.62%
Total	205	70,102,348	100.00%

Substantial Shareholders

Substantial shareholders as at 31 December 2018 were as follows:

Shareholder	Number of ordinary shares	Percentage (%) of total issued shares
Beroni Technology Ltd *	35,979,190	51.32%
Kai, Shen	12,523,620	17.86%

* 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 were 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	35,979,190	51.32%
2	Kai, Shen	12,523,620	17.86%
3	Tameyuki Kawaguchi	2,067,900	2.95%
4	Jianxia, Gao	1,803,392	2.57%
5	Eagle IG Limited	1,259,506	1.8%
6	Bo Ma	1,195,286	1.71%
7	Xiaokun, Wang	1,117,453	1.59%
8	Jianguo Wen	984,051	1.4%
9	Hanlin, Zhang	777,375	1.11%
10	J P Morgan Nominees Australia	604,806	0.86%
11	Mr Jianguo Wen	584,549	0.83%
12	Yan, Sun	571,599	0.82%
13	Bingyan, Yu	571,599	0.82%
14	Fengkui, Ma	550,872	0.79%
15	Xiangxin, Li	547,065	0.78%
16	Bohua, Zhang *	517,297	0.74%
17	Hanlin Zhang	500,000	0.71%
18	Boqing Zhang	500,000	0.71%
19	Long, Zhang	305,428	0.44%
20	Bo Ma	300,940	0.43%
	Top 20 holders of ordinary fully paid shares	63,261,928	90.24%
	Remaining holders balance	6,840,240	9.76%
	Total	70,102,168	100.00%

* A relative of Boqing Zhang

Corporate Directory

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Beroni Group Limited is listed on the National Stock Exchange.

NSX Code: BTG

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Directors

Boqing Zhang
Chris Deng
Hai Huang
Libing Guo
Peter Wong
Dr Zhinan Yin

Company Secretary

Nicholas Ong

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 2018 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
Director

28 March 2019
p
Sydney

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 31.12.2018 AUD	Consolidated Year Ended 31.12.2017 AUD
Sales revenue	5	2,164,330	2,291,162
Cost of sales		(504,120)	(501,513)
Gross profit		1,660,210	1,789,649
Other income			
Government subsidy	6	219,178	366,319
Other revenue		27,198	-
Selling and distribution expenses	7	(279,554)	(345,580)
General and administration expenses	7	(4,260,955)	(2,434,830)
Finance expense		(2,444)	(16,877)
Finance income		36,260	18,771
Profit / loss before income tax		(2,600,107)	(622,548)
Income tax expense	15	93,734	(102,523)
Net profit / (loss) for the period		(2,506,373)	(725,071)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		283,378	121,420
Total comprehensive income / (loss) for the period		(2,222,995)	(603,651)
Profit / (loss) for the period is attributable to:			
Owners of Beroni Group Limited		(2,428,621)	(725,071)
Non-controlling interest		(77,752)	-
Total profit / (loss) for the period		(2,506,373)	(725,071)
Total comprehensive income / (loss) for the period attributable to:			
Owners of Beroni Group Limited		(2,146,572)	(603,651)
Non-controlling interest		(76,423)	-
Total comprehensive income / (loss) for the period		(2,222,995)	(603,651)
		Cents	Cents
Earnings per share for profit for the period			
Basic earnings / (loss) per share	17	(3.82)	(1.40)
Diluted earnings / (loss) per share	17	(3.82)	(1.40)

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 31.12.2018 AUD	Consolidated As at 31.12.2017 AUD
Current Assets			
Cash and cash equivalents	8	5,747,749	8,669,709
Trade receivables	10	2,335,120	1,637,105
Inventories	11	48,173	162,964
Prepayments and other current assets	9	4,427,066	475,803
Other receivables	10	461,181	106,317
Total current assets		13,019,289	11,051,898
Non-Current Assets			
Property, plant and equipment	12	210,201	152,759
Intangible assets	13	1,336,117	644
Deferred tax assets		129,165	47,058
Investment in other entities	14	3,656,383	-
Other assets		282,070	47,651
Total non-current assets		5,613,936	248,112
Total Assets		18,633,225	11,300,010
Current Liabilities			
Trade and other payables	16	56,979	32,388
Borrowings from related parties	16, 20	215,471	196,688
Other current tax liabilities		22,998	93,586
Other liabilities	16	93,125	161,613
Total current liabilities		388,573	484,275
Non-Current Liabilities		-	-
Total Liabilities		388,573	484,275
Net Assets		18,244,652	10,815,735
Equity			
Issued capital	22	20,913,167	11,372,072
Reserves	23	290,731	8,682
Retained earnings		(2,912,717)	(565,019)
Equity attributable to equity holders of the parent entity		18,291,181	10,815,735
Non-controlling interests		(46,529)	-
Total Equity		18,244,652	10,815,735

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent					
	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
Consolidated 2018	AUD	AUD	AUD	AUD	AUD	AUD
Balance at 1 January 2018	11,372,072	16,885	(8,203)	(565,019)	-	10,815,735
Comprehensive income/(loss) for the period:						
Net loss for the period	-	-	-	(2,428,621)	(77,752)	(2,506,373)
Other comprehensive income/(loss) for the period	-	-	282,049	-	1,329	283,378
Total comprehensive income/(loss) for the period	-	-	282,049	(2,428,621)	(76,423)	(2,222,995)
Transactions with owners in their capacity as owners, net of transaction cost				80,923		80,923
Capital contribution from share placement	8,533,095	-	-	-	-	8,533,095
Ordinary shares issued to directors and company secretary	1,008,000	-	-	-	29,894	1,037,894
Balance at 31 December 2018	20,913,167	16,885	273,846	(2,912,717)	(46,529)	18,244,652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to Equity Holders of the Parent					
	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
	AUD	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

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 31.12.2018 AUD	Consolidated Year Ended 31.12.2017 AUD
Cash flows from operating activities:			
Receipts from customers		2,012,160	2,013,229
Payments to suppliers and employees		(5,482,285)	(4,087,208)
Interest paid		-	(16,877)
Income tax paid		(73,746)	(73,090)
Receipts from government		-	366,319
Net cash generated/(used) in operating activities	27	(3,543,871)	(1,797,627)
Cash flows from financing activities:			
Gross proceeds from issue of equity instruments of the Company, net of transaction costs		5,952,163	7,832,378
Gross proceeds from / (repayment of) borrowings		203,337	196,688
Net cash generated from financing activities		6,155,500	8,029,066
Cash flows from investing activities:			
Proceeds from disposal of PPE		15,012	-
Purchase of property, plant and equipment		(250,057)	(24,792)
Interest received		36,257	18,771
Payments for intangible assets		(1,335,767)	(586)
Investment in other entities		(4,206,383)	-
Payment for other investing activities		(41,881)	-
Net cash generated from / (used in) investing activities		(5,782,819)	(6,607)
Net increase in cash and cash equivalents		(3,171,190)	6,224,832
Cash and cash equivalents at beginning of the period		8,669,709	2,251,843
Exchange gain/(loss) on cash and cash equivalents		249,230	193,034
Cash and cash equivalents at end of the period	8	5,747,749	8,669,709

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

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 2018. 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
Suite 401, level 4	Level 10, Building 11
447 Kent Street	Zhong Bei High Technology Industrial Park, Xiqing District
Sydney NSW 2000	Tianjin 300380
Australia	People’s Republic of China

The Company is principally engaged in the sale of smoking control product (NicoBloc), air purifier, healthcare products and supplements, cosmetics and stem-cell therapies. It has re-organised its business into four core business areas – cell therapies, developing new anti-cancer drugs, e-commerce platform for pharmaceutical and healthcare products, and detection & diagnosis of infectious diseases.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 March 2019.

Note 2. Basis of preparation

This general purpose financial statement for the annual reporting period ended 31 December 2018 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 2018 ("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.

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.

1.2 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 functional currency of the Company's other two subsidiaries, Beroni Japan Inc. and Beroni USA Corporation is Japanese Yen and United States dollar respectively. 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.

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.

2.4 New, revised or amended Accounting Standards and Interpretations adopted

New, revised or amended Accounting Standards and Interpretations adopted

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

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2018. The relevant accounting standards are presented below.

- AASB 9 Financial Instruments and related amending Standards
- AASB 15 Revenue from Contracts with Customers and related amending Standards
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions
- Interpretation 22 Foreign Currency Transactions and Advance Consideration

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial position of the consolidated entity.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

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.

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.

Note 4. Segment reporting (continued)

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
- Health supplements
- Cell therapies

Segment information

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

	Segment Revenue		Segment Gross Profit	
Segment	2018 AUD	2017 AUD	2018 AUD	2017 AUD
Nicobloc	213,969	95,806	185,963	68,340
Fogibloc air purifier	946,464	1,013,132	688,235	767,859
Olansi water filter	415,557	577,191	407,011	489,660
MRET water activator	148	242,737	(270)	157,587
Health supplements	240,461	106,893	204,829	90,926
Cell therapies	48,393	-	14,578	-
All other	299,338	255,403	159,863	215,277
Total for all segments	2,164,330	2,291,162	1,660,209	1,789,649
Other income			246,376	366,319
Unallocated selling and distribution expenses			(279,554)	(345,580)
Central general and administrative expenses			(4,260,955)	(2,434,830)
Net finance costs			33,817	1,894
Profit / (loss) before income tax			(2,600,107)	(622,548)

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2017: nil).

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.

Note 4. Segment reporting (continued)

Geographical information

Segment revenue based on the geographical location of customers is as below:

	Sales Revenue by Geographical Market	
	2018	2017
	AUD	AUD
China	2,115,937	2,291,162
Japan*	48,393	-
	2,164,330	2,291,162

* Japan sales were related to cell therapies

Major customers

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

Note 5. Revenue

	Consolidated	Consolidated
	2018	2017
	AUD	AUD
Sales	2,164,330	2,291,162

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 from sale of goods and services in China and Japan.

Sales of goods and services

In China, the Company sells smoking control products, air purifiers, health supplements, and cosmetics to the wholesale market and directly to customers through the e-commerce channels.

For sales of goods to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on-selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods on the e-commerce outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

In Japan, the Company sells cosmetic products and cell therapies. Revenue from the sale of cosmetic products is recognised when the goods are delivered and titles have passed at the point of delivery. Revenue on sales of cell therapies is recognised upon the stage of completion of the services.

Sales of goods on consignment

Revenue from sale of goods on consignment is recognised upon the sale of the goods by the consignee. Control of the goods remains with the Company until such time as the goods are sold by the consignee.

Discounts, promotional and other rebates

The amount of revenue recognised for a transaction is net of any discounts, promotional and other rebates.

Note 5. Revenue (continued)

Warranties

Sales-related warranties associated with goods like Fogibloc and Olansi water filter are provided by the product manufacturers and the Company does not bear the related warranty costs.

Note 6. Government subsidy

	Consolidated 2018 AUD	Consolidated 2017 AUD
Government subsidy	219,178	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.

Note 7. Expenses

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

	Consolidated 2018 AUD	Consolidated 2017 AUD
Wages and salaries	568,425	385,377
Rent expenses	64,764	256,628
R&D Expenses	426,328	178,319
Legal fee	187,949	36,388
Listing expenses	605,905	722,629
Share-based payment compensation [1]	1,008,000	-
Doubtful debts expense [2]	184,755	3,376
	3,046,126	1,582,717

[1] Share-based payment compensation relates to the 960,000 shares granted to the directors and company secretary in June 2018.

[2] Being adjustment of bad debts provision based on trade receivables aging at 31 December 2018.

Note 8. Cash and cash equivalents

	Consolidated 2018 AUD	Consolidated 2017 AUD
Cash on hand	14,357	197
Cash at bank	5,733,392	8,649,843
Marketable securities	-	19,669
Total cash and cash equivalents	5,747,749	8,669,709

Note 8. Cash and cash equivalents (continued)

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. Prepayments and other current assets

	Consolidated 2018 AUD	Consolidated 2017 AUD
Prepayment for shares in Cystemix[1]	550,000	-
Shares issued to Medicine Plus[2]	3,618,825	-
Other prepayments and current assets	258,241	475,803
	4,427,066	475,803

[1] On 28 March 2018, the Company signed a term sheet with NewSouth Innovations Pty Ltd ("NSI"), a subsidiary of the University of New South Wales and Cystemix Pty Limited ("Cystemix"), a company established in 2002 by NSI to advance the clinical development of the potentially groundbreaking anti-cancer drug called PENAO. Beroni will invest up to 40% of the shares of Cystemix. Beroni has paid in advance $550,000 for 2.2% of the share investment during the first half year of 2018. The shares in Cystemix have not been issued to Beroni as the final subscription agreement is still being finalized.

[2] On 8 October 2018, Beroni issued 2,067,900 shares at $1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. The original settlement price of $14.3 million agreed in June 2018 was increased by 10% to approximately $15.8 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. In the event that the acquisition of Medicine Plus cannot be completed, the shares already issued to Medicine Plus will be retained by its owners and the cost of the shares will be recognised as an expense in the income statement. The transaction is expected to be completed by 30 April 2019.

Note 10. Trade and other receivables

	Consolidated 2018 AUD	Consolidated 2017 AUD
Amounts due from customers	2,764,810	1,927,225
Less: Provision for doubtful debts	(429,690)	(290,120)
Trade receivables	2,335,120	1,637,105
Other receivables	461,181	106,317
	2,796,301	1,743,422

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.

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 19.

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

Note 11. Inventories

	Consolidated 2018 AUD	Consolidated 2017 AUD
Inventories	48,173	162,964

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 12. Property, plant and equipment

2018	Land & Building AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	-	22,515	78,141	27,998	24,105	152,759
Depreciation Adjustment	-	180	-	(180)	-	-
Additions	4,975	-	66,374	9,375	42,167	122,891
Disposals	-	-	(15,298)	(1,611)	-	(16,909)
Depreciation charge	-	-	(33,001)	(13,326)	(8,944)	(55,271)
Foreign exchange translation	286	1,072	3,092	1,305	976	6,731
Closing net book value	5,261	23,767	99,308	23,561	58,304	210,201

2017	Land & Building AUD	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

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.

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.

Note 12. Property, plant and equipment (continued)

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 13. Intangible Assets

	Consolidated 2018 AUD	Consolidated 2017 AUD
Capitalised development cost *	1,288,276	-
Patents **	47,490	-
Software	351	644
	1,336,117	644

* The Company has entered into an agreement with the Columbia University, New York 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 ArboViroPlex rRT-PCR Test patents and inventions and also a non-exclusive, compensation bearing license in the territory of China to the information and materials developed in the course of this research. The Company is in the process of signing a 20-year exclusive licensing agreement with the Columbia University to sell the diagnostic kit product on a worldwide basis. The agreement is expected to be completed and signed in April 2019. Once the licensing agreement is signed, the capitalised development cost will be amortised over the 20-year life of the license.

** The Company has secured the ArboViroPlex rRT-PCR Test patent in five countries namely India, Saudi Arabia, China, Australia and Japan. The carrying amount of the patents which represents the registration costs of the patent in these countries will be amortised over the 20-year life of the license.

Accounting Policy: Intangibles

Patents

Patents acquired separately or in a business combination is initially measured at cost, which is its fair value at the date of acquisition. Following initial recognition, it is carried at cost less any amortisation and impairment. The useful life of patents generally ranges from 5 to 20 years.

Software

Costs incurred in developing or acquiring software, licences or systems that will contribute future financial benefits are capitalised. These include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 10 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, where the Group has the intention and ability to use the asset.

Research and Development

The Group conducts research and development activities to support future development of products, to enhance our existing products and to develop new therapies. All costs associated with these activities are expensed as incurred as uncertainty exists up until the point of regulatory approval as to whether a research and development project will be successful.

No intangible asset arising from research shall be recognised. Expenditure on research shall be recognised as an expense when it is incurred. Research or development expenditure that relates to a development project acquired separately or in a business combination shall be recognised as an intangible asset when it is probable that the project will be a success considering its commercial and technical feasibility, the Company is able to use or sell the asset, the Company has sufficient resources, and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefits.

Note 13. Intangible Assets (continued)

Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life of the asset. Significant software intangible assets are amortised over a 10-year useful life. The amortisation period and method is reviewed at each financial year end at a minimum. Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Impairment of intangible assets

Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there is any indication that these assets have suffered an impairment loss, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Intangible assets that have an indefinite useful life (such as goodwill) are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired.

Note 14. Investment in other entities

	Consolidated 2018 AUD	Consolidated 2017 AUD
Investment in shares of Dendrix Inc.[1]	2,431,515	-
Investment in Youtokukai Fund [2]	1,224,868	-
	3,656,383	-

[1] The Company entered into a share subscription agreement on 9 April 2018 to acquire 20,000 ordinary shares at an issue price of 20,000 Japanese Yen (JPY) per share, for a total investment of 400 million JPY (approximately A$4.87 million dollars), representing 30.40% of the total share capital of Dendrix Inc. The investment is to be completed in two tranches. The first tranche for 17.92% of the share capital of Dendrix Inc for JPY200 million was completed in April 2018. The second tranche for JPY200 million to bring Beroni's total shareholding interest in Dendrix to 30.40% was to be completed by 30 September 2018. However, as certain material conditions were not completed by the due date, the Company has deferred its second subscription to 2019. The Company is actively working with Dendrix to develop the stem cell business so as to meet the conditions precedent to the second subscription. Dendrix is a company based in Tokyo, Japan and was established in December 2012 to provide immune cell culture for treatment against malignant tumours.

[2] On 18 June 2018, the Company invested JPY100 million (A$1.22 million) into a capital fund, the Youtokukai Fund which was set up to fund the establishment and development of the Tokyo Ginza International Medical Clinic to be operated by Youtokukai, a medical group based in Japan specialising in regenerative medicine technology such as gene therapy, immune cell therapy, and stem cell therapy. A consortium of four investors including Beroni Group have invested a total of JPY280 million in this capital fund. The Medical Clinic is going to be wholly owned by Youtokukai. For this investment, Beroni Group will receive a monthly dividend from January 2019 onwards based on the operating surplus of the business and its share of the total investment in this joint venture. The investment can be fully redeemed after 30 June 2021.

Accounting Policy: Investment in equity instruments

Investments in equity instruments and joint ventures that are not held for trading are designated as at FVTOCI (Fair Value Through Other Comprehensive Income) in accordance with AASB 9 and are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments' revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included as investment income in the income statement.

Fair Value Measurement

At 31 December 2018, the directors and management performed an assessment of reasonably possible changes in key assumptions and did not identify any instances which could have a negative impact on the fair value of the investments.

Note 15. Income tax

	Consolidated 2018 AUD	Consolidated 2017 AUD
Profit / (loss) before income tax	(2,600,107)	(622,547)
Adjusted for loss in parent company *	2,340,268	1,138,185
Adjusted for loss in other group members	168,965	-
-Adjusted for adjustment at group level	-	(89,745)
Profit before tax derived from operations in China	(90,874)	425,894
25% Income tax on profit in China	(22,718)	106,473
(Increase) / decrease in deferred tax asset	(82,107)	(25,404)
Adjusted for foreign currency exchange impact	11,091	21,453
Income tax expense	(93,734)	102,523

* The parent company has an estimated $2.5 million of accumulated tax losses. As it is uncertain whether taxable profits will be available against which those tax losses can be utilized, no deferred tax asset has been recognised in the accounts.

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.

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 16. Trade and other payables

	Consolidated 2018 AUD	Consolidated 2017 AUD
Trade and other payables	56,979	32,388
Other liabilities	93,125	161,613
Payables to related parties	215,471	196,688
	365,575	390,689

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 17. Earnings per share

	Consolidated 2018 AUD	Consolidated 2017 AUD
Basic earnings / (loss) (cents) per share	(3.82)	(1.40)
Diluted earnings / (loss) (cents) per share	(3.82)	(1.40)

Note 18. Auditor's remuneration

	Consolidated 2018 AUD	Consolidated 2017 AUD
Prosperity Audit Services	89,000	81,500
Shanghai WSP CPA	48,552	23,160
	137,552	104,660

Note 19. 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 2018.

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 2018.

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 polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

Note 19. Financial risk management (continued)

At 31 December 2018 and 31 December 2017, the Group held the following financial instruments:

	Consolidated 2018 AUD	Consolidated 2017 AUD
Financial Assets		
Current		
Cash and cash equivalents	5,747,749	8,669,709
Trade receivables	2,335,120	1,637,105
Other receivables	461,181	106,317
	8,544,050	10,413,131
Financial liabilities		
Current		
Trade and other payables	56,979	32,388
Borrowings from related parties	215,471	196,688
Other liabilities	93,125	161,613
	365,575	390,689

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 2018 is $429,690 (2017: $290,120).

The aging of the trade and other receivables that were not impaired as at 31 December 2018 are set out in the following table.

	2018 AUD	2017 AUD
Neither past due nor impaired		-
0 to 180 days past due but not impaired	828,886	821,877
180 to 360 days past due but not impaired	576,226	459,671
Over 360 days past due but not impaired	1,359,698	355,557
	2,764,810	1,637,105

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 10.

No collateral is held over other receivables.

Note 19. Financial risk management (continued)

Cash and cash equivalents

The Group held cash and cash equivalents of $5,747,749 at 31 December 2018. 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.

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 2018					
Trade and other payables	-	79,977	-	79,977	79,977
Payables to related parties	-	215,471	-	215,471	215,471
Other liabilities	-	93,125	-	93,125	93,125
	-	388,573	-	388,573	388,573
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

(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.

Note 19: Financial risk management (continued)

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.

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 20. 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 Zhinan Yin
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)

Note 20. Related party transactions (continued)

b) Key Management Personnel (KMP)

Compensation

	2018 AUD	2017 AUD
Total KMP Compensation		
Short-term employee benefits	180,000	160,000
Post-employment benefits	-	-
Share-based payments	924,000	-
	1,104,000	160,000

Detailed remuneration disclosed are provided in the remuneration report on page 10.

Other transactions

In the year ended 31 December 2018, the Company has engaged the services of Asia Invest Partners Limited to manage its financial and tax affairs in Australia. Asia Invest Partners is owned by the Australian director, Yap Ting (Peter) Wong. The Company has paid a total of $25,000 for the services rendered in the financial year ended 31 December 2018.

c) Transactions with other related parties

Sales to related parties	2018 AUD	2017 AUD
Sales to Tianjin Zhongkebeicheng Techhology Co. Ltd (A director was previously a shareholder and director of related company) *	-	372,370

* 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) Balances with related parties

Amounts due to related parties	2018 AUD	2017 AUD
Mr. Boqing Zhang (Director) [1]	27,358	196,688
Ms. Fujiwara Kinuko [2]	188,113	-
Total amounts due to related parties	215,471	196,688

[1] This represents $27,358 loaned to Beroni HK by Mr. Boqing Zhang for payment of general & administration expenses before Beroni HongKong Limited was able to open its bank accounts.

[2] This is an unsecured loan from Ms. Fujiwara Kinuko, a director of Beroni Japan Inc. to provide working capital to Beroni Japan Inc.

Note 21. Dividends

There was no dividend paid nor declared during the period

Note 22. Share capital

	2018 Number of shares	2018 AUD	2017 Number of shares	2017 AUD
Ordinary shares fully paid				
At the beginning of the period	60,177,683	11,372,072	35,255,782	2,107,354
Conversion of convertible notes	-	-	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	6,896,765	4,914,270	5,796,597	3,130,163
Shares issued to directors and company secretary	960,000	1,008,000	-	-
Shares issued to Medicine Plus	2,067,900	3,618,825	-	-
Total ordinary shares fully paid	70,102,348	20,913,167	60,177,683	11,372,072

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 23. Reserves

	Consolidated 2018 AUD	Consolidated 2017 AUD
Surplus reserve	16,885	16,885
Foreign currency translation reserve	273,846	(8,203)
Total Reserves	290,731	8,682

Note 24. Parent entity

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

	2018 AUD	2017 AUD
Current assets	4,127,430	2,708,188
Non-current assets	13,397,030	7,632,651
Total assets	17,524,460	10,340,839
Current liabilities	-	17,205
Non-current liabilities	-	-
Total liabilities	-	17,205
Contributed equity	21,002,913	11,461,820
Accumulated losses	(3,478,453)	(1,138,186)
Reserves	-	-
Total equity	17,524,460	10,323,634
(Loss) for the year	(2,340,268)	(1,138,186)
Other comprehensive for the year	-	-
Total comprehensive income for the year	(2,340,268)	(1,138,186)

Note 25. Acquisition of subsidiaries

In April 2018, the Company acquired 51% of the share capital of Beroni Japan Inc., a company set up for the purpose of developing Beroni's business in Japan. The Company has paid a consideration of JPY2.55 million (A$31,114) for this investment. The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair Value
	AUD
Cash	61,007
Less: non-controlling interests	(29,893)
Net assets acquired	31,114

	AUD
Purchase consideration:	
Cash paid	31,114
Total purchase consideration	31,114

The impact of Beroni Japan Inc. on the Group's results in the current year is a net loss of $158,677.

In November 2018, Beroni USA Corporation was incorporated in the United States and is 100% owned by the Company. The issued share capital of the US company is USD 50,000. The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair Value
	AUD
Cash	13,800
Receivables	55,200
Net assets acquired	69,000

	AUD
Purchase consideration:	
Cash paid	13,800
Unpaid consideration	55,200
Total purchase consideration	69,000

As Beroni USA Corporation has yet to commence business in 2018, its impact on the Group's results in the current year is NIL.

Note 26. 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
		31.12.2018	31.12.2017	
		%	%	
Beroni HongKong Limited	Hong Kong	100	100	Investment holdings
Tianjin Beroni Biotechnology Co., Limited	P.R. China	100	100	Retail of health products
Beroni Japan Inc.	Japan	51	-	Retail of cell therapies
Beroni USA Corporation	United States	100	-	Retail of diagnostic kits

Note 27. Reconciliation of Profit after income tax to Net Cash from operating activities

	2018 AUD	2017 AUD
Operating profit / (loss) after tax	(2,506,373)	(725,071)
Depreciation	55,271	47,392
Amortisation	29,878	56
Unrealised foreign exchange gain	(205,529)	12,728
(Increase)/Decrease in receivables	(1,134,986)	26,033
(Increase)/Decrease in prepayments	217,561	(229,996)
(Increase)/Decrease in inventory	114,792	(73,087)
Increase/(Decrease) in payables	24,592	(1,075,383)
Increase/(Decrease) in other liabilities	(139,077)	219,701
Net cash flow from operating activities	(3,543,871)	(1,797,627)

Note 28. Commitments

Operating lease commitments

	Consolidated 2018 AUD	Consolidated 2017 AUD
Operating lease commitment		
Within one year	203,145	193,979
One to five years	417,337	524,783
Over five years	71,274	136,116
Total	691,756	854,878

Note 29. Contingencies

The Group has no contingent liabilities or commitments as at 31 December 2018. (31 December 2017: $nil) except for the following:

(a) In November 2016, Tianjin Beroni had paid US$175,000 (about A$250,000) to Nicobloc PLC, the UK-based supplier for the Nicobloc product, as full payment for an order. However, Nicobloc PLC had yet to deliver the goods and despite numerous follow-ups in 2017 and 2018, it has neither refunded the payment nor delivered the goods to Tianjin Beroni. In October 2018, Beroni appointed a UK-based lawyer to pursue legal action against Nicobloc PLC for a refund of the money already paid. Beroni's management is confident that it will succeed in its legal claim. Nevertheless, the company has reserved 25% of the balance i.e. US$43,750 or A$62,500 as a provision for the uncertainty in recovering the payment. Although the outcome of this matter cannot be predicted with certainty, management has no reason to believe that the loss of the remaining balance and the potential legal costs will have a materially adverse effect on the consolidated financial position of the Company.

(b) On 20 June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd, a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A$14.37 million) via a combination of cash and shares. In October 2018, Beroni issued 2,067,900 shares at $1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. The original settlement price of $14.3 million agreed in June 2018 was increased by 10% to approximately $15.8 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. In the event this acquisition is not successfully completed, the cost of the shares issued to Medicine Plus amounting to $3,618,825 will recognised as an expense in the income statement.

Note 30. Fair value measurements of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

Note 31. Events after the Balance Sheet date

1. Beroni has announced in November 2018 that the share subscription and shareholders' agreement for the investment in Cystemix Pty Ltd, the company set up by the University of New South Wales to advance the clinical development of the anti-cancer drug PENAO would be expected to be finalised and signed in December 2018. The transaction documents have been revised a few times and are currently being reviewed by the lawyers and the other shareholders. Beroni expects these documents to be completed in April 2019.

   A total of $10 million will be invested through tranches for 40% shares in Cystemix by the end of Phase II clinical trial of PENAO. Beroni will also be granted a right to acquire a further 11% shares in Cystemix during the period commencing when 50% patient enrolment of a Phase II trial and ending within 2 months after Phase II trial completion date for $5.5 million.

2. 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 2018 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 2019

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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 2018 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.

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018. 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.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>Compliance with Australian Equivalents to International Financial Reporting Standards ('AIFRS')

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.

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.</td><td>Our audit procedures included:

• 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.</td></tr>
<tr><td>Revenue recognition

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.

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.</td><td>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.

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), including the requirements of the revised AASB 15 Revenue from contracts with Customers.'.</td></tr>
</table>

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<table>
<tr><th>Key audit matter</th><th>How our audit addressed the matter</th></tr>
<tr><td>

Existence and Valuation of Accounts Receivable

As disclosed in Note 10 and Note 19 (a) the Group has trade and other receivables with a net balance of $2,335,120 (incorporating a provision of impairment of receivables of $429,690). As at 31 December 2018 an amount of $1,359,698 was aged greater than 12 months and related to debtors in mainland China.

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 2018.

</td><td>

Our audit procedures included:

- Examination of the ageing profile of the trade and other receivable balances at 31 December 2018 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.

We assessed the adequacy of the disclosures included in Note 2.3 (a) Estimated Provision for Impairment of Receivables, Note 10 Trade Receivables and Note 19 (a) Trade and Other Receivables Impairment.

</td></tr>
</table>

Key audit matter	How our audit addressed the matter
Existence and Valuation of Prepayments and Other Current Assets As disclosed in Note 9 Prepayments and other current assets, the Group has undertaken the following: ***Prepayment for shares in Cystemix*** On 28 March 2018, the Company signed a term sheet with NewSouth Innovations Pty Ltd ("NSI"), a subsidiary of the University of New South Wales and Cystemix Pty Limited ("Cystemix"), Beroni will invest in up to 40% of the shares of Cystemix. Beroni has paid in advance $550,000 for 2.2% of the share investment during the first half year of 2018. The shares in Cystemix have not been issued to Beroni as the final subscription agreement is still being finalized ***Shares issued to Medicine Plus*** On 8 October 2018, Beroni issued 2,067,900 shares at $1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. The original settlement price of $14.3 million agreed in June 2018 was increased by 10% to approximately $15.8 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. In the event that the acquisition of Medicine Plus cannot be completed, the shares already issued to Medicine Plus will be retained by its owners and the cost of the shares will be recognised as an expense in the income statement. The transaction is expected to be completed by 30 April 2019 These are key audit matters given their significance to the balance sheet and management judgement as to the accounting treatment to be adopted for their recognition	Our audit procedures included: • Reviewing the signed agreements executed between the parties. • Assessment of the accounting treatment adopted to record the payment for shares in Cystemix as a prepayment as against an investment in staged business combination. • Assessment of the accounting treatment to record the share issue to Medicine Plus as an asset and issuance of share capital at balance date. • Review of market announcements made in relation to the proposed transactions and latest correspondence between the parties. • Discussions with those charged with governance and management in relation to the proposed transactions. • Review and assessment of any indicators of impairment for the recorded asset values. • Review and adequacy of the disclosures made in relation to the proposed transactions in Note 9.

NDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

Key audit matter	How our audit addressed the matter
Existence and Valuation of Investments in other entities As disclosed in 'Note 14 Investment in Other Entities', the Group has entered into the following arrangements: ***Investment in Shares of Dendrix Inc*** The Company entered into a share subscription agreement on 9 April 2018 to acquire 20,000 ordinary shares at an issue price of 20,000 Japanese Yen (JPY) per share, for a total investment of 400 million JPY (approximately A$4.87 million dollars), representing 30.40% of the total share capital of Dendrix Inc. The investment is to be completed in two tranches. The first tranche for 17.92% of the share capital of Dendrix Inc for JPY200 million was completed in April 2018. The second tranche for JPY200 million to bring Beroni's total shareholding interest in Dendrix to 30.40% was to be completed by 30 September 2018. However, as certain material conditions were not completed by the due date, the Company has deferred its second subscription to 2019. ***Investment in Shares in* Youtokukai Fund** On 18 June 2018, the Company invested JPY100 million (A$1.22 million) into a capital fund, the Youtokukai Fund which was set up to fund the establishment and development of the Tokyo Ginza International Medical Clinic to be operated by Youtokukai, a medical group based in Japan. The investment can be fully redeemed after 30 June 2021. This is a key audit matter due to the value of the investments and the assessment of accounting treatment required.	Our audit procedures included: • Reviewing the signed agreements executed between the parties. • Assessment of the accounting treatment adopted to record the investment for shares in Dendrix as a investment, with equity accounting to be adopted following the second phase of investment when it is envisaged a 30.40% equity stake will be obtained. • Assessment of the accounting treatment to record the investment in the Youtokukai Fund as an investment at balance date. • Review of market announcements made in relation to the proposed transactions and latest correspondence between the parties. • Discussions with those charged with governance and management in relation to the proposed transactions. • Review and assessment of any indicators of impairment for the recorded asset values. • Review and adequacy of the disclosures made in relation to the proposed transactions in Note 14.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BERONI GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018 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.

- 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 10 of the directors' report for the year ended 31 December 2018. 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 2018

Auditor's Opinion

In our opinion, the remuneration report of Beroni Group Limited, for the year ended 31 December 2018, complies with s 300A of the Corporations Act 2001.

Prosperity Audit Services

PROSPERITY AUDIT SERVICES

LUKE MALONE
Director

28 March 2019

Sydney