Allwellness Holdings Group Limited

ACN 604 613 050

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

CONTENTS

DIRECTORS' REPORT

Your directors present their report on the consolidated entity ("group") for the financial year ended 30 June 2017.

Directors

The names and experience of the directors in office at any time during or since the end of the year are:

Executive Director

Yong Zhang, M Engineering Master of Research of Economics

Mr Yong has a Master of Engineering and currently Master of research of Economics at Macquarie University. He has over 20 years of management experience in China as a CEO, which brings him deep understanding of business, marketing, laws and etc. in China. He also is involved in a number of IPOs in China which armed him with practical background in capital markets of China. His research in Australian foods and agriculture industry during his study made him an expert and gave him deep understanding of the comparative advantage of Australian agriculture and the drive by Chinese household income and the market changing.

Yong Zhang has an indirect interest in 70% of the Company's issued capital through a related party.

Other Current Directorships: Nil

Previous Directorship (last 3 years): Nil

Interests in Shares: Yes – See Remuneration in page 5

Non-Executive Directors

Chen Wang, Bachelor of International Trade
(appointed 1 December 2016)

Wang is the CEO of a Chinese international trade company which main business focuses on the trade of foods, beverages, healthcare products and functional foods. It is a partner of K-mart, Pharmco Child Life, Natural Elements and others. He has 20 years' experience in international logistics, international trade and marketing. Wang also has strong connections with the Chinese pharmacy franchising industry sourced from the health goods trading.

Other Current Directorships: Nil

Previous Directorship (last 3 years): Nil

Interests in Shares: Yes – See Remuneration in page 6

Yilong Shan, MBA University of International Business and Economics (UIBE)
(appointed 1 December 2016)

Shan was the vice president and CFO of Chinatex (Australia) Pty Ltd from 2004 – 2015 and is now the Executive director. Chinatex (Australia) is the branch of Chinatex which is a state owned large scale group whose main business is trading, processing and warehousing of soybean, corn, wheat, grape seeds, oil, palm oil etc. Shan has established a vertical and horizontal connection in the food industry with greatly renowned companies both in Australia and China.

Other Current Directorships: Nil

Previous Directorship (last 3 years): Nil

Interests in Shares: Yes – See Remuneration in page 6

Company Secretary

Andrew Bristow was appointed as Company Secretary.

DIRECTORS' REPORT

Review of Operations and Financial Results

The loss of the consolidated entity for the financial year after providing for income tax amounted to $140,971 (2016: loss of $98,506).

Principal Activities

The principal activities of the group during the financial year included exporting health care products to China.

There has been no significant change in the nature of these activities during the year.

Events Subsequent to the End of the Reporting Year

There are no events subsequent to balance date that require disclosure in the financial report.

Likely Developments and Expected Results of Operations

Likely developments in the operations of the group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the group.

Environmental Regulations

The group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Dividends

There were no dividends paid or declared since the start of the financial year.

Options

There were no options issued during the current year.

Meetings of Directors

During the financial year, three meetings of directors were held. Attendance by each director was as follows:

	Directors Meetings	
	Eligible to attend	Number attended
Mr Yong Zhang	3	3
Mr Chen Wang	3	3
Mr Yilong Shan	3	3

Indemnifications of Officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

The Remuneration Report, which forms part of the Directors' report, sets out information about the remuneration of the Company's Directors and its Key Management Personnel for the financial year ended 30 June 2017.

Names and positions held by Directors and Key Management Personnel at any time during the financial year are:

Name	Position	Date Appointed to position
Mr Yong Zhang	Executive Director	6 March 2015
Mr Chen Wang	Non-Executive Director	1 December 2016
Mr Yilong Shan	Non-Executive Director	1 December 2016

Directors' and Key Management Personnel Interests in Ordinary Shares and Options

Directors' and Key Management Personnel's interests in the ordinary shares of Allwellness Holdings Group Limited and options over ordinary shares as at the date of this report are detailed below:

Name	Position	Total Number of Ordinary Shares	Total Number of Options
Mr Yong Zhang	Executive Director	17,591,350	-
Mr Chen Wang	Non-Executive Director	1,000,000	-
Mr Yilong Shan	Non-Executive Director	1,000,000	-
	Total	19,591,350	-

Remuneration Policy

The Company has not formally constituted a remuneration committee responsible for making recommendations to the Board to ensure Company's remuneration structures are equitable and aligned the interests of directors and employees with those of shareholders.

However, the Constitution of the Company provides that Directors are entitled to remuneration as determined by the Company at a general meeting to be apportioned among them in any proportions and in any manner.

If a Director performs extra services, which in the opinion of the Directors are outside the scope of the ordinary duties of the Director or make any special exertion in going or residing abroad or otherwise for any of the purpose of the Company, the Company may remunerate that Director in addition to or provide benefits as the Directors determine.

The Directors may also be paid all travelling and other expenses incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.

Remuneration Structure

The remuneration of employees is structured in as a fixed remuneration which comprise of base salary and superannuation (payable under the Superannuation Guarantee Act).

The Company aims to set the level of fixed remuneration at market levels for comparable jobs, in similar structured and sized companies in the industry in which the Company operates. No advice from any remuneration consultant was sought during the financial year for the Company's remuneration structure.

Executive Director Remuneration

Key Terms of the Executive Director's employment agreement

Yong Zhang is employed under an executive employment agreement dated 1 January 2017. The key terms of the agreement are:

- Remuneration: Total fixed remuneration at the rate of $80,000 per annum plus mandatory statutory superannuation contributions payable under the Superannuation Guarantee Act paid every fortnight.

DIRECTORS' REPORT
REMUNERATION REPORT (AUDITED)

- Start of payment: During the period from 1 January 2017 to 30 June 2017, the Executive Director will not be paid. Starting from 1 July 2017, the Executive Director shall be paid based on above remuneration.
- Termination: The agreement may be terminated by either party by the giving of 2 months written notice.

Non-executive Director Remuneration

No retirement payments are made to Non-executive Directors. Non-executive Directors do not receive any remuneration.

For the 2017 financial year, no options were issued to Directors.

Details of the remuneration of Directors and Key Management Personnel for the 2017 financial year are provided below:

	Short-term Benefits				Post-employment	Equity - based compensation	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Consultancy	Superannuation	Options	Total
	$	$	$	$	$	$	$
Executive Director							
Mr Yong Zhang*	-	-	-	-	-	-	-
Non-Executive Directors							
Mr Chen Wang	-	-	-	-	-	-	-
Mr Yilong Shan	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

*Yong Zhang started to get paid 1July 2017.

Option Holdings

At the date of this report, there were no options on issue.

Shareholdings

The number of ordinary shares in the Company held during and at the end of the 2017 financial year by each Director and Key Management Personnel of the Group, including related parties, are set out below:

	Balance at Beginning of Year	Share-based compensation	Exercise of Options	Other transactions with Company	On-market and other transactions	Balance at End of Year
Executive Director						
Mr Yong Zhang	1	-	-	-	17,591,349	17,591,350
Non-Executive Directors						
Mr Chen Wang	-	-	-	-	1,000,000	1,000,000
Mr Yilong Shan	-	-	-	-	1,000,000	1,000,000
	-	-	-	-	2,000,000	2,000,000

DIRECTORS' REPORT

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

Signed in accordance with a resolution of the Board of Directors:

Director ______________________________

Mr Yong Zhang

Dated this 29th day of September, 2017

walkerwayland

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AUDITORS' INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ALLWELLNESS HOLDINGS GROUP LIMITED

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2017 there have been:

(i) no contraventions of the auditors' independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Walker Wayland NSW

Walker Wayland NSW
Chartered Accountants

Wali Aziz
Principal

Dated this 29th day of September 2017, Sydney

View Partners, Principals & Consultants at http://www.wwnsw.com.au/wwnsw

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group	
		2017	**2016**
		$	**$**
Sales revenue		101,050	4,231
Interest income		2,708	-
Total revenue from ordinary activities		103,758	4,231
Less: Cost of sales		(62,768)	(5,567)
Gross profit (loss)		40,990	(1,336)
Rent	3	(38,971)	(34,683)
Depreciation and amortisation	3	(20,731)	(2,610)
Professional fees		(72,955)	(3,455)
Employee benefits		(12,635)	(40,009)
Marketing expenses		(3,391)	(806)
Other administrative costs	3	(33,278)	(15,607)
Total administrative expenses		(181,961)	(97,170)
Loss before income tax		(140,971)	(98,506)
Income tax expense	4a	-	-
Loss after income tax		(140,971)	(98,506)
Total comprehensive loss for the year		(140,971)	(98,506)
Total comprehensive loss attributable to members of the parent entity		(140,971)	(98,506)
Loss per share			
Basic loss per share ($ per share)	7	(0.01)	(0.01)
Diluted loss per share ($ per share)	7	(0.01)	(0.01)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	Consolidated Group 2017 $	Consolidated Group 2016 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	8	664,273	52,810
Trade and other receivables	9	8,497	-
Inventories	10	133,015	171,679
Other assets	11	36,060	45,284
TOTAL CURRENT ASSETS		841,845	269,773
NON-CURRENT ASSETS			
Property, plant and equipment	12	-	-
Intangible assets	13	7,455	2,003
TOTAL NON-CURRENT ASSETS		7,455	2,003
TOTAL ASSETS		849,300	271,776
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	10,000	1,288
TOTAL CURRENT LIABILITIES		10,000	1,288
NON-CURRENT LIABILITIES			
Financial liabilities	15	343,112	374,194
TOTAL NON-CURRENT LIABILITIES		343,112	374,194
TOTAL LIABILITIES		353,112	375,482
NET ASSETS (LIABILITIES)		496,188	(103,706)
EQUITY			
Issued capital	16	740,866	1
Accumulated losses	17	(244,678)	(103,707)
TOTAL EQUITY		496,188	(103,706)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017

	Ordinary	Accumulated losses	Total
	$	$	$
Balance at 30 June 2015	1	(5,201)	(5,200)
Loss for the year	-	(98,506)	(98,506)
Balance at 30 June 2016	1	(103,707)	(103,706)
Issuance of shares	740,865	-	740,865
Loss for the year	-	(140,971)	(140,971)
Balance at 30 June 2017	740,866	(244,678)	496,188

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group 2017	2016
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		95,366	4,231
Payments to suppliers and employees		(167,503)	(264,509)
Net cash used in operating activities	20b	(72,137)	(260,278)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for non-current assets		(26,183)	(3,290)
Net cash used in investing activities		(26,183)	(3,290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from additional shares issued		740,865	-
Loans (to)/from related parties		(31,082)	299,844
Net cash provided by financing activities		709,783	299,844
Net increase in cash held		611,463	36,276
Cash at beginning of financial year		52,810	16,534
Cash at end of financial year	20a	664,273	52,810

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

The consolidated financial statements and notes represent those of Allwellness Holdings Group Limited (formerly known as Allwellness Pharmaceutical Pty Limited) (the "Consolidated Group" or "Group").

The financial statements were authorised for issue on 29th September 2017 by the directors of the company.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

a. **Going Concern Basis of Accounting**

The financial statements have been prepared on a going concern basis. The group incurred a net loss of $140,971 for the year ended 30 June 2017 (2016: Loss of $98,506). As at that date, the group had a net assets position of $496,188 (2016: Net liabilities $103,706).

In 7 December 2016 Allwellness Holdings Group Limited raised capital via the issue of 740,865 shares at $1 each raising a total of $740,865. Further to that, Allwellness Holdings Group Limited is dependent on the ongoing financial support of the directors to provide funds, accordingly a letter of support has been obtained. Further to the above, subsequent to balance sheet date, the directors have signed multiple sales contracts with existing and new distributors. The directors believe that they will generate sales for the year ending 30 June 2018 well in excess of historical sales. Based on this management and board are of the opinion that the operations of the Group are viable and can continue as a going concern.

b. **Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent Allwellness Holdings Group Limited. A controlled entity is any entity over which Allwellness Holdings Group Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in Note 18 to the financial statements.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method. The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

c. **Income Tax**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

d. **Plant and Equipment**

Plant and equipment are measured on the cost basis less depreciation and impairment loss.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Furniture and Fittings	100%
Leasehold improvements	100%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at balance date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. **Plant and Equipment (Cont)**

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 proceeds with the carrying amount. These gains or losses are included in the Consolidated Statement of Profit and Loss.

e. **Intangibles**

Intangibles are recognised at cost of acquisition. These assets have a useful life of five (5) years and are carried at cost less accumulated amortisation and any impairment losses. These assets will be assessed for impairment on an annual basis.

f. **Impairment of Assets**

At each reporting date the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

g. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

h. **Inventories**

Inventories are valued at the lower of cost and net realisable value.

i. **Revenue and Other Income**

Revenue from the sale of good is recognised upon shipment of the goods to the distributor.
All revenue is stated net of the amount of goods and services tax (GST).

j. **Trade and Other Payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

k. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the Consolidated Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

l. **Leases**

Lease payments for operating leases, where substantially all the risks and rewards remain with the lessor, are charged as expenses in the periods in which they are incurred.

m. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on transaction date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

m. **Financial Instruments (Cont.)**

Receivables

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.

Financial liabilities

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

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

n. **Critical Accounting Estimates and Judgments**

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment expense was recorded for the 2017 or 2016 financial years.

o. **New Accounting Standards for Application in Future Periods**

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

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

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

  The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

o. **New Accounting Standards for Application in Future Periods (Cont)**

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

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

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

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

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

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

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

The main changes introduced by the new Standard include:

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

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

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

– *AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (*applicable to annual reporting periods beginning on or after 1 January 2016).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2: PARENT INFORMATION	Parent Entity 2017 $	2016 $
The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.		
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	606,345	39,980
Non – current assets	53,816	1
TOTAL ASSETS	660,161	39,981
LIABILITIES		
Current liabilities	10,000	39,980
Non – current liabilities	-	-
TOTAL LIABILITIES	10,000	39,980
EQUITY		
Issued share capital	740,866	1
Accumulated loss	(90,705)	-
TOTAL EQUITY	650,161	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Total loss	(90,705)	-
Total comprehensive loss	(90,705)	-

NOTE 3: LOSS BEFORE INCOME TAX	Consolidated Group 2017 $	2016 $
Loss before income tax includes the following expenses:		
a. **Expenses**		
Depreciation and amortisation expense	20,731	2,610
Rental expense	38,971	34,683
	59,702	37,293
b. **Other administrative costs**		
Listing fees	25,007	-
Other office expenses	8,271	15,607
	33,278	15,607

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Group	
	2017 $	2016 $

NOTE 4: INCOME TAX BENEFIT

a. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2017 $	2016 $
Prima facie tax payable on loss from ordinary activities before income tax at 27.50% (2016: 30%)	(38,767)	(29,552)
Add:		
Tax effect of:		
— Tax loss not recognised	38,767	29,552
— Other deferred tax items	-	-
Income tax attributable to entity	-	-

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

No remuneration was paid by Allwellness Holdings Group Limited to key management personnel.

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:	2017 $	2016 $
— Auditing or reviewing the financial statements	10,000	4,000

NOTE 7: LOSS PER SHARE

The following reflects the income and data used in the calculations of basic and diluted loss per share

	2017 $	2016 $
Loss used in calculating basic and diluted earnings per share	(140,971)	(98,506)

	2017 No. of shares	2016 No. of shares
Weighted average number of ordinary shares	21,650,884	17,591,350
Basic and diluted loss per share ($)	(0.01)	(0.01)

NOTE 8: CASH AND CASH EQUIVALENTS	2017 $	2016 $
Cash on hand	2	2
Cash at bank	664,271	52,808
	664,273	52,810

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Group 2017 $	Consolidated Group 2016 $
NOTE 9: TRADE AND OTHER RECEIVABLES		
CURRENT		
Accounts receivables	1,556	-
GST receivable	6,941	-
	8,497	-
NOTE 10: INVENTORY		
CURRENT		
Stock on hand	133,015	171,679
NOTE 11: OTHER ASSETS		
CURRENT		
Prepayments	1,000	-
Deposits	35,060	45,284
	36,060	45,284
NOTE 12: PLANT AND EQUIPMENT		
Furniture and Fittings	2,945	2,029
Less accumulated depreciation	(2,945)	(2,029)
	-	-
Leasehold improvements	18,987	-
Less accumulated depreciation	(18,987)	-
	-	-
Total plant and equipment	-	-

a. **Movements in carrying amounts**

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

	Furniture and Fittings $	Leasehold improvements $	Total $
Carrying amount at 30 June 2016	-	-	-
Additions	916	18,987	19,903
Depreciation expense	(916)	(18,987)	(19,903)
Carrying amount at 30 June 2017	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Group	
	2017	**2016**
	$	**$**
NOTE 13: INTANGIBLE ASSETS		
NON-CURRENT		
Formation Cost	1,403	1,403
Less accumulated depreciation	(1,241)	(660)
	162	743
Licenses and trademarks	7,541	1,260
Less accumulated depreciation	(248)	-
	7,293	1,260
Total intangible assets	7,455	2,003

a. **Movements in carrying amounts**

Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the current financial year.

	Formation cost	Licenses and trademarks	Total
	$	$	$
Carrying amount at 30 June 2016	743	1,260	2,003
Additions	-	6,281	6,281
Amortisation expense	(581)	(248)	(829)
Carrying amount at 30 June 2017	162	7,293	7,455

	Consolidated Group	
	2017	**2016**
	$	**$**
NOTE 14: TRADE AND OTHER PAYABLES		
CURRENT		
Trade payables and other payables	-	1,288
Accrued expenses	10,000	-
	10,000	1,288
NOTE 15: FINANCIAL LIABILITIES		
Loan from director	343,112	334,214
Deposit from shareholders for future share issue	-	39,980
	343,112	374,194

The loan is unsecured and has been provided on interest free terms. The director has agreed in writing not to recall the loan within 12 months

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 16: ISSUED CAPITAL

	Consolidated Group	
	Number of shares	$
Ordinary Shares		
Fully paid ordinary shares as at 30 June 2016	1	1
Issue of 740,865 shares at an issue price of $1 each on 7 December 2016	740,865	740,865
Share split on 7 December 2016 (1 share split into 24,259,134 shares)	24,259,134	-
Total number of shares as at 30 June 2017	25,000,000	740,866

Ordinary shares participate in dividends and the proceeds on winding up of the group in proportion to the number of shares held.

At the shareholders' meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

NOTE 17: ACCUMULATED LOSSES

	Consolidated Group	
	2017 $	2016 $
Balance at the beginning of the year	(103,707)	(5,201)
Total comprehensive loss for the year	(140,971)	(98,506)
Balance at the end of the year	(244,678)	(103,707)

NOTE 18: CONTROLLED ENTITY

	Country of Incorporation	Percentage Owned 2017 %	Percentage Owned 2016 %
Controlled Entity Consolidated			
Subsidiary of Allwellness Holdings Group Limited:			
Tricare Health & Beauty Pty Limited	Australia	100	100

NOTE 19: EVENTS AFTER THE BALANCE SHEET DATE

There are no events subsequent to balance date that require disclosure in the financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Group	
		2017	**2016**
		$	**$**
NOTE 20: CASH FLOW INFORMATION			
a. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:			
— Cash on hand		2	2
— Cash at bank		664,271	52,808
		664,273	52,810
b. Reconciliation of Cash Flow from Operations with Loss after Income Tax			
Loss after income tax		(140,971)	(98,506)
Non-cash flows in loss from ordinary activities			
— Depreciation and amortisation		20,731	2,610
Changes in assets and liabilities			
— Increase in trade and other receivables		(8,497)	-
— Decrease / (Increase) in inventories		38,664	(160,339)
— Decrease / (Increase) in other assets		9,224	(5,331)
— Increase in trade and other payables		8,712	1,288
		(72,137)	(260,278)

NOTE 21: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Note	2017	2016
Transactions with related parties:			
Interest free loan provided by director		343,112	334,214
Deposit from shareholders for future share issue		-	39,980
	15	343,112	374,194
Remuneration payments to Junping Hao – family member of Yong Zhang		12,635	40,009

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22: FINANCIAL RISK MANAGEMENT

The group's financial instruments consist mainly of cash and cash equivalents, deposits, accounts receivable and payable, loans from director.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Notes	Consolidated Group	
		2017 $	2016 $
Financial Assets			
Cash assets	8	664,273	52,810
Trade and other receivables	9	8,497	-
Deposits	11	35,060	45,284
		707,830	98,094
Financial Liabilities			
Trade and other payables	14	10,000	1,288
Loan from director	15	343,112	334,214
Deposit from shareholders for future share issue	15	-	39,980
		353,112	375,482

Financial liability and financial assets maturity analysis

	Within 1 Year		More than 1 Year		Total	
	2017	2016	2017	2016	2017	2016
Financial liabilities due for payment	$	$	$	$	$	$
Trade and other payables	10,000	1,288	-	-	10,000	1,288
Loan from director	-	-	343,112	334,214	343,112	334,214
Deposit from shareholders for future share issue	-	39,980	-	-	-	39,980
Total contractual outflows	10,000	41,268	343,112	334,214	353,112	375,482
Total expected outflows	10,000	41,268	343,112	334,214	353,112	375,482
Financial assets — cash flows realisable						
Cash assets	664,273	52,810	-	-	664,273	52,810
Trade and other receivables	8,497	-	-	-	8,497	-
Deposits	35,060	45,284	-	-	35,060	45,284
Total anticipated inflows	707,830	98,094	-	-	707,830	98,094
Net (outflow)/inflow on financial instruments	697,830	56,826	(343,112)	(334,214)	354,718	(277,388)

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 22: FINANCIAL RISK MANAGEMENT (CONT.)

Financial Risk Management Policies

The Board are responsible for, among other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's transactions and reviews the effectiveness of controls relating to credit risk, financial risk, and interest rate risk. Discussions on monitoring and managing financial risk exposures are held regularly by the Board. The Board's overall risk management strategy seeks to ensure that the Group meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

The Group did not have any derivative instruments at 30 June 2017.

Specific Financial Risk Exposures and Management

a. Credit Risk

- Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

- Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Credit risk exposures

-Cash assets form the majority of the Group's financial assets. At 30 June 2017, cash was deposited with two financial institutions, both are two large Australian banks in order to spread risk and ensure interest rate competitiveness.

-There are no impaired assets within receivables. The total amount due as at 30 June 2017 was within the 30-day credit terms and subsequently paid.

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities.

c. Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Group is not exposed to interest rate risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is not exposed to price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to currency risk due to revenue denominated in US dollars. During the reporting period, exchange rate risk was managed by exchanging revenue in excess of US dollar expenditures using spot sales of US dollars.

d. Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are equal to their carrying value in the statement of financial position.

The fair values have been determined based on the following methodologies:

- Cash and cash equivalents, deposits, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value.

NOTE 23: SEGMENT REPORTING

The consolidated entity operates in the exporting of health care products business segment within China.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Group	
	2017	2016
	$	$
NOTE 24: OPERATING LEASE COMMITMENTS		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
— Not later than one year	40,140	38,971
— Later than one year and not later than 5 years	-	40,140
	40,140	79,111

NOTE 25: CONTINGENT LIABILITIES

There are no contingent assets or contingent liabilities as at the date of this report.

NOTE 26: COMPANY DETAILS

The registered office and principal place of business of the company is:

Unit 21

5 Hudson Avenue

Castle Hill, NSW, Australia, 2154

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Allwellness Holdings Group Limited, the Directors of the company declare that:

1. The financial statements and notes, as set out on pages 9 to 25 are in accordance with the *Corporations Act 2001* and:

    a. comply with Australian Accounting Standards which, as stated in Accounting Policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and

    b. give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group.

2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Mr Yong Zhang

Dated this 29th day of September 2017

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Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALLWELLNESS HOLDINGS GROUP LIMITED

Opinion

We have audited the financial report of Allwellness Holdings Group Limited and its controlled entity (Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Group comprising the Company and the entity it controlled at year end or from the time to time during the financial year.

In our opinion, the accompanying financial report of Allwellness Holdings Group Limited and its' controlled entity is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the consolidated entities' financial position as at 30 June 2017 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 Company 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be on the same terms if given to the directors as at the time of this auditor's report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

View Partners, Principals & Consultants at http://www.wwnsw.com.au/wwnsw

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
ALLWELLNESS HOLDINGS GROUP LIMITED

Key Audit Matters

The key audit matters, are the matters that, in our professional judgement, were of most significance in our audit of the financial report for the current year. The matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Going Concern (Note 1a) The Group incurred a net loss of $140,971 for the year ended 30 June 2017 and has accumulated losses of $244,678 as at that date. The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgment required by us in evaluating the Group's assessment of going concern. The Directors have determined that the use of the going concern basis of accounting is appropriate in preparing the financial report. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and judgments, and the Directors have concluded that the range possible outcomes considered in arriving at this judgment does not give rise to a material uncertainty casting significant doubt on the Group's ability to continue as a going concern.	Audit procedures included, amongst others, are the following: • We have obtained and reviewed managements cash flow forecast to assess whether current cash levels can sustain operations for a period of at least 12 months from the proposed date of signing the financial statements. • We have agreed year end cash balances to third party independent confirmations received to gain comfort around the opening balances used in the cash flow forecast. • We have assessed the Group's current level of income and expenses against management's forecast for consistency of relationships and trends to historical results, results since year end, and our understanding of the business industry and economic conditions of the Group. • We have assessed the adequacy of the related disclosures with the financial statements. • We have assessed the subsequent profit and loss statement and balance sheet of the Group
Recoverability of Inventory (Note 10) The Group has $133,015 of inventory as at 30 June 2017. The Group's inventory turnover has reduced during the year ended 30 June 2017 and in comparison to the prior financial year as a result of lower than expected sales to overseas distributors. This is a key audit matter as inventory is a material asset of the Group in addition to the inventory being solely sold to overseas distributors. The Group did not recognise any provision for slow moving or obsolete inventory.	Audit procedures included, amongst others, the following: • We have reviewed the performance of the Group post year end. • We have sighted documentation which indicates post year end sales contracts have been entered into by the Group with its customers/distributors including the. We also sighted product sale cash receipts post year end • We have discussed the inventory recoverability with the Directors and management of the Group. • We have reviewed sales prices of inventories and compared them to the unit costs to assess if inventory is being sold above cost

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALLWELLNESS HOLDINGS GROUP LIMITED

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's financial report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 judgment 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ALLWELLNESS HOLDINGS GROUP LIMITED

- 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 Company'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 Company 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.

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.

Report on the Remuneration Report

We have audited the Remuneration Report included the Directors' Report on pages 5 to 6 for the year ended 30 June 2017. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, which based on our audit, is in accordance with Australian Auditing Standards.

Walker Wayland NSW

Walker Wayland NSW

Chartered Accountants

Wali Aziz

Principal

Dated this 29th day of September 2017, Sydney

DIRECTORS GOVERNANCE STATEMENT

Allwellness Holdings Group Ltd (the "Company") is aware of its Corporate Governance Disclosure Obligations under Section 11A, 11B and 11C clause 6.9 of the NSX Listing Rules and of NSX's 'principled' rather than prescriptive approach to the disclosure of Corporate Governance arrangements in respect of the Company.

As indicated in NSX Practice Notes 14 the 'principled' approach recognises that good corporate governance cannot be achieved by a 'one size fits all' and that the Company's individual characteristics must be taken account of.

In addition, we note the important role played by Nominated Advisors to companies listed on the NSX in providing assistance and advice to companies to ensure full disclosure and good corporate governance although ultimate responsibility falls to the Company, its directors and officers.

The Company recognises that in Australia the generally accepted guidance on what constitute good corporate governance is set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendation (3rd Edition, 2014). Set out below is a statement indicating whether the Company complies with those principles and if not why it does not do so.

1. Lay solid foundations for management and oversight

Recommendation	Adopted (Yes/No)	Reason
Recommendation 1.1 **A listed entity should have and disclose a charter which sets out the respective roles and responsibilities of the Board, the Chair and management, and includes a description of those matters expressly reserved to the Board and those delegated to management.**	Yes	The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company. In the current phase of development, the Company has a greater reliance on the Managing Director. The Board has adopted a Charter which is available on the Company's website. The principal functions and the responsibilities of the Board include but are not limited to the following; • Determining in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, investments, major capital and operating expenditure and acquisitions; • Monitoring actual performance against budget expectations; • Identifying areas of significant business risk and ensure the Company is appropriately positioned to manage those risks; • Overseeing the management of safety, work health and safety and environmental issues; • Satisfying itself there are appropriate reporting systems and controls in place; • Authorising the issue of any shares, options, equity instruments within the constraints of the NSX Listing Rules and Corporations Act; and • Monitoring the performance of senior management, including ensuring appropriate resources are available and strategy is being implemented. The Company recognises that the overall responsibility of the Board is to represent and advance Shareholders' interests and to protect the interests of all stakeholders.

Recommendation	Adopted (Yes/No)	Reason
Recommendation 1.2 **A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a Director; and (b) provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.**	Yes	Criminal record checks have not been carried out on all Board members prior to their appointment. However, all members of the Board have executed a declaration and undertaking, that they have not previously been declared bankrupt or had a criminal conviction. The Company will provide Shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director at future general meetings.
Recommendation 1.3 **A listed entity should have a written agreement** **with each director and senior executive setting** **out the terms of their appointment.**	No	No formal agreements have been entered at this time.
Recommendation 1.4 **The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.**	Yes	The Company Secretary is accountable directly to the Board, through the Chairman on all matters to do with the proper functioning of the Board.
Recommendation 1.5 **A listed entity should:** **(a) have a diversity policy**	No	Given the size of the Company, its structure and current operations the Company has only males on the Board. As the Company develops it will consider appropriate candidates for the Board and at an appropriate time prepare a diversity policy or set measurable objectives in this regard. In doing so, the Board will have regard to the CG recommendations. Once finalised, the policy will be made available on the Company's website.

Recommendation	Adopted (Yes/No)	Reason
Recommendation 1.6 & 1.7: **A listed entity should:** **(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and** **(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.** **A listed entity should:** **(a) have and disclose a process for periodically evaluating the performance of its senior executives; and** **(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.**	Yes	The performance of the Board will be subject to review in a number of ways: • The Constitution provides that at every general meeting one third of the Directors will retire from office but may stand for re-election; • Board composition will be also reviewed periodically either when a vacancy arises or if it is considered that the Board would benefit from the services of a new Director, given the existing mix of skills and experience of the Board, which would match the strategic demands of the Company. • Once it has been agreed that a new Director is to be appointed, a search will be undertaken and appropriate checks undertaken sometimes using the services of external consultants. Shareholders will be advised of all material information regarding a Director proposed for election or appointment to the Board. Nominations would then be received and reviewed by the Board; and • Remuneration of the Non-Executive Directors is reviewed and approved by the Board. The remuneration payable to Directors must comply with the NSX Listing Rules. • The Company will disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with the above process. • Board Nominations would then be received and reviewed by the Board. The remuneration payable

2. **Structure the board to add value**

Recommendation	Adopted (Yes/No)	Reason
Recommendation 2.1 **The board of a listed entity should:** **(a) have a nomination committee**	No	The Board has not yet formed a Nomination and Remuneration Committee (**"NRC"**) as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a NRC and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations. To address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively, the performance of the Board will be reviewed as set out under Principles 1.5- 1.7 above.
Recommendation 2.2 **A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.**	No	Given the current position of the Company a skills matrix has not been developed. In establishing the Board, regard was had to the skills and expertise required of the Directors with the desired skills and expertise were carefully selected for appointment to the Board.
Recommendation 2.3 &2.4 **A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.** **A majority of the board of a listed entity should be independent directors.**	Yes	The Board is comprised of three members, two of whom are considered independent. Neither of the two independent directors has more than 5% of the Shares in the Company and each subscribed cash equivalent to the amount per shares of the other Shareholders in an offer in December 2017. They are not an adviser or supplier to the Company or do not have any other material contractual relationship with the Company other than their position as a Director. The Company Constitution requires that each Director must not hold office (without re-election) past the third annual general meeting following his/her appointment or election or 3 years, *whichever is longer.*

Recommendation	Adopted (Yes/No)	Reason
Recommendation 2.5 **The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.**	No	The Company has appointed a Chairman however, he is not independent and is also the Managing Director. The Company considers this appropriate given the Chairman is the founder of the Company and is most intimately aware of its operations. As the Company grows it will consider the appointment of an independent director as Chairman.
Recommendation 2.6 **A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively**	Yes	All Non-Executive Directors have an extensive induction into the business of the Company, and their rules as directors. Each has been briefed by the Company's Chairman as to the business and by the Nominated Advisor as to their roles as director and responsibilities under the NSX Listing Rules and Corporations Act. The Nominated Advisor provides a detailed letter of advice to all directors which each director signs acknowledging they have read and understand the contents. Directors will also be given access to continuing education in relation to the Company extending to its business, the industry in which it operates, and other information required by them to discharge the responsibilities of their office.

3. **Act ethically and responsibly**

Recommendation	Adopted (Yes/No)	Reason
Recommendation 3.1 **A listed entity should:** **(a) have a code of conduct for its directors, senior executives and employees; and** **(b) disclose that code or a summary of it.**	Yes	The Board recognises the need for Directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. The Company intends to maintain a reputation for integrity. The Company's officers and employees are required to act in accordance with the law and with the highest ethical standards. The Board is conscious of the need for independence and ensures that where a conflict of interest may arise, the relevant Director(s) leave the meeting to a full and frank discussion of the matter(s) under consideration by the rest of the Board. The Board has adopted a formal code of conduct. The Board will continually review the code of conduct and modify it as required.

4. **Safeguard integrity in corporate reporting:**

Recommendation	Adopted (Yes/No)	Reason
Recommendation 4.1 **The board of a listed entity should:** **(a) have an audit committee which:**	No	To safeguard the integrity of the Company's corporate reporting, the Company Constitution sets out the following: • Auditors the Company are appointed and removed and their remuneration, rights and duties are regulated by the Corporations Act 2001 (Cth) (**"Act"**); • Auditors of the Company or partner or employee or employer of an auditor cannot be appointed as a Director of the Company; and • Financial statements of the Company for each financial year must be audited by the auditors in accordance with the Act. The Board has not yet formed an audit and risk committee **(ARC)** as it considers that this is not currently appropriate given the size of the Company and the relatively small management and employee team. The role of the ARC will be undertaken by the Board as a whole. The Board will continually review the need for a ARC and, if the need arises in the future, will ensure that it is in compliance with the CG recommendations.
Recommendation 4.2 **The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.**	No	The Board has not yet had to approve the entity's financial statements for a financial period and accordingly has not been required to receive relevant declarations from the CEO and Chief Financial Officer (**"CFO"**) in respect of the of the financial records of the Group. It is the intention of the Board that these declarations will be required for both the half-year and full-year results and this fact has been communicated to both the CEO and CFO.

Recommendation	Adopted (Yes/No)	Reason
Recommendation 4.3 **A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.**	No	The Company has not yet held an Annual General Meeting **(AGM)** but it is the intention of the Board to ensure that its external auditor attends the AGM and is available to answer questions from security holders relevant to the audit.

5. **Make timely and balanced disclosure**

Recommendation	Adopted (Yes/No)	Reason
Recommendation 5.1 **A listed entity should:** **(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it**	No	The Board has not yet adopted a continuous disclosure policy but intends to do so after listing. In preparing this, the Board will have regard to the CG Recommendations. Once finalised, the policy will be made available on the Company's website.

6. **Respect the rights of security holders**

Recommendation	Adopted (Yes/No)	Reason
Recommendation 6.1 **A listed entity should provide information about itself and its governance to investors via its website.**	Yes	The Company has established a website which provides information about the Company, its Directors and executives, and other information relevant to its investors. The website will be a key communication tool between the Company and the Shareholders. The website contains details of charters and policies adopted to date in respect of the Company's corporate governance.
Recommendation 6.2 **A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors**	No	The Board has not yet designed and implemented an investor relations program to facilitate effective two-way communication with investors but intends to do so after listing. In preparing this, the Board will have regard to the CG Recommendations. Once finalised, the program will be made available on the Company's website.
Recommendation 6.3 **A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.**	No	The Board has not yet adopted a disclosure and communication policy but intends to do so after listing. In preparing this, the Board will have regard to the CG Recommendations. Once finalised, the policy will be made available on the Company's website.
Recommendation 6.4 **A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically**	Yes	All Shareholders of the Company will be able to communicate with the Company and its share registry electronically and in fact this method of communication is encouraged.

7. **Recognise and manage risk**

Recommendation	Adopted (Yes/No)	Reason
Recommendation 7.1 **The board of a listed entity should:** **(a) have a committee or committees to oversee risk**	No	The Board has not yet formed an audit and risk committee (**ARC**) as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a ARC and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations.
Recommendation 7.2 **The board or a committee of the board should:** **(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and** **(b) disclose, in relation to each reporting period, whether such a review has taken place.**	No	The risk management framework for the Group has not yet been formally reviewed by the Board but the Board will, following listing, request a report from management. Outcomes of those reviews will be reported in the corporate governance statement annually.
Recommendation 7.3 **A listed entity should disclose:** **(a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.**	No	The identification, monitoring and, where appropriate, the reduction of significant risk to the Company will be the responsibility of the Board. The Board reviews and monitors and parameters under which such risks will be managed. Management accounts are prepared and reviewed with the CEO at subsequent Board meetings. Budgets are prepared and compared against actual results. The potential exposures with running the Company will be managed by the appointment of senior staff that have significant broad-ranging industry experience, work together as a team and regularly share information on current information. The Board has not yet formed an internal audit function as it considers that this is not currently required given the size of the Company and the relatively small management and employee team. The Board will continually review the need for a ARC and, if the need arises in the future, will ensure that it is in compliance with the CG Recommendations.
Recommendation 7.4 **A listed entity should disclose whether it has any material exposure38 to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.**	Yes	As mentioned under Principle 7.2 the Board will commission a report on the risk management framework following listing and request that management address economic, environmental and sustainability risks. The outcome of that review will be reported in the Company's annual report.

8. **Remunerate fairly and responsibly:**

Recommendation	Adopted (Yes/No)	Reason

Recommendation 8.1
The board of a listed entity should:
(a) have a remuneration committee
	No	As mentioned under Principle 2.1, the Board has not adopted a NRC. To ensure the appropriateness of remuneration, the Company Constitution sets out the following:
		• Remuneration of Non-Executive Directors must comply with NSX Listing Rules, including that:
		  • Fees payable to Non-Executive Directors must be by way of a fixed sum, and not by way of commission on or a percentage of profits or operating revenue;
		  • The remuneration payable to Executive Director's must not include a commission on or percentage of operating revenue; and
		  • The total fees payable to Directors must not be increased without the prior approval of members in general meeting.
		• Remuneration of Executive Directors must comply with the NSX Listing Rules and the terms of any agreement entered into. The Board may fix the remuneration of each Executive Director which comprise salary or commission on or participation in profits of the Company.

Recommendation 8.2 **A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives**	No	As mentioned under Principle 8.1 the Board has practices in place regarding the remuneration of Non-Executive Directors and other senior executives.
Recommendation 8.3 **A listed entity which has an equity-based remuneration scheme should:** **(a) have a policy on whether participants are permitted to enter *into transactions* (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and** **(b) disclose that policy or a summary of it**	Yes	The Board has adopted a securities trading policy which is available *on the Company's website. The Board will continually review the* policy and amend it as appropriate. review the policy and amend it as appropriate.

STOCK EXCHANGE INFORMATION

TOP 10 ORDINARY SHAREHOLDERS AS AT 28 JUNE 2017

Shareholder	Shares	%of issued
ZHANG & HAO PTY LTD	17,591,350	70.37
PEI LIU	1,020,000	4.08
YUANJIU UNIBA (AUSTRALIA) CO	1,000,000	4.00
RUI CUI	1,000,000	4.00
JIANZHONG WANG	1,000,000	4.00
CHEN WANG	1,000,000	4.00
TAO HE	500,000	2.00
LIJIAO CHEN	450,000	1.80
XIANG WONG	200,000	0.08
BIYING LIU	150,000	0.06
TOTAL	**23,911,350**	**95.64**

Substantial Shareholders	No. of Shares	%of issued
ZHANG & HAO PTY LTD	17,591,350	70.37

Distribution of Equity Security Holders

Holding	Shares	Options
1-1,000	-	-
1,001-5,000	-	-
5,001- 10,000	50	-
10,001-100,000	2	-
100,000 and over	10	-

Unissued Equity Securities: Nil

Securities Exchange: National Stock Exchange of Australia Ltd

CORPORATE DIRECTORY

DIRECTORS
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Mr Chen Wang
Mr Yilong Shan

SECRETARY
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