



Beroni Group Limited

ABN 20 613 077 526

**APPENDIX 3 AND
INTERIM FINANCIAL REPORT
For the Half Year Ended 30 June 2020**

Beroni Group Limited

ABN 20 613 077 526

Appendix 3

1. Details of the reporting period

Current Period: 1 January 2020 – 30 June 2020 (“HY2020”)

Previous Corresponding Period: 1 January 2019 – 30 June 2019 (“HY2019”)

2. Results for announcement to the market

Comparison to previous period		HY2020 (AUD)	HY2019 (AUD)	Change %
2.1	Revenue from continuing operations	315,822	664,242	-53%
2.2	Loss from ordinary activities after income tax attributable to members	(4,273,312)	(3,757,562)	-14%
2.3	Net loss attributable to members	(4,273,312)	(3,757,562)	-14%

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

	30.06.2020	31.12.2019
	Cents	Cents
Net tangible assets per ordinary share	18.20	16.05

Calculation based from ordinary shares issued of 75,722,348 as of 30 June 2020 and 72,972,348 as of 31 December 2019.

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

The Company acquired 100% of a Japanese company which was renamed as Beroni Biotech Inc. for an amount of JPY2 million or \$28,779 in May 2020. The Japanese company has an issued share capital of JPY 5 million or \$71,403.

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

There were no new investment in associates or joint ventures in HY2020.

8. Accounting standards

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

9. Audit qualification or review

The financial statements were subject to review by the auditors and the Auditor's Review Report is attached as part of Interim Financial Report.

Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

**Consolidated Financial Statements
For the Half Year Ended 30 June 2020**

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Director's 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 2020 to 30 June 2020.

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 and CEO)
 Hai HUANG
 Peter Yap Ting WONG (CFO)
 Libing GUO
 Dr. Zhinan YIN
 Tameyuki KAWAGUCHI
 Dr Richard Buchta (appointed 1 July 2020)

Principal activities

The principal activities of the Company during the financial year are the sales of smoking control product (NicoBloc), air purifier, water filter, COVID-19 test kit, healthcare products and cosmetics in China. The Company also sells stem cell-based cosmetics 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 2020 ("HY2020") and 30 June 2019 ("HY2019"):

A\$'000	HY2020	HY2019	Change
Sales revenue	315,822	664,242	-53%
Cost of sales	(74,130)	(177,600)	-58%
Gross profit	241,692	486,642	-50%
Other income	24,293	41,769	-42%
Selling and distribution expenses	(157,661)	(138,079)	14%
General and administrative expenses	(4,430,295)	(4,127,639)	7%
Finance expense	(33,647)	(16,359)	106%
Finance income	92,427	6,279	1372%
Share of loss of associate	(108,470)	(120,000)	-10%
Profit before income tax	(4,371,661)	(3,867,387)	13%
Depreciation	262,166	108,776	141%
Finance expense	33,647	16,359	106%
Finance income	(92,427)	(6,279)	1372%
EBITDA	(4,168,275)	(3,748,531)	11%

(A) Revenue

Sales revenue has decreased by about half compared to the same period last year. The sales in this period was affected by the COVID-19 pandemic which led to an almost 3 months of lockdown in China from late January to April 2020. Japan also was affected when a state of emergency was declared nationwide in April and May 2020. The pandemic has affected the sales of all products. Sales in China are gradually recovering after April 2020. A new product, SARS-CoV-2 antibody detection kit, a test kit which detects the presence of antibodies to the COVID-19 virus, was launched in April 2020 in response to the pandemic. The Company is selling the test kits to global markets.

(B) Gross Profit

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

(C) Expenses

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

- the issuance of 2,390,000 to directors, senior managers and scientists at \$1 per share incurring total share-based compensation expense of \$2,390,000. In the previous period, 1,760,000 shares were issued at \$1.25 per share amounting to \$2,200,000.
- the share of loss of \$108,470 from the equity investment in PENAO Pty Ltd as the Company injected a further \$150,000 into this investment in this period. PENAO is moving ahead with its phase 2 clinical trials which are expected to commence in early 2021.
- the increase in allowance for expected credit loss by \$434,932 compared to \$208,470 in the previous period.

Dividend

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

Significant Changes in State of Affairs

1. Issue of convertible notes

In May 2020, the Company raised US\$2.97 million via the issue of convertible notes to professional and sophisticated investors in Japan. A total of 29,722 convertible notes with a face value were issued with a one-year maturity date. The convertible notes can be converted to shares at any time prior to maturity. The number of shares to be issued in respect of each Convertible Note will be calculated by dividing the face value of the notes by the conversion price of US\$1.728.

2. Issue of new shares

In January 2020, the Company issued 200,000 shares at \$1.00 per share and again in April 2020 issued another 110,000 shares at \$1.00 per share to an existing shareholder to raise further capital for supporting the business needs.

In May 2020, the Company issued 50,000 shares to a consultant in Japan as part payment for his services in assisting the Company to raise capital from the issue of US\$2.97 million of convertible notes.

In June 2020, as part of the directors' and employees' compensation, 2,390,000 fully paid ordinary shares at the price of \$1.00 were granted to the directors, company secretary, senior managers and scientists.

3. Investment

The Company acquired 100% shares of a Japanese company which was renamed as Beroni Biotech Inc. for an amount of JPY5 million or \$71,403 in May 2020.

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

COVID-19 impact

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Listing on NASDAQ

The Company is seeking a listing on the Nasdaq Stock Market next year. It has already appointed a team of corporate advisors, lawyers and accountants to prepare the application document for the Nasdaq listing. The Company plans to lodge the application in the fourth quarter of 2020. Once the application is approved by the US regulators, the Company will conduct investor roadshows to raise funds for the listing.

Other than the above events, there has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

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 2020

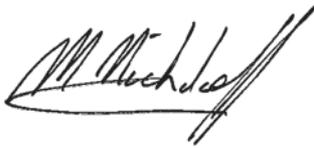
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Beroni Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2020, there have been:

- (i) no contraventions of the auditor independence requirements as set out in 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.

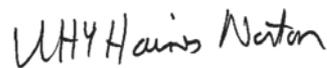


Mark Nicholaeff

Partner

Sydney

Date: 11 September 2020



UHY Haines Norton

Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Consolidated Half-year Ended 30.06.2020 AUD	Consolidated Half-year Ended 30.06.2019 AUD
Revenue			
Sales revenue		315,822	664,242
Cost of sales		(74,130)	(177,600)
Gross profit		241,692	486,642
Other income			
Government subsidy		2,992	41,769
Other revenue		21,301	-
Selling and distribution expenses		(157,661)	(138,079)
General and administration expenses	4	(4,430,295)	(4,127,639)
Finance income		92,427	6,279
Finance expense		(33,647)	(16,359)
Share of loss of associate	9	(108,470)	(120,000)
Loss before income tax		(4,371,661)	(3,867,387)
Income tax (benefit) / expense		-	-
Net loss for the period		(4,371,661)	(3,867,387)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation			
Attributed to Beroni Group parent company		(20,071)	(34,112)
Attributed to Non-controlling interest		(2,016)	(1,948)
Foreign currency translation		(22,087)	(36,060)
Total comprehensive loss for the period		(4,393,748)	(3,903,447)
Loss for the period is attributable to:			
Owners of Beroni Group Limited		(4,273,312)	(3,757,562)
Non-controlling interest		(98,349)	(109,825)
Total loss for the period		(4,371,661)	(3,867,387)
Total comprehensive loss for the period attributable to:			
Owners of Beroni Group Limited		(4,293,383)	(3,791,674)
Non-controlling interest		(100,365)	(111,773)
Total comprehensive loss for the period		(4,393,748)	(3,903,447)
		Cents	Cents
Earnings per share for loss for the period			
Basic loss per share		(5.96)	(5.51)
Diluted loss per share		(5.94)	(5.51)

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

	Note	Consolidated As at 30.06.2020 AUD	Consolidated As at 31.12.2019 AUD
Current Assets			
Cash and cash equivalents		5,857,612	3,010,530
Trade receivables	5	1,392,890	1,857,144
Inventories		852,648	827,539
Prepayments and other current assets	6	3,745,699	3,736,652
Other receivables	5	467,876	506,837
Total current assets		<u>12,316,725</u>	<u>9,938,702</u>
Non-Current Assets			
Property, plant and equipment		307,807	358,356
Right-of-use assets	7	613,009	767,162
Intangible assets	8	1,389,683	1,413,275
Current tax assets		33,074	69,759
Investment in associate	9	281,530	240,000
Investment in other entities	10	1,945,212	1,945,212
Other assets		95,539	93,823
Total non-current assets		<u>4,665,854</u>	<u>4,887,587</u>
Total Assets		16,982,579	14,826,289
Current Liabilities			
Trade and other payables		88,856	153,797
Borrowings from related parties	12	328,071	318,633
Lease liabilities	7	244,010	284,809
Other current liabilities		716,619	386,625
Total current liabilities		<u>1,377,556</u>	<u>1,143,864</u>
Non-Current Liabilities			
Lease liabilities	7	403,952	507,254
Other non-current liabilities		27,952	48,563
Total non-current liabilities		<u>431,904</u>	<u>555,817</u>
Total Liabilities		1,809,460	1,699,681
Net Assets		15,173,119	13,126,608
Equity			
Issued capital	13	27,051,667	24,233,167
Convertible notes	14	3,611,759	-
Reserves		(239,701)	(219,630)
Retained earnings		(14,960,068)	(10,686,756)
Equity attributable to equity holders of the parent entity		<u>15,463,657</u>	<u>13,316,781</u>
Non-controlling interests		(290,538)	(190,173)
Total Equity		15,173,119	13,126,608

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							Total
	Issued Capital	Surplus reserve	Revaluation reserve	Convertible Notes - Equity	Foreign currency translation reserve	Retained earnings	Non- controlling interests	
	AUD	AUD	AUD	AUD	AUD	AUD	AUD	
Consolidated 2020								
Balance as at 1 January 2020	24,223,167	16,885	(486,303)	-	249,789	(10,686,755)	(190,175)	13,126,608
Comprehensive income/(loss) for the period:								
Net loss for the period	-	-	-	-	-	(4,273,312)	(98,349)	(4,371,661)
Other comprehensive loss for the period	-	-	-	-	(20,071)	-	(2,016)	(22,087)
Total comprehensive loss for the period	-	-	-	-	(20,071)	(4,273,312)	(100,365)	(4,393,748)
Transactions with owners in their capacity as owners, net of transaction cost	-	-	-	-	-	-	-	-
Capital contribution from share placements	310,000	-	-	-	-	-	-	310,000
Ordinary shares issued to directors and employees	2,390,000	-	-	-	-	-	-	2,390,000
Ordinary shares issued to financial advisor	128,500	-	-	-	-	-	-	128,500
Convertible notes – equity component	-	-	-	3,611,759	-	-	-	3,611,759
Balance as at 30 June 2020	27,051,667	16,885	(486,303)	3,611,759	229,717	(14,960,068)	(290,538)	15,173,119

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent						Total
	Issued Capital	Surplus reserve	Revaluation reserve	Foreign currency translation reserve	Retained earnings	Non- controlling interests	
	AUD	AUD	AUD	AUD	AUD	AUD	
Consolidated 2019							
Balance as at 1 January 2019	20,913,167	16,885	-	273,846	(2,912,717)	(46,529)	18,244,652
Change in accounting policy					(8,409)	(174)	(8,583)
Restated total equity at 1 January 2019	20,913,167	16,885	-	273,846	(2,921,126)	(46,704)	18,236,069
Net loss for the period	-	-	-	-	(7,765,629)	(138,542)	(7,904,171)
Other comprehensive loss for the period	-	-	(486,303)	(24,057)	-	(4,930)	(515,290)
Total comprehensive loss for the period	-	-	(486,303)	(24,057)	(7,765,629)	(143,472)	(8,419,461)
Transactions with owners in their capacity as owners, net of transaction cost	-	-	-	-	-	-	-
Capital contribution from share placement	760,000	-	-	-	-	-	760,000
Ordinary shares issued to directors, company secretary and senior managers	2,200,000	-	-	-	-	-	2,200,000
Ordinary shares issued to US consultant and investment bank	350,000	-	-	-	-	-	350,000
Balance as at 31 December 2019	24,223,167	16,885	(486,303)	249,789	(10,686,755)	(190,173)	13,126,608

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated Half-year Ended 30.06.2020 AUD	Consolidated Half-year Ended 30.06.2019 AUD
Cash flows from operating activities:			
Receipts from customers		560,640	1,102,848
Payments to suppliers and employees		(1,641,714)	(3,254,977)
Interest paid		(2,060)	-
Income tax paid		(31,330)	(92,727)
Net cash used in operating activities		<u>(1,114,464)</u>	<u>(2,244,856)</u>
Cash flows from financing activities:			
Gross proceeds from issue of equity instruments of the Company		4,794,138	170,000
Proceeds from borrowings		-	11,846
Transaction costs related to issue of convertible notes		(569,210)	-
Borrowings from related parties		(8,617)	-
Principal elements of lease payments	7	<u>(28,042)</u>	<u>(58,353)</u>
Net cash generated from financing activities		4,188,269	123,493
Cash flows from investing activities:			
Purchase of property, plant and equipment		(4,097)	(6,375)
Investments in other entities		1,149	-
Interest received		-	177
Payments for intangible assets		<u>(210,112)</u>	<u>(2,819)</u>
Net cash used in investing activities		(213,060)	(9,017)
Net increase / (decrease) in cash and cash equivalents		2,860,745	(2,130,380)
Cash and cash equivalents at beginning of the period		3,010,530	5,747,748
Exchange gain/(loss) on cash and cash equivalents		<u>(13,663)</u>	<u>54,367</u>
Cash and cash equivalents at end of the period		<u>5,857,612</u>	<u>3,671,735</u>

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 2020. 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 period are the sales of smoking control product (NicoBloc), air purifier, water filter, cosmetics, healthcare products, stem-cell therapies and viral diagnostic kit. 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 2020.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2020 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 the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

The company is a company of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest dollar, unless otherwise indicated.

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 2019 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.

Note 2. Basis of preparation (continued)

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.

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
- Viral diagnostic kit

Note 3. Segment reporting (continued)

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	
	HY2020 AUD	HY2019 AUD	HY2020 AUD	HY2019 AUD
Nicobloc	202,676	644,141	165,513	490,233
Fogibloc air purifier	-	489	-	233
Olansi water filter	1,636	-	1,366	-
MRET water activator	-	-	-	-
Stem cell cosmetic products	75,414	3,707	56,937	(11,524)
Viral diagnostic kit	31,394	-	16,685	-
All others	4,702	15,905	1,191	7,700
Total for all segments	<u>315,822</u>	<u>664,242</u>	241,692	486,642
Other income			116,720	48,048
Unallocated selling and distribution expenses			(157,661)	(138,079)
Central general and administrative expenses			(4,430,295)	(4,127,639)
Net finance costs			(33,647)	(16,359)
Share of loss of associate			(108,470)	(120,000)
Loss before income tax			<u>(4,371,661)</u>	<u>(3,867,387)</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 (HY2019: 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	
	HY2020 AUD	HY2019 AUD
China	305,940	660,535
Japan	-	3,707
USA	9,882	-
	<u>315,822</u>	<u>664,242</u>

Note 3. Segment reporting (continued)

Major customers

Major customers accounting for more than 10% of the sales of the Group are as follows:

	HY2020	HY2019
	AUD	AUD
China Business Belloni (Tianjin) Technology Co., Ltd	224,304	449,100
Tianjin Zhongke Beicheng Technology Co., Ltd	8,879	98,080
Henan Zhongzheng Television Media Co., Ltd	-	91,440
	<u>233,183</u>	<u>638,620</u>

Note 4. Expenses

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

	Consolidated	Consolidated
	30 June 2020	30 June 2019
	AUD	AUD
Wages and salaries	414,981	315,813
Rent expense	2,922	58,022
R&D Expenses	163,852	119,003
Legal fee	39,551	122,159
Consultancy expenses	118,851	438,142
Share-based payment compensation ¹	2,390,000	2,200,000
Expected credit losses on trade receivables ²	434,932	208,740
	<u>3,565,089</u>	<u>3,461,879</u>

¹ Share-based payment compensation relates to the 2,390,000 shares granted to the directors and employees in June 2020.

² Increase in expected credit losses due to increase in aged trade receivables.

Note 5. Trade and other receivables

	Consolidated	Consolidated
	30 June 2020	31 December 2019
	AUD	AUD
Amounts due from customers	3,277,772	3,316,785
Less: Provision for expected credit loss ¹	(1,884,882)	(1,459,641)
Trade receivables	<u>1,392,890</u>	<u>1,857,144</u>
Receivable from Youtokukai Fund ²	1,224,868	1,224,868
Less: Provision for expected credit loss	(1,224,868)	(1,224,868)
Net receivable from Youtokukai Fund	-	-
Others	717,017	757,911
Less: Provision for expected credit loss	(249,141)	(251,074)
Other receivables	<u>467,876</u>	<u>506,837</u>

Note 5. Trade and other receivables (continued)

¹ Being increase in expected credit losses based on trade receivables aging as of 30 June 2020.

² On 18 June 2018, the Company invested JPY100 million (A\$1.22 million) into a capital fund, the Youtokukai Fund which was set up to fund the establishment and development of the Tokyo Ginza International Medical Clinic to be operated by Youtokukai, a medical group based in Japan specialising in regenerative medicine technology such as gene therapy, immune cell therapy, and stem cell therapy. The Medical Clinic is wholly owned by Youtokukai. For this investment, Beroni Group was 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 Fund, Beroni has decided to withdraw from this investment and is seeking a refund for the full payment. The investment has been reclassified as a receivable from Youtokukai Fund.

In January 2020, Beroni has obtained a court injunction against Youtokukai to repay JPY130 million over 14 months. The repayment is guaranteed by a medical doctor of Youtokukai. Despite the court injunction, Youtokukai has not made any payments in 2020. In view of the uncertainty of recovery and market condition in Japan, Beroni has decided to make a 100% credit loss provision against the debt in the last financial year ended 31 December 2019. The Company is currently pursuing legal action against the owners of Youtokukai to recover this investment.

Note 6. Prepayments and other current assets

	Consolidated 30 June 2020 AUD	Consolidated 31 December 2019 AUD
Shares issued to Medicine Plus ¹	3,618,825	3,618,825
Other prepayments and current assets	126,874	117,827
	3,745,699	3,736,652

¹ 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.

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 2020. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 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 2020	30 June 2020 AUD	31 December 2019 AUD
Current lease liabilities	244,010	284,809
Non-current lease liabilities	403,952	507,254
	647,962	792,063

Note 7. Leases (continued)

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 2019. 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:

Properties	30 June 2020	31 December 2019
	AUD	AUD
Cost	945,580	935,624
Accumulated depreciation	(332,571)	(168,462)
Carrying amount	<u>613,009</u>	<u>767,162</u>
Amounts recognised in profit and loss	30 June 2020	30 June 2019
	AUD	AUD
Depreciation expense on right-of-use assets	168,087	62,664
Interest expense on lease liabilities	30,702	11,343
	<u>198,789</u>	<u>74,007</u>

Note 8. Intangible Assets

	Consolidated	Consolidated
	30 June 2020	31 December 2019
	AUD	AUD
Capitalised development cost ¹	1,245,422	1,277,518
Patents ²	143,910	135,408
Software	351	349
	<u>1,389,683</u>	<u>1,413,275</u>

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

Note 9. Investment in associate

	Consolidated	Consolidated
	30 June 2020	31 December 2019
	AUD	AUD
Investment in associate		
Opening balance	240,000	-
Additions at cost	150,000	400,000
Share of associate's loss for the period	(108,470)	(160,000)
Closing balance	<u>281,530</u>	<u>240,000</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 a total of \$550,000 for this investment. The drug development was later transferred to a new company, PENAO Pty Ltd in June 2019 with NSI owning 60% of the shares of the new

Note 9. Investment in associate (continued)

company and Beroni owing 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.

Note 10. Investment in other entities

	Consolidated 30 June 2020 AUD	Consolidated 31 December 2019 AUD
Investment in shares of Dendrix Inc. ¹	1,945,212	1,945,212
	1,945,212	1,945,212

¹ Pursuant to a share subscription agreement signed with Dendrix Inc. on 9 April 2018, Beroni acquired 10,000 ordinary shares at an issue price of 20,000 Japanese Yen (JPY) per share, for a total investment of 200 million JPY (approximately A\$2.43 million dollars), representing 17.92% of the total share capital of Dendrix Inc. Dendrix Inc. is a company based in Tokyo, Japan and was established in December 2012 to provide immune cell culture for treatment against malignant tumours. For the fair value assessment of the investment in the shares of Dendrix Inc., please see Note 17.

Note 11. Acquisition of subsidiary

In May 2020, Beroni Biotechnology Inc., a shelf company incorporated in Japan was 100% acquired by the Company with the objective of further developing its business in the Japanese market. The issued share capital of the Japanese company is JPY 5 million or \$71,403. The assets and liabilities recognized as a result of the acquisition are as follows:

	Fair Value
	AUD
Cash	71,403
Receivables	-
Net assets acquired	71,403
	AUD
Purchase consideration:	
Cash paid	71,403
Total purchase consideration	71,403

Acquisition-related costs amounting to JPY2 million or \$28,779 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss in the half-year period.

Included in the profit or loss for the half year is a loss of \$3,102 attributable to Beroni Biotech Inc. Revenue from this entity for the half-year is NIL. The loss is due to administration and set-up expenses incurred by the new subsidiary company.

Note 12. Related party transactions

Balances with related parties

	Consolidated 30 June 2020 AUD	Consolidated 31 December 2019 AUD
Amounts due to related parties		
Mr. Boqing Zhang (Director) ¹	28,435	27,731
Ms. Fujiwara Kinuko ²	299,636	290,902
Total amounts due to related parties	328,071	318,633

¹ This represents the loan to Beroni HK by Mr. Boqing Zhang for payment of general & administration expenses before Beroni HongKong Limited was able to open its bank accounts.

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

Note 13. Share capital

	30 June 2020		31 December 2019	
	Number of shares	AUD	Number of shares	AUD
Total ordinary shares fully paid				
At the beginning of the period	72,972,348	24,223,167	70,102,348	20,913,167
Share placements	310,000	310,000	760,000	760,000
Shares issued to directors, senior managers and scientists	2,390,000	2,390,000	1,760,000	2,200,000
Shares issued to consultants and investment bank	50,000	128,500	350,000	350,000
Total ordinary shares fully paid	75,722,348	27,051,667	72,972,348	24,223,167

Note 14. Convertible notes – Equity

	Consolidated 30 June 2020 AUD	Consolidated 31 December 2019 AUD
Balance at beginning of the period	-	-
Recognition of equity component on issue of convertible notes	3,611,759	-
Balance at end of the period	3,611,759	-

In May 2020, 29,722 0% USD denominated convertible notes were issued by the Company at an issue price of \$100 per note. Each note entitles the holder to convert to a fixed number of shares by dividing the face value of the note by the conversion price of US\$1.728 per share. Conversion may occur at any time between the date of issue and the maturity date. As the conversion price is lower than the share price of the Company on the OTC markets in the USA at the date the convertible notes were issued, the Company's management considered that it is highly likely the convertible notes will be fully converted to shares upon maturity. The net proceeds received from the issue of the convertible notes after deducting the transaction costs are fully recognised as equity.

	AUD
Equity component of convertible notes	4,309,689
Transaction costs relating to equity component of convertible notes	(697,930)
Amount classified as equity	3,611,759

Note 15. Key Management Personnel

The company has issued a total of 2,390,000 fully paid ordinary shares to the directors, company secretary, senior managers and scientists in June 2020.

Director	No of Shares	Value
Boqing ZHANG	600,000	\$600,000
Hai HUANG	150,000	\$150,000
Peter Yap Ting WONG	250,000	\$250,000
Libing GUO	130,000	\$130,000
Zhinan YIN	60,000	\$60,000
Nicholas ONG (company secretary)	100,000	\$100,000
Key management personnel	1,290,000	\$1,290,000
Senior managers	660,000	\$660,000
Scientists	440,000	\$440,000
Total	2,390,000	\$2,390,000

Note 16. Contingencies and commitments

The Group has no contingent liabilities or commitments as at 30 June 2020. (31 December 2019: \$nil) 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 still raising capital to settle this acquisition as soon as possible.

(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 so far paid \$550,000 to NSI for this investment and will pay a further \$9.30 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 \$9.30 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 17. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used):

Financial assets/ financial liabilities	Fair value as at 31/12/19	Fair value as at 30/06/20	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Private equity investments	17.92% equity investment in Dendrix Inc, a Japanese company engaged in providing immune cell culture for cancer and anti- aging treatments	17.92% equity investment in Dendrix Inc, a Japanese company engaged in providing immune cell culture for cancer and anti- aging treatments	Level 3	Net assets value was used to determine the fair value of the company	Net assets value was used to determine the fair value of the company	An increase or decrease in the net assets value would result in a corresponding increase or decrease in the fair value

Note 17. Fair value measurements of financial instruments (continued)

Reconciliation of Level 3 fair value measurements

	Equity investments at FVTOCI – unlisted shares	Equity investments at FVTOCI – unlisted shares
	30 June 2020	31 December 2019
	AUD	AUD
Opening balance	1,945,212	2,431,515
Total gains or losses		
- In profit or loss	-	-
- In other comprehensive income	-	(486,303)
Closing balance	1,945,212	1,945,212

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

Note 18. Events after the Balance Sheet date

COVID-19 impact

The impact of the Coronavirus (COVID-19) pandemic is ongoing, and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Listing on NASDAQ

The Company is seeking a listing on the Nasdaq Stock Market next year. It has already appointed a team of corporate advisors, lawyers and accountants to prepare the application document for the Nasdaq listing. The Company plans to lodge the application in the fourth quarter of 2020. Once the application is approved by the US regulators, the Company will conduct investor roadshows to raise funds for the listing.

Other than the above events, there has not arisen, in the interval between the end of the financial period and the date of this report, any other item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect substantially:

- (a) the Company's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the Company's state of affairs in future financial years.

Note 19. 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 2020 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 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Beroni Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Beroni Group Limited ("the company") and its subsidiaries ("the Group"), which comprises the condensed consolidated statement of financial position as at 30 June 2020, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed 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.

Conclusion

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 2020 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.

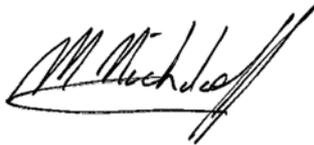
Auditor's Responsibility

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 2020 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*.

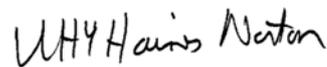


Mark Nicholaeff

Partner

Sydney

Date: 11 September 2020



UHY Haines Norton

Chartered Accountants