



Beroni Group Limited

ABN 20 613 077 526

**APPENDIX 3 AND
INTERIM FINANCIAL REPORT
For the Half Year Ended 30 June 2019**

Beroni Group Limited

ABN 20 613 077 526

Appendix 3

1. Details of the reporting period

Current Period: 1 January 2019 – 30 June 2019 ("HY2019")

Previous Corresponding Period: 1 January 2018 – 30 June 2018 ("HY2018")

2. Results for announcement to the market

Comparison to previous period		HY2019 (AUD)	HY2018 (AUD)	Change %
2.1	Revenue from continuing operations	664,242	1,259,085	(47%)
2.2	Profit / (loss) from ordinary activities after income tax attributable to members	(3,757,562)	(1,666,280)	(126%)
2.3	Net profit attributable to members	(3,757,562)	(1,666,280)	(126%)

2.4 Dividend

No dividend declared during the period.

2.5 Explanation of Results

The explanation of the results is included in the Directors' Report.

3. Net tangible assets per ordinary share

	30.06.2019	31.12.2018
	Cents	Cents
Net tangible assets per ordinary share	21.69	24.12

Calculation based from ordinary shares issued of 72,232,348 as of 30 June 2019 and 70,102,348 as of 31 December 2018.

4. Details of entities over which control has been gained or lost during the period

No other entities were acquired or disposed during the period.

5. Dividend payment information

No dividend was paid during the period.

6. Dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan was made during the period.

7. Investment in associates and joint ventures

On 24 June 2019, Beroni Group Limited and NewSouth Innovations Pty Ltd ("NSI"), a subsidiary of the University of New South Wales, have established a new company named PENAO Pty Ltd to take over the drug development process and licensing rights of the anti-cancer drug PENAO from Cystemix Pty Ltd ("Cystemix"). Beroni Group holds 40% of the shares in PENAO Pty Ltd.

Beroni Group will invest a total of \$9.45 million through tranches over a 2-year period until the end of the Phase II clinical trial. Beroni will also be granted a right to acquire a further 11% shares in the PENAO Pty Ltd during the period commencing when 50% patient enrolment of a Phase II trial and ending within 2 months after Phase II trial completion for \$5.5 million.

8. Accounting standards

Australian Accounting Standards have been used in complying the information contained in Appendix 3.

9. Audit disputes or qualifications

There are no audit disputes or qualifications.

Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

**Consolidated Financial Statements
For the Half Year Ended 30 June 2019**

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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 2019 to 30 June 2019.

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 (Chairman)
Chris DENG (resigned 15 April 2019)
Hai HUANG
Peter Yap Ting WONG
Libing GUO
Dr. Zhinan YIN
Warwick DAWSON (appointed 3 June 2019)
Tameyuki KAWAGUCHI (appointed 3 June 2019)

Principal activities

The principal activities of the Company during the financial year are the sales of smoking control product (NicoBloc), air purifier, water filter, and healthcare products and supplements in China. The Company also sells stem cell based cosmetic products and cell therapies through its subsidiary in Japan.

Review of Operations

The table below sets out the selected key performance indicators for the half year's ending 30 June 2019 ("HY2019") and 30 June 2018 ("HY2018"):

A\$'000	HY2019	HY2018	Change
Sales revenue	664,242	1,259,085	-47%
Cost of sales	(177,600)	(327,488)	-46%
Gross profit	486,642	931,597	-48%
Other income	41,769	86,676	-52%
Selling and distribution expenses	(138,079)	(125,330)	10%
General and administrative expenses	(4,127,639)	(2,586,247)	60%
Finance expense	(16,359)	(9,218)	78%
Finance income	6,279	24,466	-74%
Share of profit/(loss) from equity accounted investment	(120,000)	-	-
Profit/(loss) before income tax	(3,867,387)	(1,678,056)	-130%
Depreciation	108,776	22,975	374%
Finance expense	16,359	9,218	78%
Finance income	(6,279)	(24,466)	-74%
EBITDA	(3,748,531)	(1,670,329)	-124%

(A) Revenue

Sales revenue has decreased by about half compared to the same period last year. Other than the sales of the Nicobloc product, sales of the other products have generally declined. With the air pollution becoming less of an issue in China, there is less demand for the air filter product, Fogibloc. The Company is now changing its sales strategy by focusing its promoting and marketing efforts on the e-commerce channels especially the popular JD.com in China. In the past, most of the sales were through sales agents. In addition to its smoke cessation product, health supplements and cosmetic products, the Company is actively introducing new products like genetic testing and stem cell-based cosmetic products which will see an increase in demand in the ensuing months.

(B) Other Income

Other income represents the subsidy received from the local government for support of its business in China.

(C) Gross Profit

Due to the decline in sales revenue, gross profit has shown a corresponding decrease in this period.

(D) Expenses

The increase in general and administrative expenses is mainly due to the following:

- the issuance of 1,760,000 shares to directors and management at \$1.25 per share incurring total share-based compensation expense of \$2,200,000. In the previous period, 960,000 shares were issued at \$1.05 per share amounting to \$1,008,000;
- the share of loss of \$120,000 and the write-off of signing fee expense of \$150,000 from the equity investment in PENAO Pty Ltd;
- an increase in bad debt provision of \$209,000 due to the increase in aged receivables from the customers of the Chinese subsidiary; and
- the rental and staff expenses of almost \$200,000 incurred by Beroni Japan in this period as compared to \$6,000 of expenses in the previous period when the Japanese company was established in April 2018.

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 OTCQX

The Company was listed on the OTCQX in the USA on 29 April 2019.

2. Issue of new shares

In June 2019, the Company issued 170,000 shares at \$1.00 to an existing shareholder raising \$170,000 cash. The Company has also issued 200,000 shares for nil consideration to a New York based investment banker as part payment for their services to assist the Company in engaging US-based investment community

As part of the directors' and employees' compensation, 1,760,000 fully paid ordinary shares at the price of \$1.25 were granted to the directors, company secretary and senior managers in June 2019.

3. Investments

In June 2019, Beroni signed a shareholder agreement to acquire 40% of the total share capital of PENAO Pty Ltd with NewSouth Innovations Pty Limited owing the other 60%. NewSouth Innovations is the subsidiary arm of the University of New South Wales. PENAO Pty Ltd is a company recently set up to take over from Cystemix Pty Ltd the development of the anti-cancer drug called PENAO for treatment of cancer tumours. PENAO Pty Ltd will take over the licensing rights to the new drug. Beroni has initially paid \$400,000 to Cystemix Pty Ltd for this investment and will pay a further \$9.45 million over the next 2 years to own a total of 40% shares in PENAO Pty Ltd. PENAO Pty Ltd will commence the Phase II clinical trial once the funding from Beroni is in place.

Last year, 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 was to be fully redeemed after 30 June 2021. Due to the investment terms not being met by Youtokukai Foundation, Beroni has decided to withdraw from this investment and is seeking a refund for the full payment.

In 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. The settlement of this acquisition has been extended into this year and the directors are in the process of raising the funds in the international capital markets to complete the acquisition.

4. Exclusive License

Further to the US\$1 million sponsored research agreement with Columbia University, Beroni has signed an exclusive license with New York-based Columbia University in April 2019 to sell the patented product, Arbo ViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all Dengue virus serotypes, Chikungunya virus and West Nile virus. The license is for a minimum of 20 years and on a worldwide basis. For the licensing right, Beroni shall pay royalties to Columbia University based on net sales of the products.

Likely developments and expected results of operations

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

Matters subsequent to the end of the financial year

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.

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 6.

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
Chairman
11 September 2019

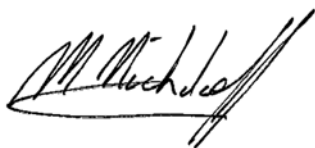
Auditor's Independence Declaration

To the Directors of Beroni Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2019, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Beroni Group Limited and the entities it controlled during the financial period.

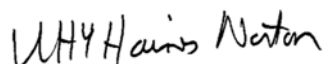


Mark Nicholaeff

Partner

Sydney

Date: 11 September 2019



UHY Haines Norton

Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Half-year Ended 30.06.2019 AUD	Consolidated Half-year Ended 30.06.2018 AUD
Revenue			
Sales revenue		664,242	1,259,085
Cost of sales		(177,600)	(327,488)
Gross profit		<u>486,642</u>	<u>931,597</u>
Other income			
Government subsidy		41,769	86,676
Selling and distribution expenses		(138,079)	(125,330)
General and administration expenses	4	(4,127,639)	(2,586,247)
Finance income		6,279	24,466
Finance expense		(16,359)	(9,218)
Share of profit / (loss) from equity accounted investment		(120,000)	-
Profit before income tax		<u>(3,867,387)</u>	<u>(1,678,056)</u>
Income tax (benefit) / expense		-	8,900
Net profit/(loss) for the period		(3,867,387)	(1,669,156)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation			
Attributed to Beroni Group parent company		(34,112)	300,355
Attributed to Non-controlling interest		(1,948)	(23)
Foreign currency translation		(36,060)	300,332
Total comprehensive income / (loss) for the period		<u>(3,903,447)</u>	<u>(1,368,824)</u>
Profit for the period is attributable to:			
Owners of Beroni Group Limited		(3,757,562)	(1,666,280)
Non-controlling interest		(109,825)	(2,876)
Total profit / (loss) for the period		<u>(3,867,387)</u>	<u>(1,669,156)</u>
Total comprehensive income / (loss) for the period attributable to:			
Owners of Beroni Group Limited		(3,791,674)	(1,365,925)
Non-controlling interest		(111,773)	(2,899)
Total comprehensive income / (loss) for the period		<u>(3,903,447)</u>	<u>(1,368,823)</u>
		Cents	Cents
Earnings per share for profit for the period			
Basic earnings / (loss) per share		(5.51)	(2.69)
Diluted earnings / (loss) per share		<u>(5.51)</u>	<u>(2.69)</u>

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 30.06.2019 AUD	Consolidated As at 31.12.2018 AUD
Current Assets			
Cash and cash equivalents		3,671,736	5,747,749
Trade receivables	5	2,632,906	2,335,120
Inventories		103,049	48,173
Prepayments and other current assets	6	4,402,212	4,427,066
Other receivables	5	771,076	461,181
Asset classified as held for sale	10	1,224,868	-
Total current assets		<u>12,805,847</u>	<u>13,019,289</u>
Non-Current Assets			
Property, plant and equipment		372,404	210,201
Right-of-use assets	7	291,021	-
Intangible assets	8	1,346,272	1,336,117
Deferred tax assets		130,149	129,165
Equity-accounted investment	9	280,000	-
Investment in other entities	11	2,431,515	3,656,383
Other assets		94,894	282,070
Total non-current assets		<u>4,946,255</u>	<u>5,613,936</u>
Total Assets		17,752,102	18,633,225
Current Liabilities			
Trade and other payables		35,012	56,979
Borrowings from related parties		248,424	215,471
Lease liabilities	7	133,493	-
Other current tax liabilities		(24,100)	22,998
Other current liabilities		89,940	93,125
Total current liabilities		<u>482,769</u>	<u>388,573</u>
Non-Current Liabilities			
Lease liabilities	7	182,026	-
Other non-current liabilities		70,379	-
Total non-current liabilities		<u>252,405</u>	<u>-</u>
Total Liabilities		735,174	388,573
Net Assets		17,016,928	18,244,652
Equity			
Issued capital	13	23,483,167	20,913,167
Reserves		256,618	290,731
Retained earnings		(6,564,380)	(2,912,717)
Equity attributable to equity holders of the parent entity		<u>17,175,405</u>	<u>18,291,181</u>
Non-controlling interests		<u>(158,477)</u>	<u>(46,529)</u>
Total Equity		17,016,928	18,244,652

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				Non-controlling interests	Total
	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings		
	AUD	AUD	AUD	AUD	AUD	AUD
Consolidated 2019						
Balance at 31 December 2018	20,913,167	16,885	273,846	(2,912,717)	(46,529)	18,244,652
Change in accounting policy (see Note 7)				(8,409)	(175)	(8,584)
Restated total equity at 1 January 2019	20,913,167	16,885	273,846	(2,921,126)	(46,704)	18,236,068
Net loss for the period	-	-	-	(3,757,562)	(109,825)	(3,867,387)
Other comprehensive income/(loss) for the period	-	-	(34,112)	-	(1,948)	(36,060)
Total comprehensive income/(loss) for the period	-	-	(34,112)	(3,757,562)	(111,773)	(3,903,447)
Transactions with owners in their capacity as owners, net of transaction cost	-	-	-	114,308	-	114,308
Capital contribution from share placement	170,000	-	-	-	-	170,000
Shares issued for services rendered	200,000	-	-	-	-	200,000
Ordinary shares issued to directors, company secretary and senior managers	2,200,000	-	-	-	-	2,200,000
Balance at 30 June 2019	23,483,167	16,885	239,734	(6,564,380)	(158,477)	17,016,929

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent				Non-controlling interests	Total
	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings		
	AUD	AUD	AUD	AUD	AUD	AUD
Consolidated 2018						
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 CASH FLOWS

	Notes	Consolidated Half-year Ended 30.06.2019 AUD	Consolidated Half-year Ended 30.06.2018 AUD
Cash flows from operating activities:			
Receipts from customers		1,102,848	966,679
Payments to suppliers and employees		(3,254,977)	(2,819,831)
Interest paid		-	(9,218)
Income tax paid		(92,727)	(1,701)
Receipts from government		-	86,678
Net cash generated/(used in) operating activities		(2,244,856)	(1,777,393)
Cash flows from financing activities:			
Gross proceeds from issue of equity instruments of the Company		170,000	5,952,163
Proceeds from borrowings		11,846	(160,174)
Borrowings from related parties		-	-
Principal elements of lease payments	7	(58,353)	-
Net cash generated from financing activities		123,493	5,791,989
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		-	(30,448)
Purchase of property, plant and equipment		(6,375)	-
Investments in other entities		-	(4,206,383)
Interest received		177	24,466
Payments for intangible assets		(2,819)	(1,288,115)
Net cash generated/ (used in) investing activities		(9,017)	(5,500,480)
Net increase in cash and cash equivalents		(2,130,380)	(1,485,884)
Cash and cash equivalents at beginning of the period		5,747,748	8,669,709
Exchange gain/(loss) on cash and cash equivalents		54,367	217,549
Cash and cash equivalents at end of the period		3,671,735	7,401,374

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

Notes to Financial Statements

Note 1. Corporate information

The financial statements cover Beroni Group Limited ("Parent entity" or the "Company") as a consolidated entity consisting of Australia Beroni Group Limited and the entities it controlled (together referred to as the "Group") at the end of, or during, the half-year ended 30 June 2019. The financial statements are presented in Australian dollars, which is the Company's presentation currency, with all values rounded to the nearest thousand dollars 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 of Australia and on the OTC markets in the USA.

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

Registered office

Suite 401, level 4
447 Kent Street
Sydney NSW 2000
Australia

Principal place of business

Level 10, Building 11
Zhong Bei High Technology Industrial Park, Xiqing District
Tianjin 300380
People's Republic of China

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 and stem-cell therapies. It currently has four core businesses – 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 11 September 2019.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 '*Interim Financial Reporting*' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

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.

The following new accounting standard is effective for annual periods beginning on or after 1 January 2019.

- AASB 16 Leases

The group has changed its accounting policies and make retrospective adjustments as a result of adopting *AASB 16 Leases*. The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 7 below. The group has elected to apply the simplified transition approach. The transition exemptions are available for leases with a remaining term of 12 months or less and for low value assets (both on a lease-by-lease basis).

Other new standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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

Note 3. Segment reporting

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

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

The following operating segments have been noted:

- Nicobloc
- Fogibloc air purifier
- Olansi water filter
- MRET water activator
- Stem cell cosmetic products

Segment information

Segment information provided to the board of directors for the half year ended 30 June is as follows:

Segment	Segment Revenue		Segment Gross Profit	
	HY2019 AUD	HY2018 AUD	HY2019 AUD	HY2018 AUD
Nicobloc	644,141	105	490,233	75
Fogibloc air purifier	489	618,741	233	433,894
Olansi water filter	-	352,541	-	294,300
MRET water activator	-	149	-	-
Stem cell cosmetic products	3,707	-	(11,524)	-
Others	15,905	288,004	7,700	203,329
Total for all segments	<u>664,242</u>	<u>1,259,540</u>	486,642	931,597
Other income			48,048	86,676
Unallocated selling and distribution expenses			(138,079)	(125,330)
Central general and administrative expenses			(4,127,639)	(2,586,247)
Net finance costs			(16,359)	15,248
Share of profit / (loss) from equity-accounted investment			(120,000)	-
Profit / (loss) before income tax			<u>(3,867,387)</u>	<u>(1,678,056)</u>

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current half year (HY2018: 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.

Geographical information

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

Sales Revenue by Geographical Market

	HY2019 AUD	HY2018 AUD
China	660,535	1,259,540
Japan*	3,707	-
	<u>664,242</u>	<u>1,259,540</u>

* Japan sales were related to stem-cell cosmetic products.

Major customers

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

Note 4. Expenses

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

	Consolidated 30 June 2019 AUD	Consolidated 30 June 2018 AUD
Wages and salaries	315,813	252,903
Rent expense	58,022	41,049
R&D expenses	119,003	112,952
Legal fees	122,159	68,346
Listing expenses ¹	39,181	503,370
Share-based payment compensation ²	2,200,000	1,008,000
Doubtful debts expense ³	208,740	70,313
	<u>3,062,918</u>	<u>2,056,933</u>

¹ Listing expenses in the previous period relates mainly to the expenses incurred for the dual listing on the Frankfurt Stock Exchange.

² Share-based payment compensation relates to the 1,760,000 shares granted to the directors and employees in June 2019.

³ Increase in bad debts provision due to increase in aged trade receivables.

Note 5. Trade and other receivables

	Consolidated 30 June 2019 AUD	Consolidated 31 December 2018 AUD
Amounts due from customers	3,273,419	2,764,810
Less: Provision for doubtful debt	(640,513)	(429,690)
Trade receivables	<u>2,632,906</u>	<u>2,335,120</u>
Other receivables	771,076	461,181
	<u>3,403,982</u>	<u>2,796,301</u>

Note 6. Prepayments and other current assets

	Consolidated 30 June 2019 AUD	Consolidated 31 December 2018 AUD
Prepayment for shares in Cystemix ¹	-	550,000
Shares issued to Medicine Plus ²	3,618,825	3,618,825
Prepayments and other current assets ³	783,387	258,241
	<u>4,402,212</u>	<u>4,427,066</u>

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 has paid in advance \$550,000 for 2.2% of the share investment during the first half year of 2018. The drug development has been transferred to a new company, PENAO Pty Ltd in June 2019 with NSI owning 60% of the shares of the new company and Beroni owing 40% of the remaining 40%. The investment in PENAO Pty Ltd has been treated as an equity-accounted investment under non-current assets in the current period. Of the prepayment, \$150,000 has been expensed off in this period as this amount was related to the signing fee for the letter of investment intent.

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. 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 settlement date has been mutually extended and the company is currently raising capital to settle this acquisition by the end of this year.

³ Beroni Japan has paid in advance \$696,853 to a Japanese supplier for the supply of stem-cell cosmetic products. The bulk of the prepayment relates to a Chinese customer that has placed a large order for such products with Beroni China. Beroni China has engaged Beroni Japan to supply the products. The goods have subsequently been manufactured and are ready for shipment to China pending clearance from China customs.

Note 7. Leases

The group has adopted AASB 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of AASB 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8% for China, 6% for Japan and 9% for USA.

The interest rate implicit in the lease is not readily determinable. The Company's incremental borrowing rate is defined as the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. When the lease is denominated in a foreign currency, the Company's incremental borrowing rate should be the rate at which the lessee could obtain funding for the asset in the foreign currency.

Lease liabilities recognized as at 30 June 2019

Current lease liabilities	133,493
Non-current lease liabilities	182,026
	315,519

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019	1 January 2019
Properties	291,021	354,433
	291,021	354,433

Note 8. Intangible Assets

	Consolidated 30 June 2019 AUD	Consolidated 31 December 2018 AUD
Capitalised development cost ¹	1,288,276	1,288,276
Patents ²	50,310	47,490
Software	7,686	351
	1,346,272	1,336,117

¹ 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. In April 2019, the Company signed an exclusive license agreement with the Columbia University to sell the diagnostic kit product on a worldwide basis.

² As requested by the Company, Columbia University has secured the ArboViroPlex rRT-PCR Test patent in six countries namely USA, India, Saudi Arabia, China, Australia and Japan. The patents were paid for by Beroni and 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.

Note 9. Equity-accounted investment

	Consolidated 30 June 2019 AUD	Consolidated 31 December 2018 AUD
Investment in PENAO Pty Ltd	400,000	-
Less share of losses (40% of \$300,000)	(120,000)	-
	<u>280,000</u>	<u>-</u>

As mentioned in Note 6, the PENAO drug development has been transferred from Cystemix Pty Ltd to a new company, PENAO Pty Ltd in June 2019 with NSI owning 60% of the shares of the new company and Beroni owing 40% of the remaining 40%. Of the \$400,000 funds provided by Beroni, \$300,000 has been spent by Cystemix Pty Ltd as running expenses. About \$100,000 will be transferred to PENAO Pty Ltd to continue the drug development.

Note 10. Asset classified as held for sale

	Consolidated 30 June 2019 AUD	Consolidated 31 December 2018 AUD
Investment in Youtokukai Fund	1,224,868	-
	<u>1,224,868</u>	<u>-</u>

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. The Medical Clinic is wholly owned by Youtokukai. For this investment, Beroni Group is to 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. However, due to the investment terms not being met by Youtokukai Foundation, Beroni has decided to withdraw from this investment and is now seeking a refund for the full payment. The investment has been reclassified as asset held for sale.

Note 11. Investment in other entities

	Consolidated 30 June 2019 AUD	Consolidated 31 December 2018 AUD
Investment in shares of Dendrix Inc. ¹	2,431,515	2,431,515
Investment in Youtokukai Fund ²	-	1,224,868
	<u>2,431,515</u>	<u>3,656,383</u>

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% has been deferred until the conditions precedent to the second subscription have been met by Dendrix Inc.

² See Note 10.

Note 12. Related party transactions

Balances with related parties

	30 June 2019	31 December 2018
	AUD	AUD
Amounts due to related parties		
Mr. Boqing Zhang (Director) ¹	27,358	27,358
Ms. Fujiwara Kinuko ²	221,066	188,113
Total amounts due to related parties ³	<u>248,424</u>	<u>215,471</u>

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.

³ The amounts due to related parties are non-interest bearing and have no fixed terms.

Note 13. Share capital

	30 June 2019		31 December 2018	
	Number of shares	AUD	Number of shares	AUD
Total ordinary shares fully paid				
At the beginning of the period	70,102,348	20,913,167	60,177,683	11,372,072
Private placement	170,000	170,000	6,896,765	4,914,270
Shares issued for services rendered	200,000	200,000	-	-
Shares issued to directors and company secretary	1,760,000	2,200,000	960,000	1,008,000
Shares issued to Medicine Plus	-	-	2,067,900	3,618,825
At the end of the period	<u>72,232,348</u>	<u>23,483,167</u>	<u>70,102,348</u>	<u>20,913,167</u>
Attributed to owners of Beroni Group Limited	72,232,348	23,483,167	70,102,348	20,913,167
Attributed to non-controlling interest	-	-	-	-
Total ordinary shares fully paid	<u>72,232,348</u>	<u>23,483,167</u>	<u>70,102,348</u>	<u>20,913,167</u>

Note 14. Key Management Personnel

The company has issued a total of 1,760,000 fully paid ordinary shares to the directors, company secretary and senior managers in June 2019.

Director	No of Shares	Value
Boqing ZHANG	500,000	\$625,000
Hai HUANG	150,000	\$187,500
Peter Yap Ting WONG	150,000	\$187,500
Libing GUO	130,000	\$162,500
Zhinan Yin	40,000	\$50,000
Chris Deng (resigned on 16 April 2019)	40,000	\$50,000
Nicholas Ong (company secretary)	90,000	\$112,500
Key management personnel	<u>1,010,000</u>	<u>\$1,375,000</u>
Senior managers	<u>660,000</u>	<u>\$825,000</u>
Total	<u>1,760,000</u>	<u>\$2,200,000</u>

The above shares were allotted to the directors and employees as fully paid in recognition of their services provided to the company in the past year. The issue of shares was approved by the Company's shareholders at a General Meeting held in May 2019.

Note 15. Contingencies and commitments

The Group has no contingent liabilities or commitments as at 30 June 2019 except for the followings:

- (a) 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. In the event this acquisition is not successfully completed, the cost of the shares issued to Medicine Plus amounting to \$3,618,825 will be recognised as an expense in the income statement. The settlement date has been mutually extended and the company is currently raising capital to settle this acquisition before the end of this year.
- (b) In June 2019, Beroni signed a shareholder agreement to acquire 40% of the total share capital of PENAO Pty Ltd with NewSouth Innovations Pty Limited (NSI) owning the other 60%. NSI is the subsidiary arm of the University of New South Wales. PENAO Pty Ltd is a company recently set up to take over from Cystemix Pty Ltd the development of the anti-cancer drug called PENAO for treatment of cancer tumours. PENAO Pty Ltd will take over the licensing rights to the new drug. Beroni has initially paid \$400,000 to Cystemix Pty Ltd for this investment and will pay a further \$9.45 million over the next 2 years to own a total of 40% shares in PENAO Pty Ltd. In the event Beroni is not able to pay the additional \$9.45 million, then PENAO Pty Ltd can issue on the same terms to NSI the shares which were to be issued to Beroni and Beroni will grant NSI an option to purchase all of the shares then held by Beroni for the lesser of and at NSI's sole discretion:
- the price per share paid by a genuine third-party investor for shares in PENAO Pty Ltd; or
 - at a 20% discount on the price paid by Beroni for the Beroni Shares

Note 16. 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 17. Events after the Balance Sheet date

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.

Note 18. Dividends

There was no dividend paid nor declared during the period.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*, 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 30 June 2019 and of its performance for the financial half-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

11 September 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Beroni Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Beroni Group Limited ("the company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2019, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

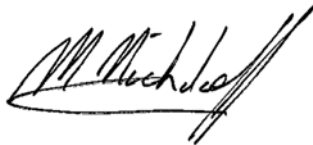
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2019 and its financial performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

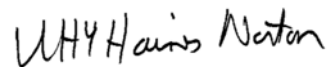


Mark Nicholaeff

Partner

Sydney

Date: 11 September 2019



UHY Haines Norton

Chartered Accountants