BERONI GROUP

2023 Annual Report

Beroni Group Limited

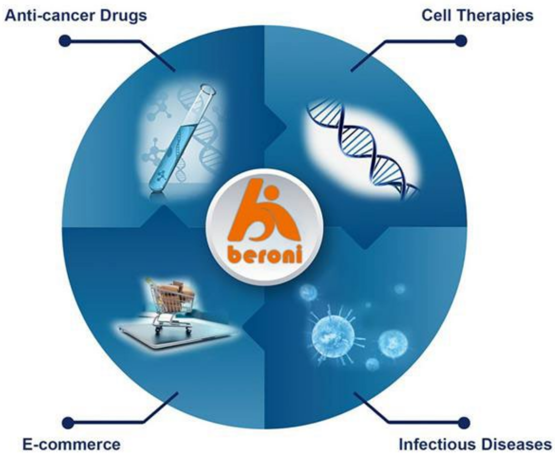
ACN: 613 077 526

NSX Code: BTG

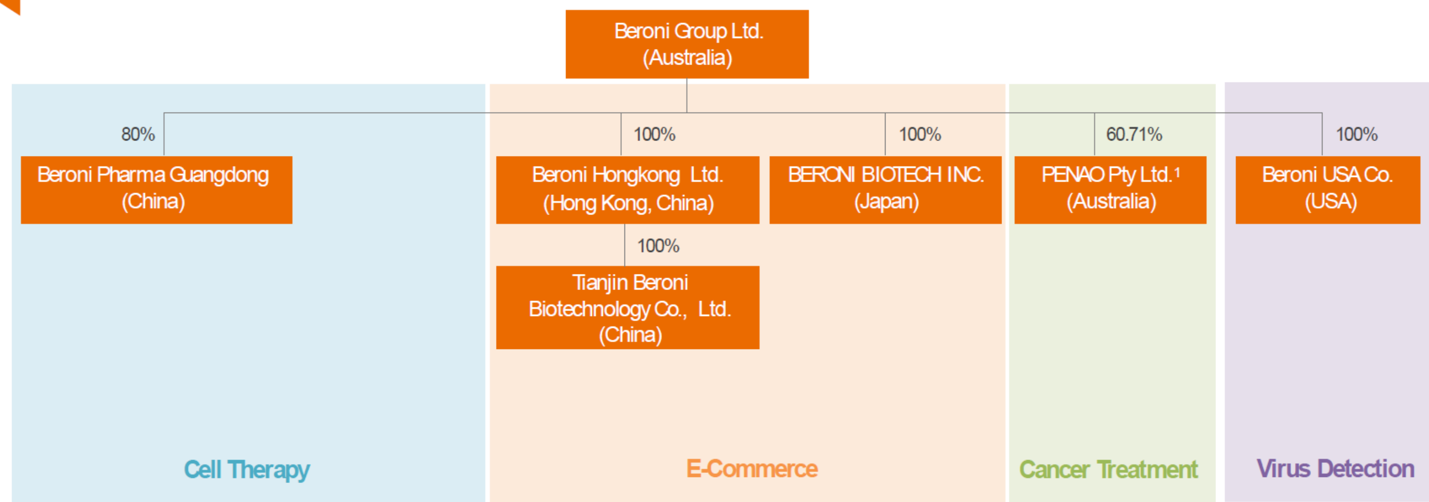
OTCQX Code: BNIGF

ABOUT BERONI GROUP

Beroni Group is an international biopharmaceutical enterprise dedicated to the innovation and commercialization of drugs and therapies to combat various global diseases such as cancer and infectious diseases. Its diversified portfolio is comprised of FDA/CE-approved virus diagnostic kits, an e-commerce platform for the sale of pharmaceutical products and a development pipeline targeting oncology and cell therapies. Beroni has operations in Australia, United States, China and Japan. It is listed on the National Stock Exchange of Australia and traded on the OTC markets in the USA.



Corporate Structure



1. NewSouth Innovations Pty Ltd. owns the other 39.21% of PENAO Pty Ltd.

Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

Consolidated Financial Statements

For the Year Ended 31 December 2023

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A MESSAGE FROM THE CHAIRMAN

Dear Fellow Shareholders

On behalf of the Board and Management of Beroni Group Limited ("Beroni" or the "Company"), I am pleased to present the 2023 Annual Report.

Although China opened up its market in early 2023 after several years of lockdowns and closed borders due to the COVID-19 pandemic, the business recovery has been slower than anticipated. The China's economy was still struggling in 2023 and we have not seen a turnaround in our Chinese business. Nevertheless, things are looking better in 2024 and we are optimistic that we will see stronger sales in the Chinese market.

Financial Performance

Beroni reported FY2023 revenue of $0.47 million (restated FY2022 $0.64 million), and underlying EBITDA of -$8.68 million (restated FY2022: -$7.75 million) and NPAT -$9.47 million (restated FY2022: -$8.25 million). Due to the slow business recovery in China, this year's sales have declined by 14% over the previous year's sales.

Despite the challenges we faced in 2023, we have been exploring new ways to grow our business by forming new alliances with business partners to cross-sell our products and developing new e-commerce channels. We have established a new Douyin (China equivalent of TikTok) platform in mid-2023 to promote our products through local celebrities and influencers. In the new year, we are considering to expand our sales to other markets and to broaden our customer base.

On the expenses front, overall expenses (excluding cost of sales) in 2023 of $10.04 million are slightly higher than the $9.13 million 2022 due to the increase in provision for expected credit losses by $0.98 million, the decrease by almost $3 million of the share-based compensation payments and the fair value loss of $2.87 million (2022: NIL) on the revaluation of the derivative financial liabilities. We are continuing our efforts to streamline our operational costs to improve overall efficiency.

Research and Development

Beroni has a drug development pipeline focusing on oncology and immunotherapy. We will start the phase II clinical trial of the cancer drug, PENAO in Australia after having raised sufficient funds from our upcoming listing on Nasdaq. We also intend to commence the clinical trials for several new innovative cell therapies in China and Japan such as gamma-delta T cell and dendritic cell vaccine.

It is Beroni's strategy to always explore research programs with significant potential value and benefits and to collaborate with industry partners in the international markets.

Our Vision

Our vision has not changed and our aim is to become a world's leading player in the biopharmaceutical industry by developing and commercialising innovative drugs and therapies to address significant unmet medical needs worldwide and to improve overall human health. As mentioned in my previous year's report, we have been pursuing the following strategies:

- Advance key product candidates with a focus on cancer and infectious diseases;
- Identify and develop additional product candidates through clinical development in order to expand our current pipeline;
- Strengthen our position in the development of innovative drugs and therapies;
- Expand our e-commerce business by growing our portfolio of pharmaceutical and health products;
- Identify, evaluate and pursue strategic merger and acquisition opportunities in new markets like EU and the Middle East to expand our global footprint;
- Develop a culture of scientific excellence to drive future innovations.

Last but not least, despite the long delay, Beroni is still continuing with its application to list on the Nasdaq Stock Exchange. We hope to be listed before the end of 2024. The successful listing of Beroni on the Nasdaq stock market will be a major milestone in our strategic development as it will give us access to a wide range of short- and long-term investment sources in the huge U.S. capital markets.

Once again, I would like to thank the board of directors, management team and staff for their hard work and commitment in taking the business to the next level in 2024 and beyond. And I would also like to thank our shareholders for their support and interest in our company.

Boqing (Jacky) Zhang
Chairman and Chief Executive Officer
7 August 2024

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 2023 to 31 December 2023.

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:

Jacky Boqing ZHANG (Executive Director, Chairman)

Hai HUANG (Executive Director)

Peter Yap Ting WONG (Executive Director, CFO)

Libing GUO (Non-executive Director)

Dr Zhinan YIN (Non-executive Director, resigned 22 March 2023)

Dr Richard BUCHTA (Non-executive Director)

Nicholas ONG (Non-executive Director)

Dr John CHIPLIN (Non-executive Director, deceased 18 June 2024)

Company secretary

Nicholas ONG

Information on Directors

(a) Jacky Boqing Zhang

Mr Zhang is the founder, Chairman and CEO of Tianjin Beroni and is the Chairman of the Company. He has gained extensive marketing, operational and research experience in the biotechnology sector. He holds a Bachelor's Degree in Biotechnology from Tianjin University of Commerce, an MBA from Nankai University, a MSC in International Management from the University of Sussex and an EMBA from Tsinghua University.

Mr Zhang has previously worked in different roles including Head of Human Resources, Project Manager of R&D, CEO Asia Pacific Region, and Executive Director for companies based in China and the UK. He has a special interest in collaborating with global research institutions on bioscience and medicinal R&D, as well as technology transfer and new product development. He has been instrumental in developing Beroni since incorporation, winning various title recognition programs from the Chinese government such as "Tianjin High and New Technology Enterprise" in 2015, "National High and New Technology Enterprise" in 2016, "Tianjin Patent Pilot Unit" in 2018, and "China Market Credit Enterprise" in 2019.

Mr Zhang is a resident of the PRC.

(b) Hai Huang

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

Mr Huang worked for a world Top 500 company for approximately 15 years and was responsible for commodity import and export and domestic trade business. Mr Huang has extensive international trade experience and more than10 years of experience in business franchising, e-commerce business planning and implementation and team building.

Mr Huang is a resident of the PRC.

(c) Libing Guo

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

Directors' Report (continued)

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

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

(d) Peter Yap Ting Wong

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

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

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

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

(e) Dr Zhinan Yin

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

Dr Yin is a resident of the PRC and the USA. He was a member of the Audit & Risk Committee and the Nomination & Remuneration Committee. Dr Yin subsequently resigned from the board on 22 March 2023.

(f) Dr Richard Buchta

Dr. Richard Buchta has 30 years of experience in product development in pharmaceuticals and vaccines as well as in manufacturing and business development. He has developed and led project teams in the development of over 50 products, of which 25 have been launched in Australia and USA with 12 patents. Richard has worked at both local and multinational pharmaceutical companies including Websters, Wyeth, Astra Zeneca, Stiefel and GSK. He is also a director of Formulytica Pty Ltd, a company providing R&D CRO services in skincare and topical/injectable pharmaceuticals and biologics. Richard is a part-time Senior Lecturer for the Masters of Biotechnology course at the University of Melbourne.

Richard obtained a BSc (HONS) from Monash University, a PhD from Weizmann Institute of Science and University of Trieste, and an MBA (Technology) from Deakin University. He was also a post-doctoral Fellow at the Department of Immunology, John Curtin School of Medical Research, Australian National University.

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

Directors' Report (continued)

(g) Nicholas Ong

Mr Nicholas Ong has served in the Australian Securities Exchange (ASX) for seven years as Principal Advisor, overseeing the admission of more than 100 listed companies. He has gained 16 years of experience in listing rules and corporate governance. He runs a boutique corporate advisory firm in Perth, Western Australia and is also a director or company secretary to a few listed companies in Australia.

Nicholas is a Fellow of the Governance Institute of Australia and Fellow of Institute of Chartered Secretaries and Administrators. He holds a bachelor's degree in Banking and Finance from Murdoch University and a MBA degree from the University of Western Australia. He is the Chairman of the Audit & Risk Committee.

Nicholas is or was a non-executive director of other listed companies as follows:

- Nelson Resources Ltd - November 2022 to Present
- CFOAM Ltd - October 2020 to Present
- White Cliff Minerals Ltd - December 2018 to March 2023
- Oceana Lithium Ltd - February 2024 to March 2024
- Vonex Ltd - June 2018 to March 2023
- Mie Pay Ltd - May 2020 to June 2022

(h) Dr John Chiplin

Dr John Chiplin, PhD is the Managing Director of Newstar Ventures Ltd. and Chairman of the Board of Biotherapy Services, N4 Pharma plc (LSE: N4P) and Scancell Holdings plc. (LSE: SCLP). Dr. Chiplin has significant operational, investment and international experience in the life science and technology industries. From 2014 to 2016, he served as executive director of Benitec Biopharma Inc. and helped executed the company's US IPO. From 2012 to 2014, he was President and Chief Executive Officer of Polynoma, a Phase III cancer vaccine company, and from 2006 to 2009 he was Chief Executive Officer of Arana Therapeutics. Prior to this, Dr. Chiplin was head of the ITI Life Sciences investment fund in the UK, where he managed significant negotiations regarding funding with Government Ministers. He had been influential in various other transactions including Intrexon's acquisition of Medistem, Cephalon's acquisition of Arana Therapeutics, and GlaxoSmithKline's acquisition of Domantis. He also serves on several boards including Kings Arms Yard VCT plc and US private company Batu Biologics. Dr. Chiplin received his bachelor and doctorate degrees in Pharmaceutical Science from The University of Nottingham, U.K.

Dr Chiplin is based in San Diego, California and London, UK. He is a member of the Nomination & Remuneration Committee. Regrettably, Dr Chiplin passed away in June 2024.

Directors' meetings

Directors	Board		Audit committee		Nomination & Remuneration committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Jacky Boqing Zhang	3	3	-	-	-	-
Hai Huang	3	3	-	-	-	-
Libing Guo	3	3	-	-	-	-
Peter Yap Ting Wong	3	3	3	3	-	-
Dr Richard Buchta	3	3	3	3	-	-
Nicholas Ong	3	3	3	3	-	-
Dr Zhinan Yin *	0	0	-	-	-	-
Dr John Chiplin **	3	0	3	-	-	-

* Resigned on 22 March 2023
** Deceased on 18 June 2024

Directors' Report (continued)

Principal activities

The principal activities of the Company during the financial year are the sales of smoking control product (NicoBloc), air purifier, water filter, healthcare products and supplements, cell therapies, stem-cell based cosmetics and viral diagnostic kits and also investing in the research and development of oncology drugs and therapies.

Review of Operations

The table below sets out the selected key performance indicators for the full year ending 31 December 2023 ("FY2023") and 31 December 2022 ("FY2022"):

	FY2023	FY2022 (restated*)	Change %
Sales revenue	468,730	638,916	-26.64%
Cost of sales	-535,553	-310,921	72.25%
Gross profit	**-66,823**	**327,995**	-120.37%
Other income	289,937	446,214	-35.02%
Selling and distribution expenses	-451,508	-478,614	-5.66%
General and administrative expenses	-5,359,068	-8,307,486	-35.49%
Impairment (losses) / reversals on trade and other receivables	-862,735	4,402	-19,699%
Impairment losses on prepayments	-118,633	-58,525	102.70%
Finance expense	-322,671	-64,014	404.06%
Finance income	20,151	12,595	59.99%
Fair value loss on remeasurement of derivative financial liabilities	-2,868,952	-	N/A
Unrealised foreign exchange gain / (loss)	340,183	-223,395	-252.28%
Realised foreign exchange gain / (loss)	-56,221	89,328	-162.94%
Loss before income tax	**-9,456,340**	**-8,251,500**	14.60%
Income tax	-751	-769	-2.34%
Loss for the year	**-9,457,091**	**-8,252,269**	14.60%
Depreciation	475,094	449,576	5.68%
Finance expense	322,671	64,014	404.06%
Finance income	-20,151	-12,595	59.99%
EBITDA **	**-8,677,975**	**-7,750,505**	11.97%
NPAT	**-9,457,091**	**-8,252,269**	14.60%

* The 2022 figures were restated to correct prior period errors.
** EBITDA relates to profit before tax, depreciation and net finance costs

(A) Revenue

Sales revenue has decreased by 27% from $638,916 (restated – see Note 35 in the financial statements) in 2022 to $468,730 in 2023 due to the continually struggling economy in China. Although China opened up its market in early 2023 after several years of lockdowns and closed borders due to the COVID-19 pandemic, the business recovery has been slower than anticipated. We have not seen a turnaround in our Chinese business after the disruption caused by the frequent lockdowns in the past 3 years.

Nevertheless, the Company will continue to promote new products and services and also open new e-commerce channels to increase its sales.

(B) Gross Profit

The overall gross profit margin has deteriorated from 51% to -14% in this period due to the overall drop in sales and lack of economies of scale. The past average margin is around 75%.

Directors' Report (continued)

(C) Other Income

The other income represents mainly $217,693 R&D tax rebate (2022: $290,741) received or receivable from the Australian government to support the PENAO drug research in Australia and debtor finance of $37,770 derived from providing financing benefits to some customers in China (2022: $147,686). Last year's R&D tax rebate was higher than this year due to higher expenses incurred.

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(D) Expenses

General and administration expenses

The decrease in general and administrative expenses is mainly due to the following changes in share-based compensation expenses:

- The allocation cost of the share options issued in 2021 amounted to $92,485 in 2023 compared with $4,725,658 in 2022. This is due to the probabilities of the various performance milestones being reduced and also the time lapse caused by the delay in the Nasdaq listing.
- The cost of the new shares issued to directors and senior employees in 2023 amounted to $1,708,685 whereas no shares were issued in 2022.

Impairment losses on trade and other receivables and prepayments

An additional provision of $981,368 for expected credit losses on trade and other receivables and prepayments was made in 2023 due to the deterioration in the recovery of the long outstanding debts due to slow business recovery in China after opening up from the Covid lockdown.

Fair value loss on derivative financial liabilities

The fair value loss on remeasurement of derivative financial liabilities relates to the US$2.935 million 0% convertible notes issued between April 2023 and November 2023. The principal amounts of the loans are repayable in one year from the issue date and can be converted into shares upon the Company's listing on Nasdaq at conversion prices of USD1, USD1.5 and USD2. As the conversion prices are not affected by the share consolidation exercise in November 2023, the conversion prices were at a discount to the fair value of the Company's shares at the end of the financial year resulting in an increase in the derivative financial liabilities for the conversion options. These convertible notes were subsequently converted to shares in April 2024.

Dividends

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

Significant Changes in State of Affairs

1. Claim against Beroni Tianjin

A claim for RMB1.4 million (approximately A$280,000) compensation was lodged by the deceased estate of a shareholder in the later part of 2020 against the Chinese subsidiary, Beroni Biotechnology Co., Ltd. The claimant challenged that the share subscription agreement entered into between the Chinese subsidiary and the deceased shareholder in the pre-IPO period before Beroni Group Limited was listed on the National Stock Exchange of Australia was not valid and thereby sought a return of the share subscription money. Beroni Biotechnology Co., Ltd has strongly defended against the claim and provided evidence that the share subscription agreement was valid and effective. In December 2020, the Chinese court issued a judgement dismissing the validity of the claim. After the court ruling, the deceased estate lodged an appeal in February 2021. In August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The retrial was held on 2 June 2022 and subsequently on 4 July 2022, the Chinese court issued a judgement rejecting the claim again and ruling in favour of the Chinese subsidiary. The claimant however lodged a further appeal and a court hearing was attended by Beroni on 18 November 2022. On 24 April 2023, the Chinese court dismissed the claim again and ruled in favour of Beroni.

2. Extension of maturity date of 5,000 convertible notes

The 5,000 convertible notes issued to the Chinese investor on 28 January 2022 matured on 28 January 2023. Upon maturity, the Company must convert all convertible notes which are not yet converted to shares. However, the investor agreed to extend the maturity date of the convertible notes to the official date of listing of the Company on the Nasdaq stock market.

Directors' Report (continued)

3. Issue of new convertible loans totalling RMB 2 million or US$291,545

In April 2023, the Company entered into unsecured and interest-free convertible loan agreements with two investors for an aggregate principal loan amount of RMB2 million or US$291,545. The loans are convertible at US$1.50 per share upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchanger prior to the repayment date. The loans are repayable on 18 April 2024 unless converted earlier. In July 2023, letters have been obtained from the noteholders to extend these to 18 October 2024, if the Nasdaq listing is further delayed. Subsequent to the year end, these convertible loans were converted to shares in April 2024.

4. Issue of new ordinary shares

On 30 June 2023, the Company issued 3,305,000 (pre consolidation) or 826,250 (post consolidation) new Ordinary Shares to its directors and senior employees as a reward for their performance in the past financial year.

5. Issue of new ordinary shares

On 10 July 2023, 110,000 new shares (pre consolidation) or 27,500 (post consolidation) new shares were issued to the Crone Law Group, PC as part payment of legal fees for assisting with the preparation, lodgement and amendment of the F-1 registration statement.

6. New convertible loans issued in July, September, October and November 2023

In July 2023, the Company entered into an unsecured interest-free convertible loan agreement with an investor for a principal loan amount of US$27,778. The loan is convertible at US$2.00 per share (post consolidation) upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loan is repayable on 11 January 2025 unless converted earlier.

In September 2023, the Company entered into an unsecured and interest free convertible loan agreement with another investor for a principal loan amount of US$205,679. The loan is convertible at US$1.00 per share (post consolidation) upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loan is repayable on 18 September 2024 unless converted earlier. The Company has paid introductory fees of US$11,312 to the advisors for raising the convertible loan.

In October 2023, the Company entered into two unsecured and interest free convertible loan agreements for aggregate principal loan amount of US$2 million. The loans are convertible at US$1.00 per share (post consolidation) upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loans are repayable on 10 October 2024 unless converted earlier. The Company has paid US$110,000 in cash and will issue 150,000 shares (post consolidation) to the advisors as introductory fees for raising these two convertible loans.

In November 2023, the Company entered into an unsecured and interest free convertible loan agreement with a group of investors for a principal loan amount of US$410,397. The loan is convertible at US$1.00 per share (post consolidation) upon listing of the Company's securities on the Nasdaq Stock Exchange or another US national securities exchange prior to the repayment date. The loan is repayable on 8 November 2024 unless converted earlier. In addition to a cash payment of US$22,572, the Company will issue 50,000 shares (post consolidation) to the advisors as introductory fees for raising the convertible loan.

Subsequent to the year end, all the above convertible loans were converted to shares in April 2024.

7. Consolidation of Shares

On 16 October 2023, the Company announced its decision to consolidate the share capital on a 4:1 basis. The shareholders have granted approval for the 4:1 consolidation at a general meeting on 22 May 2023. The Company had 80,053,372 shares on issue before the consolidation. As the Consolidation applied equally to all shareholders, individual shareholdings were reduced in the same ratio as the total number of shares. Accordingly, the Consolidation has no material effect on the percentage interest of each individual shareholder. All other equity securities of the Company were adjusted accordingly. The consolidation was completed on 24 November 2023 and the Company has 20,013,441 shares (after rounding up of fractions) on issue after the consolidation.

Likely developments and expected results of operations

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

Directors' Report (continued)

Matters subsequent to the end of the financial year

1. The Company has raised new funds of US$204,312 in March 2024 from the issue of new shares to a group of investors. A total of 102,516 shares were issued which were priced at US$2 per share. The new funds received will be used for working capital.

2. In April 2024, the Company issued 2,824,329 ordinary shares following the conversion of USD2,935,399 (AUD4,543,607) worth of convertible notes. The convertible notes were due to mature between July 2024 and November 2024. Another 100,000 shares were issued to a consultant as capital raising fee for the convertible loans. The new shares issued are subject to temporary holding restriction until the release of a cleansing prospectus.

3. In April 2024, the directors made the decision to fully write off the $1.22 million investment in Youtokukai and the $3.62 million worth of prepaid shares to Medicine Plus.

4. In May 2024, the Company issued 10,000 ordinary shares to a consultant for services rendered. The new shares are subject to temporary holding lock until the release of a cleansing prospectus.

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

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

Remuneration Report (Audited)

This remuneration report, which forms part of the Directors' Report, sets out information about the remuneration of the Company's key management personnel for the financial year ended 31 December 2023.

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

Remuneration governance and determination

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

Remuneration governance framework

Below is the framework the Board has in place to establish and review remuneration for KMPs and employees of the Group:

- **Board** – the Board approves the overall remuneration framework and policy ensure it is fair, transparent and aligned with long term outcomes.

- **Nomination & Remuneration Committee** (NRC) – the NRC reviews and makes recommendations to the Board on remuneration policies for non-executive directors, senior executives and all employees including incentive arrangements and awards. The NRC can appoint remuneration consultants and other external advisors to provide independent advice.

- **Management –** Management provides information relevant to remuneration decisions and provides recommendations to the NRC.

Directors' Report (continued)

Principles used to determine the nature and amount of remuneration

The principles used to determine the nature, amount and make-up of remuneration for KMPs are:

- External Equity: Deliver market competitive reward packages necessary to attract and retain talented employees, taking into account the employee's geographical location;
- Performance & Reward link: Make clear the line of sight between performance and reward to ensure that superior performance is recognised and rewarded, with a view to driving long-term growth and shareholder value;
- Internal Equity: Provide fair, consistent and internally equitable reward to appropriately compensate employees for their contributions and performance outcomes;
- Affordability and Sustainability: Manage the balance between reward funding and Company performance / financial outcomes;
- Communication and Governance: Ensure a level of transparency and clarity in reward design and governance processes.

Directors' Remuneration

Executive and Non-executive Directors receive remuneration for undertaking their role in the form of an annual cash fee and the grant of shares or options to acquire shares in the Company. The options to acquire shares in the Company are issued pursuant to the Remuneration Plan. Details of the share options are outlined in Note 23 of the Notes to the Consolidated Financial Statements.

The purpose and advantage of these Options is to provide a non-cash form of remuneration that further aligns the interests of Directors with shareholders and also promotes an ownership culture by all participating Directors. The remuneration for the executive and non-executive Directors reflects the responsibilities and time commitment necessary for the role, the amount of travel required and the time and diligence required in ensuring open, timely and transparent communication between the various entities of the Group. Directors may also be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as a Director of the Company. There are no retirement benefit schemes for Directors other than statutory superannuation contributions.

Details for KMPs:

Name	Position	Appointment date	Resignation date	Location
Executive Directors				
Jacky Boqing Zhang	Chairman, CEO	17 June 2016	-	Tianjin, China
Hai Huang	Executive Director	3 November 2016	-	Tianjin, China
Peter Yap Ting Wong	Executive Director, CFO	30 September 2016	-	Sydney, Australia
Non-executive Directors				
Dr Zhinan Yin	Non-executive Director	1 July 2018	22 March 2023	Guangzhou, China
Libing Guo	Non-executive Director	3 November 2016	-	Tianjin, China
Dr Richard Buchta	Non-executive Director	1 July 2020	-	Melbourne, Australia
Dr John Chiplin	Non-executive Director	1 April 2022	Deceased 18 June 2024	London, England
Nicholas Ong	Non-executive Director	1 March 2021	-	Perth, Australia

Directors' Report (continued)

Remunerations of KMPs:

KMP		Short Term			Post employment	Share based payments		Total	
Name	Year	Base salary [4]	Cash bonus	Non-cash benefit	Superannuation	Options	Shares	Total $	Performance-related
Jacky Boqing Zhang	2023	269,788	-	16,125 [3]	3,316	107,568	413,600	810,397	64.31%
	2022	180,000	-	-	3,854	1,295,855	0	1,479,709	87.57%
Hai Huang	2023	50,000	-	-	-	26,892	103,400	180,292	72.27%
	2022	80,000	-	-	-	323,964	0	403,964	80.20%
Peter Yap Ting Wong	2023	120,000	-	-	-	53,784	180,950	354,734	66.17%
	2022	120,000	-	-	-	647,927	0	767,927	84.37%
Libing Guo	2023	25,000	-	-	-	16,135	77,550	118,685	78.94%
	2022	40,000	-	-	-	203,959	0	243,959	83.60%
Dr Zhinan Yin [1]	2023	10,000	-	-	-	8,068	0	18,068	44.65%
	2022	40,000	-	-	-	121,002	0	161,002	75.16%
Dr Richard Buchta	2023	22,500	-	-	-	8,068	38,775	69,343	67.55%
	2022	36,000	-	-	-	121,002	0	157,002	77.07%
John Chiplin [2]	2023	32,130	-	-	-	0	0	32,130	0.00%
	2022	38,565	-	-	-	0	0	38,565	0.00%
Nicholas Ong	2023	22,500	-	-	-	8,068	51,700	82,268	72.65%
	2022	36,000	-	-	-	121,002	0	157,002	77.07%

[1] Resigned on 22 March 2023.
[2] Deceased on 18 June 2024
[3] Included in the short-term benefits is tuition fees of $16,125 paid to Mr Zhang for his PhD study. The Company has also prepaid a further $165,199 for his study which will be completed at the end of January 2027 and recognised over that period accordingly.
[4] In April 2023, the board approved that all directors with the exception of Jacky Zhang and Peter Wong have willingly accepted a 50% reduction of their director fees. The board further approved an increase of $89,788 for Jacky Zhang's base salary for the year. See table below.

Name	Base annual salary 1 January 2023 to 31 March 2023	Base annual salary 1 April 2023 to 31 December 2023	Additional salary 1 January 2023 to 31 December 2023
Jacky Boqing Zhang	180,000	180,000	89,788
Hai Huang	80,000	40,000	-
Peter Yap Ting Wong	120,000	120,000	-
Libing Guo	40,000	20,000	-
Dr Zhinan Yin	40,000	20,000	-
Dr Richard Buchta	36,000	18,000	-
John Chiplin	38,565	19,283	-
Nicholas Ong	36,000	18,000	-

Directors' Report (continued)

KMPs' shareholding and interests in the Company

		Balance 1 January 2023	Acquired	Granted as Remuneration	Fair Value of Grant [1] $	Disposed	Balance (pre consolidation) [2]	Balance 31 December 2023 (post consolidation)
Jacky Boqing Zhang	Shares	25,038,482	-	800,000	413,600	-	25,838,482	6,459,621
	Options	6,000,000	-	-	107,568	-	6,000,000	1,500,000
Hai Huang	Shares	2,041,766	-	200,000	103,400	-	2,241,766	560,442
	Options	1,500,000	-	-	26,892	-	1,500,000	375,000
Peter Yap Ting Wong	Shares	520,000	-	350,000	180,950	-	870,000	217,500
	Options	3,000,000	-	-	53,784	-	3,000,000	750,000
Libing Guo	Shares	4,252,238	-	150,000	77,550	-	4,402,238	1,100,560
	Options	950,000	-	-	16,135	-	950,000	237,500
Dr ZhinanYin	Shares	100,000	-	-	-	-	100,000	25,000
	Options	600,000	-	-	8,068	-	600,000	150,000
Dr Richard Buchta	Shares	-	-	75,000	38,775	-	75,000	18,750
	Options	600,000	-	-	8,068	-	600,000	150,000
Dr John Chiplin	Shares	-	-	-	-	-	-	-
	Options	-	-	-	-	-	-	-
Nicholas Ong	Shares	64,854	-	100,000	51,700	-	164,854	41,214
	Options	600,000	-	-	8,068	-	600,000	150,000

[1] The fair value of shares granted as remuneration is based on the market valuation of the Company conducted by an independent expert. The share price of the Company was determined at USD0.37 (AUD0.517) pre consolidation and USD1.39 (AUD1.94) post consolidation. The fair value of options granted is the fair value calculated at the grant date based on the amount allocated to remuneration over the 3-year vesting period which was further extended by another year in May 2022. For details on the valuation methodology used for options and the assumptions made refer to Note 23 to the financial statements.

[2] The 4:1 share consolidation was completed on 24 November 2023.

[3] No options were vested and exercisable as at 31 December 2023.

Employee share options

Beroni Group Limited has established a Remuneration Plan for its directors and employees. The Remuneration Plan provides flexibility to the Board to grant options to directors and employees. The definition of employee under the Plan Rules includes any full time or permanent part time employee or officer or director of the Company or any related body corporate of the Company.

The executive and non-executive directors received a proportion of their remuneration in the form of shares or options for shares issued by the Company.

Set out below is a summary of the terms and conditions of the share options issued to the Directors in July 2021. The original terms of the share options were amended and approved at a shareholders meeting held on 31 May 2022. The share options were subsequently consolidated on a 4:1 basis on 24 November 2023.

Directors' Report (continued)

<table>
<tr><td>Issue Date</td><td>1 July 2021</td></tr>
<tr><td>Amend Date</td><td>31 May 2022</td></tr>
<tr><td>Consolidation Date</td><td>24 November 2023</td></tr>
<tr><td>Option holders</td><td>Executive and Non-Executive Directors</td></tr>
<tr><td>Number of Options issued</td><td>
<table>
<tr><td>Director</td><td>Number of Options (pre consolidation)</td><td>Number of Options (post consolidation)</td></tr>
<tr><td>Jacky Boqing Zhang</td><td>6,000,000</td><td>1,500,000</td></tr>
<tr><td>Hai Huang</td><td>1,500,000</td><td>375,000</td></tr>
<tr><td>Peter Yap Ting Wong</td><td>3,000,000</td><td>750,000</td></tr>
<tr><td>Libing Guo</td><td>950,000</td><td>237,500</td></tr>
<tr><td>Dr Zhinan Yin</td><td>600,000</td><td>150,000</td></tr>
<tr><td>Dr Richard Buchta</td><td>600,000</td><td>150,000</td></tr>
<tr><td>Nicholas Ong</td><td>600,000</td><td>150,000</td></tr>
</table>
</td></tr>
<tr><td>Quotation</td><td>Options are not quoted on the NSX. The Company will make application to the NSX for Official Quotation of Shares issued on Options vesting and being exercised.</td></tr>
<tr><td>Vesting Date</td><td>
The Options issued in July 2021 vest and become capable of exercise in 5 tranches over a 3-year period as follows:
<table>
<tr><td></td><td>Vesting Condition</td><td>Exercise Price</td><td>Vesting Date</td></tr>
<tr><td>Tranche 1</td><td>Nasdaq Listing</td><td>US$2</td><td>30 June 2024</td></tr>
<tr><td>Tranche 2</td><td>Annual revenue exceeds US$3 million</td><td>US$2</td><td>30 June 2024</td></tr>
<tr><td>Tranche 3</td><td>Annual revenue exceeds US$5 million</td><td>U$2.5</td><td>30 June 2024</td></tr>
<tr><td>Tranche 4</td><td>Annual revenue exceeds US$7 million</td><td>US$3</td><td>30 June 2024</td></tr>
<tr><td>Tranche 5</td><td>One clinical trial advances to next phase</td><td>US$2</td><td>30 June 2024</td></tr>
</table>
The original terms of the Options were amended and approved by the shareholders on 31 May 2022 as follows:
<table>
<tr><td></td><td>Vesting Condition</td><td>Exercise Price</td><td>Vesting Date</td></tr>
<tr><td>Tranche 1</td><td>Nasdaq Listing</td><td>US$1.25</td><td>30 June 2025</td></tr>
<tr><td>Tranche 2</td><td>Annual revenue exceeds US$2 million</td><td>US$1.25</td><td>30 June 2025</td></tr>
<tr><td>Tranche 3</td><td>Annual revenue exceeds US$3 million</td><td>U$1.75</td><td>30 June 2025</td></tr>
<tr><td>Tranche 4</td><td>Annual revenue exceeds US$4 million</td><td>US$2.25</td><td>30 June 2025</td></tr>
<tr><td>Tranche 5</td><td>One clinical trial advances to next phase</td><td>US$1.50</td><td>30 June 2025</td></tr>
</table>
After the completion of the 4:1 share consolidation on 24 November 2023, the exercise prices were revised as follows:
<table>
<tr><td></td><td>Vesting Condition</td><td>Exercise Price</td><td>Vesting Date</td></tr>
<tr><td>Tranche 1</td><td>Nasdaq Listing</td><td>US$5.00</td><td>30 June 2025</td></tr>
<tr><td>Tranche 2</td><td>Annual revenue exceeds US$2 million</td><td>US$5.00</td><td>30 June 2025</td></tr>
<tr><td>Tranche 3</td><td>Annual revenue exceeds US$3 million</td><td>US$7.00</td><td>30 June 2025</td></tr>
<tr><td>Tranche 4</td><td>Annual revenue exceeds US$4 million</td><td>US$9.00</td><td>30 June 2025</td></tr>
<tr><td>Tranche 5</td><td>One clinical trial advances to next phase</td><td>US$6.00</td><td>30 June 2025</td></tr>
</table>
The share consolidation was assessed to not materially impact the modification date fair value of the options issued and consequently no additional share-based payment expenses were recognised in respect of the consolidation.
</td></tr>
<tr><td>Issue price per Option</td><td>No amount is payable on issue of the Options.</td></tr>
</table>

Directors' Report (continued)

Expiry Date	Each option will expire at 5:00 pm (AEST) on that date which is three (3) years after the date that they are issued ("Expiry Date"). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
Exercise Period	Once vested, that portion of the Option will be exercisable by the director for a period of ninety (90) days following the date of vesting ("Exercise Period"). If not exercised by the director during the Exercise Period, any vested portion of the Option will lapse and no longer be exercisable by the director.
Vesting Conditions	Participants must have remained as Executive or Non-Executive Director up until and including the Vesting Date.
Restrictions	Option holders are not entitled to assign, transfer, sell, encumber, hedge or otherwise deal with Options, except in accordance with the Share Options Rules and the Securities Trading Policy.

Related party transactions

In the year ended 31 December 2023, the Company has engaged the services of Asia Invest Partners Limited to manage its financial and tax affairs in Australia. Asia Invest Partners is owned by the Australian director, Peter Yap Ting Wong. The Company has paid a total of $33,200 (excluding GST) for such services rendered in the 2023 financial year (2022: $39,168 excluding GST). The balance outstanding at the end of the year is $2,750 (FY2022: $2,750). Asia Invest Partners also jointly share the Sydney office with Beroni Group. The share of rental paid by Beroni Group in 2023 is $12,754 (2022: $12,561).

Loans to or from key management personnel

	2023	2022
Loans to key management personnel	**AUD**	**AUD**
Beginning of the year	-	-
Loans advanced [1]	17,005	-
Loans repaid	(17,005)	-
Interest received	-	-
End of the year	-	-

	2023	2022
Loans from key management personnel	**AUD**	**AUD**
Beginning of the year	-	-
Loans advanced [2]	120,000	-
Loans repaid	(20,000)	-
Interest charged	2,500	-
End of the year	102,500	-

[1] Cash advances of $10,628 and $6,377 were provided to Mr. Jacky Zhang and Mr. Hai Huang respectively during the year. The cash advances were repaid to the Company before end of the year.

[2] In June 2023, Mr. Boqing Zhang provided a loan of AUD100,000 to Beroni Group Limited for working capital needs. The loan is unsecured, repayable on 13 June 2025 and carries interest at 5% per annum. Another unsecured and interest-free loan of $20,000 was provided to the Company in August 2023 by Mr. Peter Wong which was repaid in October 2023.

Directors' Report (continued)

5 Year Summary of Financial Performance

		2023	2022 (restated*)	2021 (restated*)	2020	2019
Gross Revenue *	$'000	469	639	1,985	1,794	1,697
Profit / (loss) attributable to shareholders	$'000	(9,227)	(8,070)	(2,822)	(9,762))	(7,766)
Total assets	$'000	10,076	10,420	11,817	11,573	14,826
Total liabilities	$'000	10,076	2,842	3,602	4,002	1,700
Shareholders' funds	$'000	(0.214)	7,578	8,215	7,571	13,127
Earnings per share **	Cents	(46.75)	(42.12)	(14.89)	(52.40)	(43.53)
Dividends per share	Cents	-	-	-	-	-
Net tangible assets per share **	Cents	(15.91)	22.56	25.56	22.34	64.21
Increase / (decrease) in share price	%	0	(21)	0	0	(22)
Total KMP remuneration as percentage of profit / (loss) attributable to shareholders *	%	18.05	42.24	49.16	15.60	18.57

* The Group has restated the 2021-2022 information to rectify prior period errors.
** The Group completed a share consolidation on 24 November 2023 and the earnings per share and net tangible assets per share for the last 4 years were restated.

End of Remuneration Report

Indemnification and insurance of directors and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the Directors and Officers of the Company, against a liability incurred as such a Director or Officer to the extent permitted by the *Corporations Act 2001.* The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has agreed to indemnify the auditor, UHY Haines Norton, to the extent permitted by law.

Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Amendment) Instrument 2022/519, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar, or in certain cases, the nearest 1/10th of a dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 18.

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 and Chief Executive Officer
7 August 2024

Other Shareholder Information

Distribution of shareholders

As at 31 December 2023, the Company had 240 shareholders and a total of 20,013,441 fully paid ordinary shares on issue. The Company completed a 4:1 share consolidation in November 2023. As at 31 December 2023, the distribution of shareholders was as follows:

Size of holding	Number of shareholders	Number of ordinary shares	% of issued capital
1 - 1,000	18	8,953	0.04
1,001 – 5,000	85	242,228	1.21
5,001 – 10,000	36	265,469	1.33
10,001 – 100,000	74	2,361,529	11.80
100,001 and over	27	17,135,262	85.62
Total	**240**	**20,013,441**	**100.00**

Substantial Shareholders

Substantial shareholders as at 31 December 2023 were as follows:

Shareholder	Number of ordinary shares	Percentage (%) of total issued shares
Jacky Boqing Zhang	6,259,621	31.28%
Kai, Shen	2,880,905	14.39%
Libing, Guo	1,100,560	5.50%

Voting Rights

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

Restricted Securities

There are no restricted securities.

Other Shareholder Information (continued)

Top 20 Shareholders (by number of ordinary shares)

Rank	Name	Units	% of Units
1	Mr Boqing Zhang	6,259,621	31.28
2	Mr Kai Shen	2,880,905	14.39
3	Mr Libing Guo	1,100,560	5.50
4	Ms Shuang Ma	836,207	4.18
5	Mr Gang Wang	705,116	3.52
6	Mr Hai Huang	560,442	2.80
7	Mr Tameyuki Kawaguchi	516,975	2.58
8	Ms Jianxia Gao	463,348	2.32
9	Mr Zhihe Hu	405,442	2.03
10	Mr Bo Ma	371,322	1.86
11	Xiaokun Wang	279,364	1.40
12	Mr Kai Shen	250,000	1.25
13	Mr Xiangxin Li	239,267	1.20
14	USA register control a/c	228,446	1.14
15	Mygoldenman Technology Ltd	200,000	1.00
16	Mr Hanlin Zhang	194,344	0.97
17	Yukio Hatoyama	186,506	0.93
18	Yap Ting Wong	180,000	0.90
19	BNP Paribas nominees Pty Ltd ACF Clearstream	156,001	0.78
20	Mr Xiangxin Li	148,553	0.74
	Top 20 holders of ordinary fully paid shares	**16,162,419**	**80.76**
	Remaining holders balance	**3,851,022**	**19.24**
	Total	20,013,441	100.00%

Corporate Directory

Registered Office

Beroni Group Limited

Level 16
175 Pitt Street
Sydney NSW 2000
Australia
Tel: +61 2 9159 1827

Beroni Group Limited is listed on the National Stock Exchange and is traded on the OTCQX in the USA.
(NSX Code: BTG; OTCQX: BNIGF)

Email: enquiry@beronigroup.com
Website: www.beronigroup.com

Beroni Biotechnology Co., Ltd

Level 10, Building 11
Zhong Bei High Technology Industrial Park
Xiqing District, Tianjin
China

BERONI BIOTECH

Level 32, Shinjuku Nomura Building
1-26-2 Nishi Shinjuku-ku
Tokyo 163-0532
Japan

Beroni USA

2083 Center Avenue #3A
Fort Lee
New Jersey 07024
USA

PENAO

Suite 506, Level 5
50 Clarence Street
Sydney NSW 2000
Australia

Beroni Pharmaceuticals (Guangdong) Co., Ltd

1001-7, No. 46 Zhigu Street
Tangjiawan Town, High-tech Zone
Zhuhai
China

Auditor

UHY Haines Norton
Level 9, 1 York Street
Sydney NSW 2000
Australia

Share Registry

Computershare
Level 11
172 St Georges Terrace
Perth WA 6000, Australia

GPO Box D182
Perth
WA 6840

T: (61) 8 9323 2000

www.computershare.com.au

Directors

Jacky Boqing Zhang
Peter Yap Ting Wong
Hai Huang
Libing Guo
Dr Zhinan Yin (resigned 22 March 2023)
Dr Richard Buchta
Nicholas Ong
Dr John Chiplin

Company Secretary

Nicholas Ong

UHY Haines Norton
Chartered Accountants

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GPO Box 4137 | Sydney | NSW | 2001
t: +61 2 9256 6600 | f: +61 2 9256 6611
sydney@uhyhnsyd.com.au
www.uhyhnsydney.com.au

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

To the Directors of Beroni Group Limited

As lead auditor for the audit of Beroni Group Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

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

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

UHY Haines Norton

Mark Nicholaeff

Partner

Sydney

Date: 7 August 2024

UHY Haines Norton

Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Year Ended 31.12.2023 AUD	Consolidated Year Ended 31.12.2022 (restated*) AUD
Sales revenue	6	468,730	638,916
Cost of sales		(535,553)	(310,921)
Gross profit		(66,823)	327,995
Other income			
Government subsidy and other income	7	252,167	298,528
Debtor finance	7	37,770	147,686
Selling and distribution expenses	8	(451,508)	(478,614)
General and administration expenses	8	(5,359,068)	(8,307,486)
Impairment (losses) / reversals on trade and other receivables	10	(862,735)	4,402
Impairment losses on prepayments	11	(118,633)	(58,525)
Fair value loss on derivative financial liabilities	21	(2,868,952)	-
Finance expense		(322,671)	(64,014)
Finance income		20,151	12,595
Unrealised foreign exchange gain / (loss)		340,183	(223,395)
Realised foreign exchange gain / (loss)		(56,221)	89,328
Loss before income tax		**(9,456,340)**	**(8,251,500)**
Income tax expense	17	(751)	(769)
Net loss for the year		**(9,457,091)**	**(8,252,269)**
Other comprehensive income / (loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain / (loss)		(110,708)	(62,464)
Total comprehensive loss for the year		**(9,567,799)**	**(8,314,733)**
Loss for the year is attributable to:			
Owners of Beroni Group Limited		(9,227,128)	(8,069,714)
Non-controlling interest		(229,963)	(182,555)
Total loss for the year		**(9,457,091)**	**(8,252,269)**
Total comprehensive loss for the year attributable to:			
Owners of Beroni Group Limited		(9,340,826)	(8,132,003)
Non-controlling interest		(226,973)	(182,730)
Total comprehensive loss for the year		**(9,567,799)**	**(8,314,733)**
Earnings per share			
Basic loss per share	19	(46.75)	(42.12) **
Diluted loss per share	19	(46.75)	(42.12) **

* See Note 35.

** The 2022 earnings per share have been restated on a consistent basis from those previously published to reflect the impact of the share consolidation (Note 27) and the correction of prior period errors (Note 35).

The above Consolidated Statement of Profit or Loss And Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated As at 31.12.2023 AUD	Consolidated As at 31.12.2022 (restated*) AUD	Consolidated As at 01.01.2022 (restated*) AUD
Current Assets				
Cash and cash equivalents	9	4,036,256	2,577,606	5,744,957
Trade receivables	10	326,832	1,328,463	1,132,625
Other receivables	10	209,793	373,867	391,813
Prepayments and other current assets	11	876,345	600,089	477,844
Current tax assets		75,925	42,582	-
Inventories	12	104,051	293,720	316,072
Total current assets		5,629,202	5,216,327	8,063,311
Non-Current Assets				
Intangible assets	13	3,184,867	3,255,878	3,319,152
Property, plant and equipment	14	869,284	1,203,250	164,849
Right-of-use assets	15	392,272	694,466	218,821
Investment in other entities	16	-	-	-
Other assets		-	50,197	51,165
Total non-current assets		4,446,423	5,203,791	3,753,987
Total Assets		**10,075,625**	**10,420,118**	**11,817,298**
Current Liabilities				
Trade and other payables	18	383,807	587,962	21,598
Borrowings from related parties		-	-	26,730
Lease liabilities	15	211,725	262,596	229,373
Current tax liabilities		-	-	86,657
Convertible notes and loans	21	4,154,757	725,795	2,857,835
Derivative financial liabilities	21	3,269,630	-	
Other liabilities	18	1,554,190	750,111	345,982
Total current liabilities		9,574,109	2,326,464	3,568,175
Non-Current Liabilities				
Borrowings from related parties	18, 24	102,500	-	-
Convertible notes and loans	21	35,760	-	-
Derivative financial liabilities	21	16,283	-	-
Lease liabilities	15	347,187	515,239	34,260
Total non-current liabilities		501,730	515,239	34,260
Total Liabilities		**10,075,839**	**2,841,703**	**3,602,435**
Net Assets / (Liabilities)		**(214)**	**7,578,415**	**8,214,863**
Equity				
Issued capital	26	32,552,687	30,656,002	30,636,002
Convertible notes – equity	27	3,010,038	3,010,038	-
Reserves	28	6,540,146	4,052,996	(610,373)
Accumulated losses		(42,264,068)	(30,528,577)	(22,347,492)
Equity attributable to equity holders of the parent entity		**(161,197)**	**7,190,459**	**7,678,137**
Non-controlling interests	29	160,983	387,956	536,726
Total Equity		**(214)**	**7,578,415**	**8,214,863**

* See Note 35.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent								
	Issued Capital	Surplus reserve	Revaluation reserve	Share options reserve	Convertible notes - equity	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD
Consolidated 2023									
Balance at 1 January 2023 (restated)	**30,656,002**	**16,885**	**(2,431,515)**	**6,088,393**	**3,010,038**	**379,233**	**(30,528,577)**	**387,956**	**7,578,415**
Comprehensive income / (loss) for the year:									
Net loss for the period	-	-	-	-	-	-	(9,227,128)	(229,963)	(9,457,091)
Other comprehensive gain / (loss) for the year	-	-	-	-	-	(36,850)	(76,848)	2,990	(110,708)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**-**	**(36,850)**	**(9,303,976)**	**(226,973)**	**(9,567,799)**
Ordinary shares issued to directors and employees	1,708,685	-	-	-	-	-	-	-	1,708,685
Shares issued to service providers	188,000	-	-	-	-	-	-	-	188,000
Share-based payments	-	-	-	92,485	-	-	-	-	92,485
Transfer of loss on write-off of investment in Dendrix Inc. at fair value through other comprehensive income to retained earnings	-		2,431,515	-	-		(2,431,515)	-	-
Balance at 31 December 2023	**32,552,687**	**16,885**	**-**	**6,180,878**	**3,010,038**	**342,383**	**(42,264,068)**	**160,983**	**(214)**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent								
	Issued Capital	Surplus reserve	Revaluation reserve	Share options reserve	Convertible notes - equity	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
Consolidated 2022	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**	**AUD**
Balance at 1 January 2022, as previously reported	30,766,002	16,885	(2,431,515)	1,362,735	-	1,326,774	(23,204,283)	470,351	8,306,949
Prior year adjustments (see Note 35)	(130,000)	-	-	-	-	(885,252)	856,791	66,375	(92,086)
Restated balance at 1 January 2022	**30,636,002**	**16,885**	**(2,431,515)**	**1,362,735**	**-**	**441,522**	**(22,347,492)**	**536,726**	**8,214,863**
Restatement of retained earnings due to changes in foreign currency translation reserve (see Note 35)	-	-	-	-	-	-	(111,371)	-	(111,371)
Comprehensive income/(loss) for the year (restated):									
Net loss for the period (restated)	-	-	-	-	-	-	(8,069,714)	(182,555)	(8,252,269)
Other comprehensive gain/(loss) for the year (restated)	-	-	-	-	-	(62,289)	-	(175)	(62,464)
Total comprehensive loss for the year (restated)	**-**	**-**	**-**	**-**	**-**	**(62,289)**	**(8,069,714)**	**(182,730)**	**(8,314,733)**
Ordinary shares issued to directors and employees	20,000	-	-	-	-	-	-	-	20,000
Share-based payments	-	-	-	4,725,658	-	-	-	-	4,725,658
Acquisition of subsidiary	-	-	-	-	-	-	-	33,960	33,960
Reclassification of convertible note	-	-	-	-	3,010,038	-	-	-	3,010,038
Balance at 31 December 2022	**30,656,002**	**16,885**	**(2,431,515)**	**6,088,393**	**3,010,038**	**379,233**	**(30,528,577)**	**387,956**	**7,578,415**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Consolidated Year Ended 31.12.2023 AUD	Consolidated Year Ended 31.12.2022 AUD
Cash flows from operating activities:			
Receipts from customers		643,563	625,073
Receipts from government		309,181	375,820
Payments to suppliers and employees		(3,449,324)	(3,469,860)
Interest paid		(59,091)	(31,637)
Taxes paid		(157,410)	(178,274)
Net cash used in operating activities	32	(2,713,081)	(2,678,878)
Cash flows from financing activities:			
Net proceeds from issue of convertible loans and notes		4,311,359	685,168
(Repayment of) / gross proceeds from borrowings		100,000	(15,246)
Principal component of lease payments		(217,466)	(228,404)
Net cash generated from financing activities		4,193,893	(441,518)
Cash flows from investing activities:			
Proceeds from disposal of property, plant and equipment		16,049	-
Purchase of property, plant and equipment		(5,048)	(857,828)
Interest received		18,742	4,780
Payments for intangible assets		-	(8,676)
Net cash used in investing activities		29,743	(861,724)
Net increase / (decrease) in cash and cash equivalents		1,510,555	(3,099,084)
Cash and cash equivalents at beginning of the period		2,577,606	5,744,957
Exchange (loss) / gain on cash and cash equivalents		(51,905)	(68,267)
Cash and cash equivalents at end of the period	9	4,036,256	2,577,606

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

Note 1. Corporate information

The financial statements cover Beroni Group Limited ("Parent entity" or the "Company") as a consolidated entity consisting of Beroni Group Limited and the entities it controlled (together referred to as the "Group") at the end of, or during, the year ended 31 December 2023. The financial statements are presented in Australian dollars, which is the Company's presentation currency, with all values rounded to the nearest dollar unless otherwise stated.

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

The Company's registered office and principal place of business is:

Level 16
175 Pitt Street
Sydney NSW 2000
Australia

The principal activities of the Group during the financial year are the sales of smoking control products (NicoBloc), air purifiers, water filters, cosmetics, healthcare products, stem-cell therapies and viral diagnostic kits and also investing in the research and development of oncology drugs and 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 7 August 2024.

Note 2. Basis of preparation

This general purpose financial statement for the annual reporting period ended 31 December 2023 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

Going Concern

For the year ended 31 December 2023, the Group made a loss after income tax expense of A$9,457,091 (31 December 2022: loss after income tax expense of A$8,252,269). The cash balances as at 31 December 2023 was A$4,036,256 (31 December 2022: A$2,577,606). At 31 December 2023 there is a net current liability of $3,944,907 (31 December 2022: Net current asset 2,889,863). The convertible loans issued in 2023 also have maturity dates through July 2024 to November 2024.

The above matters give rise to a material uncertainty that may cast significant doubt over the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business at the amounts stated in the financial report.

In April 2024, all of the convertible loans issued in 2023 have been converted into shares, with no remaining balances to potentially pay in cash. Refer to Note 34.

Note 2. Basis of preparation (continued)

The directors have prepared detailed cash flow projections for the period of 12 months from the signing of this financial report. The Group's ability to fund its operations is dependent upon management's plans and execution, which includes raising additional capital, either through the proposed public offering or private equity, meeting expected sales forecasts, receiving cash from outstanding debtors and future sales, and that if in the event of not raising sufficient funds to meet its current cash flow forecasts, the Group will be able to reduce expenditure accordingly, to be able to pay its debts as and when they fall due.

The Group's financial statements have been prepared on a going concern basis which contemplates the realisation of assets and satisfaction of liabilities and commitments in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities should the Group be unable to continue as a going concern.

2.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of Beroni Group Limited and its subsidiaries as at 31 December 2023 and 2022.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Where shareholding is less than one-half of the voting rights, the Group is considered to have control over the entity when it can exercise power over more than one-half of its voting rights by virtue of an agreement with other shareholders.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Potential voting rights that are currently exercisable or convertible are considered when assessing control.

Consolidated financial statements include all the subsidiaries other than those acquired in business combinations involving entities under common control from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intragroup transactions have been eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

2.2 Foreign currency translation

The functional currency of Beroni Group Limited is Australian dollars. The functional currency of the Company's subsidiary, Beroni Hongkong Limited, is Hong Kong dollars and its subsidiary, Tianjin Beroni Biotechnology Co., Limited in mainland China is Chinese Yuan (Renminbi). The functional currency of the other Company's subsidiary in mainland China – Beroni Pharmaceuticals (Guangdong) Co., Ltd - is Chinese Yuan (Renminbi). The functional currency of the Company's subsidiary in Japan - BERONI BIOTECH INC. - is Japanese Yen whilst that of Beroni USA Corporation is United States dollar. The presentation currency is Australian dollars (AUD).

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

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

2.2 Foreign currency translation (continued)

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

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

2.3 Critical accounting judgements and estimates

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

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

(a) Impairment of non-financial assets other than goodwill and other indefinite lie intangible assets

The Group assesses impairment of intangible assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

(b) Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in Note 3. The recoverable amounts of cash-generating units are determined based on the higher of value-in-use and fair value less costs of disposal calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 13 for further information.

(c) Fair value measurement related to derivative financial liabilities

The board of directors determines the appropriate valuation techniques and inputs for fair value measurements for derivative financial liabilities. The Group has established a fair value hierarchy that categorises into three levels of inputs to valuation techniques used to measure fair value. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group considers other observable data (Level 2 inputs) for the asset or liability, either directly or indirectly. If observable data are not available, other valuation techniques (Level 3 inputs) such as an income approach, market approach or net assets value approach are considered.

(d) Estimated provision for credit loss of receivables

The Group recognises a loss allowance for expected credit losses (ECL) on trade and other receivables. The Group recognises lifetime ECL for receivables. The ECL on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset.

2.3 Critical accounting judgements and estimates (continued)

(e) Revenue from contracts with customers involving sale of goods

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access. Judgement is exercised in estimating implicit price concessions which are determined having regard to past experience. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimation is involved in the determination of any material financing components attributable to sales transactions arising from explicit or implicit contractual terms..

(f) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted or modified. The fair value is determined by using the Black-Scholes model and takes into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

(g) Going concern – there are significant assumptions included determining whether the Group is a going concern.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

2.4 New, revised or amended Accounting Standards and Interpretations adopted

New standards, interpretations and amendments adopted

The following amendments are effective for the period beginning 1 January 2023:

- Disclosure of Accounting Policies (Amendments to AASB 101 Presentation of Financial Statements and AASB Practice Statement 2 Making Materiality Judgements);
- AASB 17 Insurance Contracts;
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 12 Income Taxes); and
- International Tax Reform – Pillar Two Model Rules (Amendment to AASB 12 Income Taxes)

In February 2021, the Australian Accounting and Standards Board (AASB) issued Disclosure of Accounting Policies (Amendments to AASB 101 Presentation of Financial Statements and AASB Practice Statement 2 Making Materiality Judgements), the amendments of which aim to make accounting policy disclosures more informative by replacing the requirement to disclose 'significant accounting policies' with 'material accounting policy information'. The amendments also provide guidance under what circumstance, the accounting policy information is likely to be considered material and therefore requiring disclosure. These amendments have no effect on the measurement or presentation of any items in the Consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

For the other new standards, the Group carried out an assessment of its contracts and operations and concluded that the adoption of these standards have had no effect on the annual consolidated financial statements of the Group.

Any new, revised or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted early. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions, however management will continue to assess the potential impacts closer to the application dates.

Note 3. Summary of material accounting policies

3.1 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

3.1 Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 12 and AASB 119 respectively:
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 at the acquisition date; and
- assets that are classified as held for sale in accordance with AASB 5 are measured in accordance with that standard

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amount of the identifiable assets and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

3.2 Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment as least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On the disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

3.3 Revenue recognition

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

The Company recognises revenue based on the following five steps:

- identify the contract(s) with a customer.
- identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.

3.3 Revenue recognition (continued)

- determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. Where the Group assesses that an implicit price concession exists, revenue is only recognised to the extent it is expected to be received. The difference between the contractual amount and the expected amount is booked as a day 1 credit loss. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer. In addition, for contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year providing significant benefit of financing to the customer, the transaction prices are adjusted for the time value of money based on the expected length of time between when the entity transfers the promised goods or services to the customer and when the customer pays for those goods or services and the prevailing interest rates in the relevant market. The financing benefit is separately recognised as debtor finance.
- allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
- recognise revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Sales of goods and services

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

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

Sales of goods on consignment

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

Technical advisory service

The Company provides technical advisory services to other healthcare companies. The services are recognised as a performance obligation satisfied over time and the revenue from providing services is recognised in the accounting period in which the services are rendered. The directors have assessed that the stage of completion determined as the proportion of the total time expected to provide the service that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations. If the services involve performance by another party, then it is accounted for as a separate performance obligation. Payment for these services is not due from the customer until the services are completed by the other party and delivered to the customer.

Discounts, promotional and other rebates

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

Warranties

Sales-related warranties associated with electrical goods are provided by the product manufacturers and the Company does not bear the related warranty costs.

3.3 Revenue recognition (continued)

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

3.4 Government subsidy

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

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

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

3.5 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

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

3.6 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group recognises a loss allowance for expected credit losses (ECL) on trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

The Group recognises lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset. The aging profile of trade and other receivables is disclosed in Note 22.

3.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, and appropriate proportion of variable and fixed overhead expenditure.

3.8 Property, plant and equipment

Land and buildings are leased for use in the production or supply of goods or services, or for administrative purposes. Leasehold improvements including renovations, furniture and fixtures as part of office fit outs are recognised at cost. These assets are depreciated over the shorter of their useful or the lease term, unless the entity expects to use the assets beyond the lease term.

3.8 Property, plant and equipment (continued)

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

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

Assets are depreciated over their useful lives as follows:

Leasehold Improvements	Lease term
Machinery	10 years
Motor vehicles	4 years
Office Equipment	3 years
Other Equipment	5-10 years

3.9 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

3.10 Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

3.11 Intangibles

Patents

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

3.11 Intangibles (continued)

Software

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

Research and Development

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

Research or development expenditure that relates to a development project acquired separately or in a business combination shall be recognised as an intangible asset when it is probable that the project will be a success considering its commercial and technical feasibility, the Company is able to use or sell the asset, the Company has sufficient resources, and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefits.

Recognition and measurement

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life of the asset. Significant software intangible assets are amortised over a 3 to 10-year useful life. The amortisation period and method is reviewed at each financial year end at a minimum. Intangible assets with indefinite useful lives are not amortised. The useful life of these intangibles is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable.

Impairment of intangible assets

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

3.12 Investment in equity instruments

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

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

3.13 Taxation

Current tax

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

3.13 Taxation (continued)

Deferred tax

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

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

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

3.14 Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

3.15 Trade and other payables

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

3.16 Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

3.17 Employee benefits

Share-based compensation benefits

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

Share-based compensation benefits are provided to directors and employees via the Beroni Group Limited's Remuneration Plan. The fair value of share options granted under the Plan are recognised as an employee benefit expense with a corresponding increase in equity (share options reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by an independent valuator using a Black-Scholes option pricing model. In determining fair value, the performance conditions are taken into account ("non-market performance conditions") other than those related to the share price of Beroni Group Limited ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the company until vesting date, or such that employees are required to meet performance conditions such as sales targets and clinical trial advancement. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where options are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to profit or loss. However, if new options are substituted for the cancelled options and designated as a replacement on grant date, the combined impact of the cancellation and replacement options are treated as if they were a modification.

3.18 Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

3.19 Financial instruments

Financial assets

Recognition and de-recognition

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

Classification

Financial assets in the scope of AASB 9 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to maturity investments, or available-for-sale investments, as appropriate.

The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

3.19 Financial instruments (continued)

Financial assets of the Group are classified in two categories as following:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are measured at fair value through profit or loss. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after reporting date, which are classified as non-current.

Recognition of expected credit losses

The Group measures the loss allowance at an amount equal to lifetime expected credit losses for loans and receivables. The expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial liabilities

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

3.20 Fair value

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

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

3.21 Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

3.22 Convertible notes and loans

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

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

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note or loan, the balance recognised in equity will be transferred to retained earnings. No gain or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes or loans are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in carrying amount of the liability component and amortised over the lives of the convertible notes or loans using the effective interest method.

3.22 Convertible notes and loans (continued)

Conversion feature that fails the equity classification due to either the number of shares to be issued varies or the amount of cash to convert into shares varies or both, is considered as a financial liability. It is treated for as a derivative liability and accounted separately from the host instrument. Derivative conversion features which provide the holder with a choice over whether the convertible note or loan is exchanged for shares or cash) or which the Company will issue shares in order to extinguish an obligation, with no cash settlement alternative are accounted for at fair value through profit or loss (FVTPL), separately from the host debt contract.

3.23 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Beroni Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

3.24 Equity instruments

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

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

Note 4. Group restructure

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

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

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

When combined with the transactions above, Beroni Hong Kong become the intermediate holding company for the Group. Through this transaction, effective control of Tianjin Beroni passed to the shareholders of the Company. The transaction is not within the scope of

AASB 3 Business Combinations and has been treated as a capital restructure, where following the corporate restructure of the Group, the Company took control of Tianjin Beroni with no change in underlying control.

In April 2018, the Company acquired 51% of the share capital of Beroni Japan Inc., a company set up for the purpose of developing the Group's business in Japan. The Company has paid a consideration of JPY2.55 million (A$31,114) for this investment. Beroni Japan was subsequently disposed of on 1 October 2020.

In November 2018, Beroni established a new 100%-owned company in the USA, Beroni USA Corporation to develop the business of detecting and treatment of infectious diseases.

In May 2020, Beroni acquired 100% of the share capital of a new company in Japan, BERONI BIOTECH INC. for the purpose of developing the diagnostic test kit business in Japan.

In December 2020, Beroni acquired control of PENAO Pty Ltd when its shareholding was increased from 40% to 60.71% after a shareholders' restructuring of the Australian company.

Note 4. Group restructure (continued)

In November 2021, Beroni established a new company, Beroni Pharmaceutical (Guangdong) Co., Ltd for its new R&D centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni owns 80% of the Chinese company with the other 20% owned by a local investor.

Note 5: Segment information

(a) Description of segments

The Group has been organised into 4 core businesses which are as follows:

1. Cell therapies
2. Developing new anti-cancer drugs
3. e-commerce platform for pharmaceutical and healthcare products
4. Detection & diagnosis of infectious diseases.

The Group is managed primarily on the basis of the nature of these business activities. As the CEO and CFO are the chief operating decision-makers (CODM) who monitor and assess business performance to make resource allocation decisions, they consider the business from both a product and a geographical perspective and has identified the following operating segments for monitoring and reporting:

PENAO (Australia) – developing new anti-cancer drugs
Beroni USA – detection and diagnosis of infectious diseases
Beroni Tianjin (China), Beroni Pharmaceuticals (Guangdong, China) – e-commerce sales of pharmaceutical and healthcare products
Beroni Biotech (Japan) – cell therapies

(b) Segment information provided to the CEO and CFO

	e-commerce sales of pharmaceutical products & services	**Developing new anti-cancer drugs**	**Detection & diagnosis of infectious diseases**	**Cell therapies**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Year ended 31 December 2023	China	Australia	USA	Japan	
Total segment revenue	468,730	-	-	-	468,730
Total segment other income	72,244	217,694	-	-	289,938
Total segment Interest income	14,426	5,678	-	-	20,104
Inter-segment revenue	-	-	-	-	-
Total segment income	555,400	223,372	-	-	778,772
Expenses					
Cost of sales	(535,553)	-	-	-	(535,553)
Interest expense	(57,115)				(57,115)
Impairment on trade receivables, other receivables and prepayments	(981,368)	-	-	-	(981,368)
Wages and salaries including superannuation	(720,750)	(247,369)	-	-	(968,119)
Rent expenses	(22,566)	-	(59,602)	(4,544)	(86,711)
R&D expenses	(190,533)	(88,300)	-	-	(278,833)
Legal fees	(117,202)	-	-	-	(117,202)
Depreciation and amortisation	(403,877)	-	(71,000)	(217)	(475,094)
Other segment expenses	(314,604)	(40,504)	(323)	(32,540)	(387,971)
Total segment profit / (loss)	(2,788,168)	(152,802)	(130,926)	(37,301)	(3,109,195)

Note 5: Segment information (continued)

	Note	2023 AUD
Total segment loss		(3,109,195)
Inter-segment eliminations		-
Finance costs – net		(265,508)
Depreciation and amortization expense		-
Share based payment expense	8	(1,801,170)
Realised foreign exchange gain / (loss)		(56,221)
Unrealised foreign exchange gain / (loss)		340,183
Fair value loss on derivative financial liabilities		(2,868,952)
Unallocated expenses		
Directors' fees	8	(568,043)
Accounting and audit fees	8	(392,442)
Issuance costs	8	(76,148)
Insurance	8	(85,566)
Rent expenses	8	(12,755)
Legal fees	8	(263,412)
Listing expenses	8	(133,569)
Other unallocated expenses	8	(163,542)
Profit before income tax		**(9,456,340)**

	e-commerce sales of pharmaceutical products & services	Developing new anti-cancer drugs	Detection & diagnosis of infectious diseases	Cell therapies	Total
	AUD	AUD	AUD	AUD	AUD
Year ended 31 December 2022	China	Australia	USA	Japan	
Total segment revenue	638,916	-	-	-	638,916
Total segment other income	155,473	290,741	-	-	446,214
Total segment Interest income	7,809	4,638	-	-	12,447
Inter-segment revenue	-	-	-	-	-
Total segment income	802,198	295,379	-	-	1,097,577
Expenses					
Cost of sales	(310,921)	-	-	-	(310,921)
Interest expense	(36,211)	-	-	-	(36,211)
Impairment on trade receivables, other receivables and prepayments	(54,123)	-	-	-	(54,123)
Wages and salaries including superannuation	(835,934)	(261,595)	-	(30,229)	(1,127,757)
Rent expenses	(46,625)	-	(33,122)	(4,433)	(84,180)
R&D expenses	(312,826)	(320,755)	-	-	(633,581)
Legal fees	(80,639)	(6,040)	-	-	(86,680)
Depreciation and amortisation	(382,708)	-	(91,941)	(445)	(475,094)
Other segment expenses	(418,205)	(35,081)	(11,693)	(29,999)	(494,978)
Total segment profit / (loss)	(1,675,994)	(328,093)	(136,756)	(65,105)	(2,205,948)

Note 5: Segment information (continued)

	Note	2022 AUD
Total segment loss		(2,205,948)
Inter-segment eliminations		-
Finance costs – net		(27,655)
Depreciation and amortization expense		-
Share based payment expense	8	(4,725,658)
Realised foreign exchange gain / (loss)		89,328
Unrealised foreign exchange gain / (loss)		(223,395)
Unallocated expenses		
Directors' fees	8	(574,419)
Accounting and audit fees	8	(201,897)
Insurance	8	(87,996)
Rent expenses	8	(28,304)
Legal expenses	8	-
Listing expenses	8	(154,032)
Other unallocated expenses	8	(111,524)
Profit before income tax		**(8,251,500)**

	e-commerce sales of pharmaceutical products & services AUD	Developing new anti-cancer drugs AUD	Detection & diagnosis of infectious diseases AUD	Cell therapies AUD	Total AUD
Total segment assets	China	Australia	USA	Japan	
31 December 2023	5,431,897	2,581,027	1,137,135	189,131	3,358,131
31 December 2022	6,737,184	2,817,176	1,208,570	400,363	5,867,653
Total segment liabilities					
31 December 2023	11,171,546	8,173	273,977	197,708	11,651,404
31 December 2022	9,325,104	9,367	218,155	368,564	9,921,191

Note 5: Segment information (continued)

Reconciliation of segment assets and liabilities

	2023 AUD	2022 AUD
Segment Assets	**3,358,131**	**5,867,653**
Unallocated assets		
Cash and cash equivalents	1,123,595	299,688
Trade receivables	-	-
Prepayments	669,229	525,742
Other receivables	15,100	19,007
Current tax assets	-	-
Inventory	-	-
Property, plant and equipment	-	-
Right-of-use assets	-	-
Intangible assets	-	-
Intercompany investments and eliminations	4,909,570	3,708,028
Total consolidated assets	**10,075,625**	**10,420,118**

	2023 AUD	2022 AUD
Segment liabilities	**11,651,404**	**9,921,191**
Unallocated liabilities		
Trade payables	-	31,173
Other liabilities	1,275,608	558,411
Convertible notes and loans	4,154,757	725,795
Derivative financial liabilities	3,269,630	-
Lease liabilities - current	-	-
Borrowings from related parties	102,500	-
Convertible notes and loans - non current	35,760	-
Derivative financial liabilities - non current	16,283	-
Lease liabilities – non current	-	-
Intercompany eliminations	(10,430,103)	(8,394,866)
Total liabilities	**10,075,839**	**2,841,703**

(c) Product categories

The following product categories have been noted for the e-commerce sales of pharmaceutical products & services:

- Nicobloc
- Fogibloc air purifier
- Olansi water filter
- Health supplements
- Cosmetic products
- Viral diagnostic kits
- Technical advisory service

Note 5: Segment information (continued)

	Product Revenue		Product Gross Profit	
Product	**2023 AUD**	**2022 AUD (restated*)**	**2023 AUD**	**2022 AUD (restated*)**
Nicobloc	153,877	168,818	(105,447)	(662)
Health supplements	97,413	61,154	48,556	27,177
Cosmetic products	36,774	19,411	15,362	7,311
COVID-19 test kit	151,746	46,234	23,320	14,969
Technical advisory service	-	174,954	-	88,192
All other	28,920	139,891	(48,614)	191,008
Total for all categories	468,730	638,916	(66,823)	327,995

* See Note 35.

Geographical information

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

	Sales Revenue by Geographical Market	
	2023 AUD	**2022 AUD (restated*)**
China	468,730	638,916
	468,730	638,916

* See Note 35.

Major customers

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

	2023 AUD	**2022 AUD (restated*)**
China Business Beroni (Tianjin) Technology Co., Ltd	300,121	357,088
Xuhua Biotechnology (Tianjin) Co., Ltd	108,503	-
Zhongxin Keju Biotechnology Co. Ltd	-	203,408
	408,624	560,496

* See Note 35.

Note 6. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods and services over time and at a point in time:

Revenue by timing of revenue	**Consolidated 2023 AUD**	**Consolidated 2022 AUD (restated*)**
Goods transferred at a point in time [1, 2]	468,730	435,508
Services transferred over time	-	203,408
	468,730	638,916

* See Note 35.

[1] In 2022, there were significant financing elements on the sales to two customers. As a result, the initial contracted sales amounts were assessed and discounted over a 1.5 year period at a rate of 14.5%. The discount rate is based on the average commercial lending rate of 10% in China and risk adjusted to take into account the payment risk associated with the customers. A total of $114,131 was adjusted from revenue and would be recognised as debtor financing in other income over the financing period. In 2023, the Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer (or providing for the receivable balance in expected credit losses) exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money in the current financial year. See debtor finance details in Note 7.

Note 6. Revenue (continued)

[2] Implicit price concessions were estimated on a portfolio basis using a rolling 3 year historical average collections rate. This methodology resulted in an estimated 27% (2022: 13%) reduction in reported gross revenues.

In 2023, there was $65,081 of revenue recognised that was deferred revenue (included in the other liabilities' balance of $750,111) at the beginning of the period.

Note 7. Other Income

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
Government subsidy and other income	252,167	298,528
Debtor finance	37,770	147,686
	289,937	446,214

* See Note 35.

The government subsidy in 2023 mainly represents the $217,693 R&D tax rebate (2022: $290,741) received or receivable from the Australian government to support the PENAO drug research in Australia.

Debtor finance represents the time value of money based on the expected length of time between when the Company transfers the promised goods to the customer and when the customer pays for those goods (or they are provided for under the Group's assessment of expected credit losses) and the prevailing interest rates in the relevant market and risk adjusted for the payment risk associated with the customer. Debtor finance in 2023 represents the financing benefit provided in 2022 whilst debtor finance in 2022 represents the financing benefit provided in 2022 of $38,044 and in 2021 of $109,642.

Note 8. Expenses

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

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
Wages and salaries	902,070	1,064,906
Superannuation	66,049	62,851
Directors' fees	568,043	574,419
Accounting and audit fees	392,442	201,897
Insurance	85,566	87,996
Issuance costs	76,148	-
Rent expenses	99,466	112,484
R&D expenses	278,833	633,581
Legal fees	380,614	86,680
Listing expenses	133,569	154,032
Depreciation and amortization	475,094	449,576
Share-based compensation benefits [1]	1,801,170	4,725,658
All other expenses	551,512	632,020
	5,810,576	8,786,100

[1] Share-based compensation benefits in 2023 are the cost of the new shares issued to directors and senior employees and the allocated cost of the stock options granted to directors and employees in July 2021 and modified in May 2022 whereas the share-based compensation benefits in 2022 are the allocated cost of the same stock options. Refer to Note 23.

* See Note 35.

Note 9. Cash and cash equivalents

	Consolidated 2023 AUD	Consolidated 2022 AUD
Cash on hand	15	793
Cash at bank	4,036,241	2,576,813
Total cash and cash equivalents	4,036,256	2,577,606

Note 10. Trade and other receivables

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
Amounts due from customers	3,074,349	3,167,828
Less: Provision for expected credit losses [1]	(2,747,517)	(1,839,365)
Trade receivables	326,832	1,328,463
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	525,296	657,472
Less: Provision for expected credit loss	(315,503)	(283,605)
Other receivables	209,793	373,867

* See Note 35.

[1] Being increase in expected credit losses based on trade receivables aging at 31 December 2023.

[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 now seeking a refund for the full payment. But 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. Any subsequent repayments received from Youtokukai will be taken as a reversal of expected credit loss provision. After the year end, the directors of Beroni decided to write off the investment in Youtokukai. See Note 34.

Movements on the provision for the impairment of trade and other receivables are as follows:

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
At 1 January	3,347,838	3,386,515
(Decease) / Increase in provision for expected credit losses	862,735	(4,402)
Exchange differences	77,315	(34,275)
At 31 December	4,287,888	3,347,838

* See Note 35.

Note 11. Prepayments and other current assets

	Consolidated 2023 AUD	Consolidated 2022 AUD
Shares issued to Medicine Plus [1]	3,618,825	3,618,825
Provision for expected credit loss	(3,618,825)	(3,618,825)
	-	-
Other prepayments and current assets [2]	1,053,503	658,614
Provision for expected credit losses	(177,158)	(58,525)
	876,345	600,089

[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. However, due to the long delay in the settlement, management has decided to recognise the cost of the shares as an expense in the income statement. In the event that the acquisition can be completed, the shares expense will be reversed accordingly. After the year end, the directors of Beroni decided to write off this prepayment. See Note 34.

[2] During 2023 $259,740 of prepaid balances recognised in prior years were written off, relating to costs capitalised for the NASDAQ IPO which are no longer valid (e.g. expenses paid to the previous underwriter). This write off is included within the legal fees expense in Note 8. An additional $188,000 in legal fees incurred in the year relating to IPO costs were paid in shares of the Company. There were no vesting conditions associated with these shares and they were valued based on the fair value of services received, as indicated by the contract value.

Movements on the provision for the impairment of prepayments and other current assets are as follows:

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
At 1 January	3,677,350	3,618,825
(Decease) / Increase in provision for expected credit losses	118,633	58,525
At 31 December	3,795,983	3,677,350

* See Note 35.

Note 12. Inventories

	Consolidated 2023 AUD	Consolidated 2022 AUD
Raw materials	1,939	2,714
Finished goods	102,112	291,006
Total Inventories	104,051	293,720

Note 13. Intangible assets

2023	PENAO patents AUD	Capitalised development cost AUD	Other patents AUD	Software AUD	Total AUD
Cost	2,059,601	1,288,275	165,348	1,413	3,514,637
Accumulated amortisation	-	(268,412)	(60,294)	(1,064)	(329,770)
Net book value	2,059,601	1,019,863	105,054	349	3,184,867

Note 13. Intangible assets (continued)

2022	**PENAO patents**	**Capitalised development cost**	**Other patents**	**Software**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Cost	2,059,601	1,288,275	165,348	1,426	3,514,650
Accumulated amortisation	-	(204,043)	(53,665)	(1,064)	(258,772)
Net book value	2,059,601	1,084,232	111,683	362	3,255,878

2023	**PENAO patents**	**Capitalised development cost**	**Other patents**	**Software**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Opening net book value	2,059,601	1,084,232	111,683	362	3,255,878
Additions	-	-	-	-	-
Disposals	-	-		-	-
Amortisation charge	-	(64,369)	(6,629)		(70,998)
Foreign exchange translation	-		-	(13)	(13)
Closing net book value	2,059,601	1,019,863	105,054	349	3,184,867

2022	**PENAO patents**	**Capitalised development cost**	**Other patents**	**Software**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Opening net book value	2,059,601	1,148,602	110,581	368	3,319,152
Additions	-	-	8,674	-	8,674
Disposals	-	-	-	-	-
Amortisation charge	-	(64,370)	(7,572)		(71,942)
Foreign exchange translation	-	-	-	(6)	(6)
Closing net book value	2,059,601	1,084,232	111,683	362	3,255,878

The intangible assets are amortised on a straight-line basis over their useful lives as follows:

	Useful life	Remaining useful life
PENAO patents	14 years until patent expiry in 2037	Not amortised yet (as asset not yet ready for use)
Capitalised development costs	20 years	16 years
Other patents	20 years	11-17 years
Software	3-10 years	-

The amortisation charges for 2023 and 2022 are included within the amortisation and depreciation balances in Note 8

PENAO patents

Impairment testing

The Group tests intangible assets not yet ready for use annually for impairment, or more frequently if there are indications that intangible assets not yet ready for use might be impaired. For the purpose of the impairment testing, the intangible assets not yet ready for use are the patents owned by the Cash Generating Unit ("CGU") – PENAO Pty Ltd, an Australian company set up to develop the new cancer drug, PENAO. The PENAO patents asset consists of a number of registered patents and related intellectual property in relation to the anti-cancer drug PENAO, currently in development. The drug has successfully completed Phase 1 trials as at balance sheet date.

Note 13. Intangible assets (continued)

The recoverable amount of the patents owned by the PENAO company was based on the fair value of the commercialisation of the cancer drug upon successful completion of the clinical trials, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The Group engaged an independent business valuation expert, Leadenhall, to determine the fair value of the PENAO patents in 2023. Leadenhall has conducted a similar review in 2021 whilst management conducted its own review in 2022. The latest review concluded that the estimated recoverable amount far exceeds the carrying amount and no impairment is required.

The recoverable value methodology used is the fair value less cost to dispose based on discount cash flow projections over 24 years (2022: 25 years). The fair value hierarchy is Level 3. The key assumptions used in the estimation of the fair value are set out below.

Key assumptions	Valuation inputs
Growth rate	Not meaningful, currently pre-revenue
Discount rate	8.55% (2022: 16%)
Lifetime revenue (US$)	$38.5 billion (2022: $27 billion)
Gross margin	56% (pre patent expiry), 28% (post patent expiry) (2022: both 59%)
Selling, general & administrative expenses (%)	20% of revenue (2022: 27%)
Estimated R&D costs (US$)	$655 million (based on the average R&D cost for FDA approved oncology drugs) (2022: $21 million)
Probability of success	10.80% (2022: 10%)
Basis for assumptions	Primarily market-based information as the asset is currently in an early stage of development
Reasonably possible change triggering impairment	A 20% reduction in the lifetime revenue estimate (from US$38.5 billion to US$30.8 billion) would trigger an impairment of A$2.06 million A 20% reduction in the gross margin estimate (from 56% to 44.8%) would trigger an impairment of A$2.06 million A 20% increase in the estimated R&D costs estimate (from US$655 million to US$786 million) would trigger an impairment of A$2.06 million

Contractual commitments

See Note 33 for contractual commitments related to PENAO.

<u>Capitalised development costs</u>

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 a 20-year exclusive license agreement with the Columbia University to sell the diagnostic kit product on a worldwide basis. The US$1 million funding provided for the product development is capitalised and amortised over the 20-year life of the license.

Note 13. Intangible assets (continued)

Other patents

Columbia University has secured the ArboViroPlex rRT-PCR Test patent in three countries namely USA, India, and China. 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.

At the end of the year, the Company conducted a review of the carrying amount of the capitalised development cost and related patents to determine whether there is any indication that it has suffered an impairment loss. Management engaged an independent business valuation expert, Leadenhall, to determine the fair value of this intangible asset. The review concluded that the estimated recoverable amount exceeds the carrying amount and no impairment is required.

The recoverable value methodology used is the fair value less cost to dispose based on discount cash flow projections over 14 years. The fair value hierarchy is Level 3. The key assumptions used in the estimation of the fair value are set out below.

Capitalised development costs and related patents

Key assumptions	Valuation inputs
Growth rate	Not meaningful, currently pre-revenue
Discount rate	8.55%
Lifetime revenue (US$)	$106.4 million
Gross margin	48% (pre patent expiry), 24% (post patent expiry)
Selling, general & administrative expenses (%)	20% of revenue
Estimated R&D costs (US$)	$5 million
Probability of success	N/A
Basis for assumptions	Primarily market based information as the asset is currently in an early stage of development
Reasonably possible change triggering impairment	A 20% reduction in the gross margin estimate (from 48% to 38.4%) would trigger an impairment of A$1.125 million

In financial year 2022, there were no indicators of potential impairment and therefore no impairment review was required to be performed.

Note 14. Property, plant and equipment

2023	Leasehold Improvements AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Cost	681,264	39,348	395,095	97,433	326,858	1,539,998
Accumulated depreciation	(59,910)	(33,872)	(391,516)	(86,846)	(98,570)	(670,714)
Net book value	621,354	5,476	3,579	10,587	228,288	869,284

2022	Assets under Construction AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Cost	882,459	39,348	400,187	93,666	326,858	1,742,518
Accumulated depreciation	-	(33,709)	(369,529)	(78,537)	(57,493)	(539,268)
Net book value	882,459	5,639	30,658	15,129	269,365	1,203,250

2023	Leasehold Improvements AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	882,459	5,639	30,658	15,129	269,365	1,203,250
Adjustment	(243,725)	-	-	-	-	(243,725)
Additions	48,746	-	40,184	3,650	-	92,581
Disposals	-	-	(45,119)	-	-	(45,119)
Depreciation (charge)/reversal	(40,622)	-	(21,258)	(7,755)	(33,273)	(102,908)
Foreign exchange translation	(25,504)	(163)	(886)	(437)	(7,804)	(34,794)
Closing net book value	621,354	5,476	3,579	10,587	228,288	869,284

2022	Assets under Construction AUD	Machinery AUD	Motor Vehicle AUD	Office Equipment AUD	Other Equipment AUD	Total AUD
Opening net book value	-	14,392	106,304	18,268	25,885	164,849
Additions	882,459	-	-	6,136	251,905	1,140,500
Disposals	-	-	-	-	-	-
Depreciation charge	-	(8,482)	(73,638)	(8,927)	(7,886)	(98,933)
Foreign exchange translation	-	(271)	(2,008)	(348)	(539)	(3,166)
Closing net book value	882,459	5,639	30,658	15,129	269,365	1,203,250

Note 15. Leases

This note provides information for leases where the Group is a lessee. The Group leases various offices and the rental contracts are typically made for fixed periods of one to five years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Lease assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Note 15. Leases (continued)

The right-of-use assets are depreciated on a straight line over the shorter of the assets' useful life and the unexpired period of the lease term which ranges from one to five years.

Lease liabilities include the net present value of the following lease payments:

- fixed payments less any lease incentive receivables
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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 31 December 2023:

	Consolidated 2023 AUD	Consolidated 2022 AUD
Current lease liabilities	211,725	262,596
Non-current lease liabilities	347,187	515,239
	558,912	777,835

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

Properties	Consolidated 2023 AUD	Consolidated 2022 AUD
Cost	878,072	1,580,991
Accumulated depreciation	(485,800)	(886,525)
Carrying amount	392,272	694,466

Additions to the right-of-use assets during 2023 were $NIL (2022: $719,321).

Amounts recognised in profit and loss	Consolidated 2023 AUD	Consolidated 2022 AUD
Depreciation expense on right-of-use assets	304,008	266,662
Interest expense on lease liabilities	57,116	31,643
	361,124	298,305

	Consolidated 2023 AUD	Consolidated 2022 AUD
Expenses relating to short-term leases (included in administrative expenses)	72,356	45,683
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	4,544	4,433

The total cash outflow for leases in 2023 was $274,582 (2022: $260,047).

Note 16. Investment in other entities

	Consolidated 2023 AUD	Consolidated 2022 AUD
Investment in shares of Dendrix Inc.	-	-

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.

Fair value measurement

In 2021, the Group having reviewed the latest financial statements of Dendrix Inc. noted that the company had shown a significant deterioration in its 2021 financial performance resulting in a negative shareholders' equity. Given the negative equity and the worsening financial results, the management decided to fully impair the value of its investment in Dendrix Inc in 2021. In 2022, the directors also decided to maintain the full impairment of the value of its investment in Dendrix Inc..

At 31 December 2023, the directors having considered the fully impaired fair value of the investment in the shares of Dendrix Inc.for the last 2 years, have decided to write off this investment. The total impairment loss of $2,431,515 which was previously recognised in other comprehensive income and accumulated in the investments' revaluation reserve is transferred to retained earnings.

Note 17. Income tax

(a) Income tax expense	2023 AUD	2022 AUD
Current tax expense	-	-
Deferred tax expense/(income) relating to temporary differences	-	-
Deferred tax expense resulting from reduction in tax rate	-	-
Income tax expense relating to IPO costs directly in equity	-	-
Prior year adjustment	751	769
Total income tax expense	**751**	**769**

(b) Numerical reconciliation of income tax benefit to prima facie tax payable	2023 AUD	2022 AUD (restated *)
Loss from continuing operations before income tax expense	(9,456,340)	(8,251,500)
Tax at the Australian tax rate of 30% (2022 - 30%)	(2,836,902)	(2,475,450)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Change in Australian tax rate		-
Amortisation of intangibles		-
Capital raising costs/legal expenses not deductible		-
Non-deductible expenses	485,417	1,242,265
R&D	86,024	140,740
Entertainment		-
Unrealised FOREX		-
Non assessable income	(152,338)	(96,581)
Other permanent differences	-	-
Under/over on intangibles of prior year	-	-
Adjustments for tax of prior periods	751	769
Movement in tax losses not recognised	803,625	750,561
Movement in temporary differences not recognised	1,644,717	445,113
Difference in overseas tax rates – current year	(30,542)	(6,648)
Income tax expense / (benefit)	**751**	**769**

Note 17. Income tax (continued)

The applicable tax rate used reconciling income tax expense on continuing operations is the Australian enacted corporate tax rate of 30% (2022: 30%). This rate was selected due to the significant management presence and intellectual property located in Australia. The actual rate of tax applicable in particular jurisdictions may be higher or lower than 30.0%.

The enacted corporate tax rates across all jurisdictions are as follows:

- Australia 30%
- Japan 15%
- USA 21%
- China 25%
- Hong Kong 16.5%

Unused tax losses below are disclosed showing a lower tax rate in Australia, as this is the expected tax rate that will apply to the Australian entities at the time when they are able to utilise those losses, based on current enacted corporate tax rates in Australia.

(c) Tax losses	2023 AUD	2022 AUD (restated *)
Breakdown of unused tax losses not recognised by jurisdiction		
Unused Australian tax losses for which no deferred tax asset has been recognised	9,309,473	8,570,681
Potential tax benefit at 25% (2022:25%)	2,327,368	2,142,670
Unused Chinese tax losses for which no deferred tax asset has been recognised	6,952,952	4,730,038
Potential tax benefit at 25% (2022:25%)	1,738,238	1,182,509
Unused US tax losses for which no deferred tax asset has been recognised	321,362	261,437
Potential tax benefit at 21% (2022:21%)	67,486	54,902
Unused Japanese tax losses for which no deferred tax asset has been recognised	103,246	65,942
Potential tax benefit at 15% (2022:15%)	15,487	9,891
Unused Hong Kong tax losses for which no deferred tax asset has been recognised	17,033	13,857
Potential tax benefit at 16.5% (2022:16.5%)	2,810	2,286
Unused gross tax losses for which no deferred tax asset has been recognised	16,704,067	13,641,954
Total at local tax rates	4,151,390	3,392,259

(d) Unrecognised temporary differences	2023 AUD	2022 AUD (restated *)
Deferred rent	-	467
Accrued expenses	194,316	28,104
Net impact of leases	41,660	20,842
Provisions for doubtful debts	809,614	572,639
Impairment of investments	914,096	914,096
Amortisation of intangibles	82,435	64,693
Provision for stock obsolescence	12,090	-
Fair value loss on derivative financial liabilities	717,238	-
FX translation reserve related to lease adjustments	6,201	4,918
	2,777,650	1,605,759

* See Note 35

Note 18. Trade and other payables

	Consolidated 2023 AUD	Consolidated 2022 AUD
Current Liabilities		
Trade and other payables	383,807	587,962
Other liabilities [1]	1,554,190	750,111
	1,937,997	1,338,073
Non-current Liabilities		
Payables to related parties [2]	102,500	-
	102,500	-

[1] Included in other liabilities is $655,515 of accrued directors' and secretary fees (2022 - $484,784), $432,321 of accrued costs of issuing convertible loans (2022: $nil) and $141,545 of accrued payroll (2022: $83,844).

[2] See Note 24

Note 19. Earnings per share

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
Basic loss per share (cents)	(46.75)	(42.12) *
Diluted loss per share (cents)	(46.75)	(42.12) *

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings	Consolidated 2023 AUD	Consolidated 2022 AUD (restated*)
Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company	(9,227,128)	(8,069,714)
Earnings for the purpose of diluted earnings per share	(9,227,128)	(8,069,714)
Number of shares		
Weighted average number of shares used in calculating basic earnings per share ***	19,735,520	19,158,771 **
Weighted average number of shares used in calculating diluted earnings per share ****	19,735,520	19,158,771 **

* The 2022 comparatives have been restated on a consistent basis from those previously published to reflect the impact of the share consolidation and the correction of prior year errors (see Note 26 and Note 35).

** Restated to reflect the impact share consolidation.

*** The movement of issued capital in Note 26 is based on the share issued date, which does not correspond to the calculation of weighted average number of shares disclosed above. Shares to be issued to advisors as commissions on funding the convertible loans are included within earnings per share calculations per AASB133. Shares are usually included in the weighted average number of shares from the date consideration is receivable (which is generally the date of their issue). Therefore, ordinary shares issued in exchange for cash are included when cash is receivable and ordinary shares issued for the rendering of services to the entity are included as the services are rendered. A total of 200,000 shares (post share consolidation) are recognised in the weighted average number of shares in 2023, where these shares were issuable in 2023 as the conditions for issuance are satisfied in accordance with the signed agreements. Subsequent to the year end, 100,000 of these shares have been issued.

Note 19. Earnings per share (continued)

**** At 31 December 2023, 5,323,750 options (post consolidation), US$2.935 million of convertible loans with a conversion price between US$1 and US$2 (post consolidation), and 25,736 of US$100 convertible notes (20,736 with a conversion price of US$6.912 (post consolidation) and 5,000 with a conversion price of the lower of US$28 (post consolidation) and the initial public offering price on Nasdaq or New York Stock Exchange) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive. At 31 December 2022, 5,626,250 options (post-consolidation) and 25,736 convertible notes of US$100 convertible notes (20,736 with a conversion price of US$6.912 (post consolidation) and 5,000 with a conversion price of the lower of US$28 (post consolidation) and the initial public offering price on Nasdaq or New York Stock Exchange) were excluded. If the US$2.935 million convertible loans were to be converted at prices between US$1 and US$2, the number of shares issued would be 2,824,329 whilst if the 20,736 notes were to be converted at US$6.912 and the 5,000 notes converted at US$28, the number of shares issued would be 317,858. As for the options, the vesting depends on certain milestones being achieved. As there is no certainty that the options will be exercised upon vesting or which milestones will be met, the number of shares to be issued cannot be determined.

Subsequent to the year end, the Company issued more new shares as follows

- 102,516 shares were issued to investors raising new funds of US$204,312 in March 2024.
- 2,824,329 shares were issued to the investors to convert the US$2.935 million of convertible loans.
- 100,000 shares were issued to a consultant as capital raising fee for the convertible loans.
- 10,000 shares were issued to an advisor as part of capital raising advisory fee.

Refer to Note 34 for further information.

Note 20. Auditors' remuneration

	Consolidated 2023 AUD	Consolidated 2022 AUD
UHY Haines Norton Sydney	316,920	131,164

Note 21. Financial assets and financial liabilities

The group holds the following financial instruments:

Financial instruments by category

	Fair value through profit or loss		Amortised cost		Fair value through other comprehensive income	
Financial Assets	**2023 AUD**	**2022 AUD**	**2023 AUD**	**2022 AUD**	**2023 AUD**	**2022 AUD**
Cash and cash equivalents	-	-	4,036,256	2,577,606	-	-
Trade receivables	-	-	326,832	1,328,463	-	-
Other receivables	-	-	209,793	373,867	-	-
Current tax assets	-	-	75,925	42,582		
	-	-	4,648,806	4,322,518	-	-
Financial Liabilities						
Trade and other payables	-	-	383,807	587,962	-	-
Payables to related parties	-	-	102,500	-	-	-
Convertible notes and loans (current and non-current)	-	-	4,190,517	725,795	-	-
Derivative liabilities (current and non-current	3,285,913	-	-	-	-	-
Other liabilities			1,554,190	750,111	-	-
	3,285,913	-	6,231,014	2,063,868	-	-

Fair value of amortised cost liabilities is estimated at $4.7 million (2022: No material difference between carrying amount and fair value).

Note 21. Financial assets and financial liabilities (continued)

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, loans and borrowings, and payables to related parties. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, trade and other payables and payables to related parties approximates their fair value.

Financial instruments measured at fair value

Convertible notes and loans

The debt components of the convertible notes and loans are presented as follows:

	2023 AUD	2022 AUD
At 1 January	725,795	2,857,835
Convertible notes and loans issued, net of transaction costs	3,371,837 [1]	711,450 [2]
Interest expense [3]	285,208	-
Modifications	26,193	
Exchange (gain) / loss on translation of USD denominated convertible notes and loans [4]	(218,516)	166,548
Recognition of equity component on variation of convertible notes (see Note 27)	-	(3,010,038)
At 31 December	4,190,517	725,795

[1] Between April 2023 and November 2023, the Company issued a total of USD2,935,399 of 0% convertible loans. The principal amounts of the loans are repayable in one year from the issue date and can only be converted into shares upon the Company's listing on Nasdaq at conversion prices of USD1, USD1.5 and USD2. The conversion prices are not affected by the shares consolidation exercise which was completed on 24 November 2023. Details of the convertible notes issued are as follows:

Convertible loans	1	2	3	4	5	6	7
Issue date	18 Apr 23	18 Apr 23	11 Jul 23	18 Sep 23	10 Oct 23	10 Oct 23	8 Nov 23
Face value (USD)	$102,041	$189,504	$27,778	$205,679	$1,000,000	$1,000,000	$410,397
Face value (CNY)	700,000	1,300,000	200,000	1,500,000	-	7,311,000	3,000,000
Maturity date	31 Oct 24	31 Oct 24	11Jul 24	18 Sep 24	10 Oct 24	10 Oct 24	8 Nov 24
Conversion price (USD)	$1.5	$1.5	$2	$1	$1	$1	$1

For each convertible note or loan, the initial fair value of the derivative financial liability (separated conversion component) was determined at the date the instrument was issued, with the remaining proceeds allocated to the amortised cost (debt) component. The fair value of the derivative at inception was estimated using a residual value approach and subsequently using an adjusted Black Scholes model. The debt component was subsequently accounted for using the effective interest rate method.

[2] In 2022, 5,000 0% USD denominated convertible notes were issued by the Company to a Chinese investor 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$7 per share. Conversion may occur at any time between the date of issue and the maturity date. The maturity date is one year and upon maturity, the Company must convert all convertible notes which are not yet converted to shares. The conversion price for the convertible notes has a price protection that if, upon the listing of the Company on the Nasdaq Stock Market or the New York Stock Exchange, the initial public offering price is lower than the US$7 conversion price, then the Company must issue such number of additional shares to the investor that would have been issued if the convertible notes were issued at the initial public offering price instead of the conversion price. Subsequently in March 2023, the convertible noteholder extended the maturity date to the date of listing of the Company on Nasdaq. After the share consolidation in November 2023, the conversion price is changed to the lower of US$28 or the initial public offering price upon the listing of the Company on the Nasdaq Stock Market.

[3] Included as part of the total finance expense of $322,671 as shown in the Consolidated Statement of Profit or Loss And Other Comprehensive Income

[4] Included as part of the total unrealised foreign exchange gain of $340,183 (2022: loss of $223,395) as shown in the Consolidated Statement of Profit or Loss And Other Comprehensive Income

Note 21. Financial assets and financial liabilities (continued)

Derivative financial liabilities

For each convertible note or loan, we have applied a with and without valuation methodology to estimate the indicative fair value of the derivative financial liability at the issue date. First, we determined the indicative fair value of the convertible note or loan with the derivative features, which at the issue date is equal to the amount raised through the convertible note or loan. Then we determine the indicative fair value of a straight note or loan, without the derivative features, which is calculated based on the present value of the future cash flows. The difference between the two values (residual value) represents the indicative fair value of the derivative financial liability (conversion option) at the issue date. The derivative financial liability is re-measured as of 31 December 2023 using the Black-Scholes-Merton ("BSM") option pricing methodology with a combination of significant unobservable inputs and professional judgements including the probability of conversion. The fair value of the derivative financial liability is a recurring measurement as a fair value valuation is required at each reporting date. The level within the fair value hierarchy for the fair value measurement is Level 3 on the basis that the measurement uses mostly significant unobservable inputs.

The fair value hierarchy of the derivative financial liabilities measured at fair value is provided below.

	Level 1		Level 2		Level 3	
	2023 AUD	2022 AUD	2023 AUD	2022 AUD	2023 AUD	2022 AUD
Opening balance	-	-	-	-	-	-
Gain / (loss) on fair value through profit or loss	-	-	-	-	(3,285,913)	-
Closing balance	-	-	-	-	(3,285,913)	-

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 2 and level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial Instrument	Valuation techniques used	Fair value hierarchy	Significant unobservable inputs (Level 3 only)	Inter-relationship between key unobservable inputs and fair value (Level 3 only)
Derivative financial liabilities	Black-Scholes-Merton ("BSM") option pricing methodology using a combination of significant unobservable inputs and professional judgements	Level 3	Probability of IPO (77.16%)	A 20% increase to 97.16% or decrease to 57.16% in the input will result in a A$493K increase or A$1,007K decrease in the fair value of the liability
			Fair value per share (US$1.37)	A 20% increase to US$1.65 or decrease to US$1.10 in the input will result in a A$496K increase or A$985K decrease in the fair value of the liability
			Share price volatility (220%)	A 30% increase to 264% or decrease to 176% in the input will result in a A$321K increase or A$387K decrease in the fair value of the liability

Note 21. Financial assets and financial liabilities (continued)

The reconciliation of the opening and closing fair value balance of the derivative financial liabilities is provided below:

	2023 AUD	2022 AUD
At 1 January 2023	-	-
Convertible notes and loans - derivative financial liabilities at inception	585,013	-
Fair value loss through profit or loss	2,868,952	-
Foreign currency (gain) / loss on translation [1]	(168,052)	-
At 31 December 2023	3,285,913	-

[1] Included as part of the total unrealised foreign exchange gain of $340,183 (2022: loss of $223,395) as shown in the Consolidated Statement of Profit or Loss And Other Comprehensive Income

Subsequent conversion of convertible loans

In April 2024, the investors holding convertible loans totalling USD2,935,399 issued between April and November 2023 agreed to convert them to ordinary shares. A total of 2,824,329 shares were issued to these investors. See Note 34.

Note 22. Financial risk management

General objectives, policies and processes

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

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

(a) Credit risk

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

Receivable balances are monitored on an ongoing basis. To mitigate the credit risk associated with cash and cash equivalents, contracts are taken out only with reputable financial institutions.

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

The main source of credit risk to the Group is considered to relate to the class of assets described as trade and other receivables. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10. No collateral is held over other receivables.

Trade and other receivables

The Group measures expected credit losses using a lifetime expected loss allowance for trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 24 months and the corresponding historical credit losses experienced within this period.

Note 22. Financial risk management (continued)

Trade and other receivables are written off where there is no reasonable expectation of recovery.

Impairment losses on trade and other receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Impairment

The balance of trade and other receivables that were impaired at 31 December 2023 is $4,287,888 (2022: $3,347,838).

31 December 2023	**Not past due**	**Less than 6 months**	**6-12 months**	**More than 1 year**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Expected credit loss %		12.85%	12.13%	97.27%	88.88%
Gross carrying amount	-	164,331	312,870	4,347,312	4,824,513
Expected credit loss provision	-	21,121	37,938	4,228,829	4,287,888

31 December 2022 (restated *)	**Not past due**	**Less than 6 months**	**6-12 months**	**More than 1 year**	**Total**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
Expected credit loss %	-	0%	19.35%	77.52%	66.29%
Gross carrying amount	-	581,771	199,624	4,268,772	5,050,168
Expected credit loss provision	-	-	38,626	3,309,212	3,347,838

The aging of the trade and other receivables that were not impaired as at 31 December 2023 are set out in the following table.

	2023 AUD	**2022 AUD (restated*)**
Neither past due nor impaired	-	-
0 to 180 days past due but not impaired	143,210	582,077
180 to 360 days past due but not impaired	272,144	275,339
Over 360 days past due but not impaired	141,346	130,544
	556,700	987,960

The main source of credit risk to the Group is considered to relate to the class of assets described as trade and other receivables. Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 10. No collateral is held over other receivables.

Cash and cash equivalents

The Group held cash and cash equivalents of $4,036,256 at 31 December 2023. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on rating agency Standard and Poor's ratings.

(b) Liquidity risk

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

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

Note 22. Financial risk management (continued)

Maturity analysis

Contractual maturities of financial liabilities	**Less than 6 months**	**6-12 months**	**Between 1 and 2 years**	**Total contractual cash flows**	**Carrying amount**
	AUD	**AUD**	**AUD**	**AUD**	**AUD**
At 31 December 2023					
Trade and other payables	194,364	104,714	84,729	383,807	383,807
Payables to related parties	-	-	110,000	110,000	102,500
Convertible notes and loans	-	5,022,553	-	5,022,553	7,476,430
Other liabilities	1,549,977	4,213	-	1,554,190	1,554,190
Lease liabilities	118,622	130,274	383,872	632,768	558,912
	1,862,963	5,261,754	578,601	7,703,318	10,075,839
At 31 December 2022					
Trade and other payables	577,739	-	10,223	587,962	587,962
Convertible notes and loans	-	725,795	-	725,795	725,795
Payables to related parties	-	-	-	-	-
Other liabilities	460,972	183,079	106,060	750,111	750,111
Lease liabilities	128,224	129,011	651,600	908,835	777,835
	1,166,935	1,037,885	767,883	2,972,703	2,841,703

(c) Market risk

Market risk arises from the use of interest bearing, and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

Interest rate risk

Some cash balances held by the Group are subject to interest, however the movement of interest rates have an immaterial impact on the Group's results. Interest expenses are largely non-cash and / or fixed at inception relating to the convertible notes and loans.

Foreign exchange risk

The operational foreign exchange risk is managed as follows:

Each controlled entity manages the volatility arising from changes in foreign exchange rates by matching liabilities with assets of the same currency, as far as is practicable, thus ensuring that any exposures to foreign currencies are minimised. The Group's aim is to mitigate, where possible, its operational foreign currency exposures at a controlled entity level.

Note 22. Financial risk management (continued)

The Australian entity is subject to the following foreign currency exposures at each year end. The analysis below demonstrates the impact on profit or loss after income tax of a 10% strengthening or weakening of the foreign exchange rates based on items on balance sheet at the end of the year.

	31 December 2023			31 December 2022		
	Balance in AUD	**Sensitivity**	**Profit or Loss Change**	**Balance in AUD**	**Sensitivity**	**Profit or Loss Change**
USD – Cash	1,100,303	10%	110,030	149,783	10%	14,978
USD - Convertible Notes and Loans	4,190,517	10%	419,052	725,795	10%	72,580
USD – Derivative Financial Liabilities	3,285,913	10%	328,591	-	-	-

The Group is exposed to currency risk in relation to the translation of the ultimate parent entity's net investments in foreign operations to its functional currency of Australian dollars. This translation is recognised directly in other comprehensive income or foreign currency translation reserve. For foreign currency receivables or payables where settlement is likely to occur in the foreseeable future, they do not form part of the Group's net investment in that foreign operations and the exchange difference arising on translation of these balances is recognised in profit or loss.

The sensitivity analysis below demonstrates the impact on foreign currency translation reserve (FCTR) of a 10% strengthening or weakening against the AUD dollar of the major currencies to which the Group is exposed through its net investments in foreign operations. The net investment in a foreign operation represents the Group's interest in the net assets of that foreign entity and may include long-term receivables or loans where settlement is not planned or likely to occur in the foreseeable future. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The basis for the sensitivity calculation is the Group's actual residual exposure at the balance date.

31 December 2023

Exposure Currency	Balance in AUD	Sensitivity	FCTR Change Gain / (loss)	Sensitivity	FCTR Change Gain / (loss)
Chinese Yuan	8,908,528	+10%	1,021,812	-10%	(836,028)
Japanese Yen	(11,749)	+10%	(838)	-10%	686
US Dollar	(54,343)	+10%	(6,147)	-10%	5,030
Hong Kong Dollar	(11,500,480)	+10%	(647,619)	-10%	529.,870

31 December 2022

Exposure Currency	Balance in AUD	Sensitivity	FCTR Change Gain / (loss)	Sensitivity	FCTR Change Gain / (loss)
Chinese Yuan	6,390,336	+10%	774,247	-10%	(633,475)
Japanese Yen	50,197	+10%	3,533	-10%	(2,891)
US Dollar	5,582	+10%	323	-10%	(265)
Hong Kong Dollar	(5,896,412)	+10%	(357,529)	-10%	292,524

Note 22. Financial risk management (continued)

As the inter-company balance between Beroni Biotech and the parent company represents short-term borrowing and is likely to be settled in the foreseeable future, the exchange difference arising on translation of the balance is recognised in profit or loss. The analysis below demonstrates the impact on profit or loss of a 10% strengthening or weakening against the AUD dollar of the Japanese Yen to which the Group is exposed through its inter-company balance with the Japanese subsidiary.

Exposure Currency	Balance in AUD	Sensitivity	Profit or (Loss) Change	Sensitivity	Profit or (Loss) Change
31 December 2023					
Japanese Yen	412,283	+10%	21,424	-10%	(17,529)
31 December 2022					
Japanese Yen	554,283	+10%	40,560	-10%	(33,185)

Note 23: Share-based compensation benefits

	2023 AUD	2022 AUD
Share-based compensation benefits recognised during the financial year		
Shares issued to directors and employees [1]	1,708,685	-
Options issued to directors and employees [2]	92,485	4,725,658
	1,801,170	4,725,658

Beroni Group Limited has established a Remuneration Plan for its directors and employees. The Remuneration Plan provides flexibility to the Board to grant share options to directors and employees. The definition of employee under the Plan Rules includes any full time or permanent part time employee or officer or director of the Company or any related body corporate of the Company.

The executive and non-executive directors received a proportion of their remuneration in the form of shares or options for shares issued by the Company.

[1] *Shares issued to directors and employees*

On 30 June 2023, the Company issued 3,305,000 shares at A$0.517 per share to its directors and senior employees as a reward for their performance in the past financial year. A total of 1,675,000 shares were issued to the directors as follows:

Name	Number of shares issued	Total number of shares held (pre consolidation)	Total number of shares held at 31 December 2023 (post consolidation)
Jacky Boqing Zhang	800,000	25,838,482	6,459,621
Hai Huang	200,000	2,241,766	560,442
Peter Yap Ting Wong	350,000	870,000	217,500
Libing Guo	150,000	4,402,238	1,100,560
Dr. Richard Buchta	75,000	75,000	18,750
Nicholas Ong	100,000	164,854	41,214
Dr. John Chiplin	-	-	-
Total	1,675,000	33,592,340	8,398,087

These shares immediately vested on issuance and are valued based on a level 3 fair value estimate consistent with that used for valuing derivative financial liabilities. The primary determinate of this value is the fair value of the Group’s intangible assets.

Note 23: Share-based compensation benefits (continued)

[2] *Options issued to directors and employees*

In July 2021, the directors were granted the following number of options:

	Number of options issued	Total number of options held (pre consolidation)	Total number of options held at 31 December 2023 (post consolidation)
Jacky Boqing Zhang	6,000,000	6,000,000	1,500,000
Hai Huang	1,500,000	1,500,000	375,000
Peter Yap Ting Wong	3,000,000	3,000,000	750,000
Libing Guo	950,000	950,000	237,500
Dr. Richard Buchta	600,000	600,000	150,000
Nicholas Ong	600,000	600,000	150,000
Dr Zhinan Yin	600,000	600,000	150,000
Dr. John Chiplin	-	-	-
Total	13,250,000	13,250,000	3,312,500

In addition, a total of 9,255,000 pre consolidation options or 2,133,750 post consolidation options were granted to senior employees of the Company in 2021 and 2022 based on the same terms and conditions as those of the directors. In 2023, 1,210,000 pre consolidation options or 302,500 post consolidation options were cancelled due to employee turnover.

According to the terms of the share options issued in 2021, the options vest and become capable of exercise in 5 tranches over a 3-year period ending on 30 June 2024, as long as the participants have remained as a director or employee up until and including the vesting date.

Participants must have remained as an executive or no-executive director up until and including the vesting date. Option holders are not entitled to assign, transfer, sell, encumber, hedge or otherwise deal with options, except in accordance with the Share Options Rules and the Securities Trading Policy.

For the directors, options that have vested expire after 90 days from vesting date. Unvested options expire on the earlier to occur of resignation, removal from office, death or permanent disablement, or three years after they were issued, unless the Board determines otherwise.

Each option that has vested may be exercised at any time from the vesting date to any time prior to the vesting expiry date by delivery to the company of a notice of exercise, accompanied by payment of the exercise price.

When vesting occurs, each option can be exercised to purchase one ordinary share in Beroni Group Limited at the exercise price set at grant date. Cashless exercise is also permitted. Options granted carry no dividend or voting rights.

Note 23: Share-based compensation benefits (continued)

The original terms of the share options issued in 2021 were amended and approved at a shareholders meeting held on 31 May 2022. In addition to extending the vesting period by another year to 30 June 2025, the following changes were made:

Tranche	New vesting condition	Previous vesting condition	New exercise price	Previous exercise price
Tranche 1	Nasdaq listing	Nasdaq listing	US$1.25	US$2
Tranche 2	Annual revenue exceeds US$2 million	Annual revenue exceeds US$3 million	US$1.25	US$2
Tranche 3	Annual revenue exceeds US$3 million	Annual revenue exceeds US$5 million	US$1.75	US$2.5
Tranche 4	Annual revenue exceeds US$4 million	Annual revenue exceeds US$7 million	US$2.25	US$3
Tranche 5	One clinical trial advances to next phase	One clinical trial advances to next phase	US$1.50	US$2

The options issued to directors and employees were subsequently consolidated on a 4:1 basis on 24 November 2023 and the changes are detailed below.

Tranche	Vesting condition	Exercise price (post consolidation)	Exercise price (pre consolidation)
Tranche 1	Nasdaq listing	US$5.00	US$1.25
Tranche 2	Annual revenue exceeds US$2 million	US$5.00	US$1.25
Tranche 3	Annual revenue exceeds US$3 million	US$7.00	US$1.75
Tranche 4	Annual revenue exceeds US$4 million	US$9.00	US$2.25
Tranche 5	One clinical trial advances to next phase	US$6.00	US$1.50

The share consolidation was assessed to not materially impact the modification date fair value of the options issued and consequently no additional share-based payment expenses were recognised in respect of the consolidation.

The opening and closing balances of the options issued to directors and employees during the year on are shown below.

Grant date	Tranche	Expiry date	Exercise price *	Balance at 1 January 2023 *	Granted	Exercised	Expired / forfeited	Balance at 31 December 2023 *
01/07/2021	1	30/06/2025	US$5.00	1,678,750	-	-	(81,250)	1,597,500
01/07/2021	2	30/06/2025	US$5.00	937,500	-	-	(50,000)	887,500
01/07/2021	3	30/06/2025	US$7.00	937,500	-	-	(50,000)	887,500
01/07/2021	4	30/06/2025	US$9.00	937,500	-	-	(50,000)	887,500
01/07/2021	5	30/06/2025	US$6.00	1,135,000	-	-	(71,250)	1,063,750
Total				5,626,250	-	-	(302,500)	5,323,750

***** Post consolidation

Note 23: Share-based compensation benefits (continued)

Fair value of options granted

The modified fair values of options granted to both directors and staff are as follows:

Tranche 1	Modified fair value per option = US$0.4327 or A$0.6281
Tranche 3	Modified fair value per option = US$0.4327 or A$0.6281
Tranche 3	Modified fair value per option = US$0.3623 or A$0.5259
Tranche 4	Modified fair value per option = US$0.3111 or A$0.4514
Tranche 5	Modified fair value per option = US$0.3944 or A$0.5725

The fair value at grant date was determined by management using a Black-Scholes option pricing model that takes into account the share price at grant date, exercise price, expected volatility, option life, expected dividends, the risk free rate, vesting and performance criteria, the impact of dilution, the fact that the options are not tradeable. The inputs used for the Black-Scholes option pricing model for options granted were as follows:

- options are granted for no consideration, have an original 3-year life on grant date in July 2021, are exercisable in 5 tranches over the 3-year period and was extended by another year in May 2022
- grant date: 1 July 2021; modified date: 31 May 2022; consolidation date: 24 November 2023
- share price at grant date: A$1.25 or US$0.90
- exercise price: US$1.25 to US2.25 (pre consolidation); US$5.00 to US$9.00 (post consolidation)
- expected volatility: 83.96%
- expected dividend yield: 0%
- risk free rate: 2.75%

Expected volatility was determined based on the average historic volatility of a group of similar sized listed biopharmaceutical companies, adjusted for any expected changes to future volatility based on publicly available information.

Note 24. Related party transactions

a) Related parties

The Group's major related parties are as follows:

1) Key management personnel	Boqing Zhang Peter Yap Ting Wong Hai Huang Libing Guo Zhinan Yin (resigned on 22 March 2023) Dr Richard Buchta Nicholas Ong Dr John Chiplin
2) Substantial shareholders	Boqing Zhang Kai Shen Libing Guo
3) Other related entities	Beijing Yisheng Huikang (previous holding company) Tianjin Beroni Biotechnology Co., Ltd (subsidiary of Beroni Hongkong Limited) Beroni Hongkong Limited (subsidiary of Beroni Group Limited) Beroni Pharmaceuticals (Guangdong) Co., Ltd (subsidiary of Beroni Group Limited) Beroni USA Corporation (subsidiary of Beroni Group Limited)

Note 24. Related party transactions (continued)

b) Key Management Personnel (KMP)

	2023 AUD	2022 AUD
Total KMP Compensation		
Short-term employee benefits [1]	568,043	570,565
Post-employment benefits	3,316	3,854
Share-based payments	1,094,558	2,834,712
	1,665,917	3,409,131

[1] Included in the short-term benefits is tuition fees of $16,125 paid to the CEO for his PhD study. The Company has also prepaid a further $165,199 for his study which will be completed at the end of January 2027 and recognised over that period accordingly.

Detailed remuneration disclosed are provided in the remuneration report on page 11.

Other transactions

In the year ended 31 December 2023, the Company has engaged the services of Asia Invest Partners Limited to manage its financial and tax affairs in Australia. Asia Invest Partners is owned by the Australian director, Peter Yap Ting Wong. The Company has paid a total of $33,200 (excluding GST) for such services rendered in the 2023 financial year (2022: $39,168 excluding GST). The balance outstanding at the end of the year is $2,750 (FY2022: $2,750). Asia Invest Partners also jointly share the Sydney office with Beroni Group. The share of rental paid by Beroni Group in 2023 is $12,754 (2022: $12,561).

c) Loans to and from key management personnel

Loans to key management personnel	2023 AUD	2022 AUD
Beginning of the year	-	-
Loans advanced [1]	17,005	-
Loans repaid	(17,005)	-
Interest received	-	-
End of the year	-	-

Loans from key management personnel	2023 AUD	2022 AUD
Beginning of the year	-	-
Loans advanced [2]	120,000	-
Loans repaid	(20,000)	-
Interest charged	2,500	-
End of the year	102,500	-

[1] Cash advances of $10,628 and $6,377 were provided to Mr. Boqing Zhang and Mr. Hai Huang respectively during the year. The cash advances were repaid to the Company before end of the year.

[2] In June 2023, Mr. Boqing Zhang provided a loan of AUD100,000 to Beroni Group Limited for working capital needs. The loan is unsecured, repayable on 13 June 2025 and carries interest at 5% per annum. Another unsecured and interest-free loan of $20,000 was provided to the Company in August 2023 by Mr. Peter Wong which was repaid in October 2023.

Note 25. Dividends

There was no dividend paid nor declared during the period.

Note 26. Share capital

	2023		2022	
	Number of shares	**AUD**	**Number of shares**	**AUD**
Ordinary shares fully paid [1]				
At the beginning of the period	76,638,372	30,656,002	76,618,372	30,636,002
Shares issued to directors and employees	3,305,000	1,708,685	-	-
Shares issued to service providers	110,000	188,000	20,000	20,000
Impact of share consolidation [2]	(60,039,931)	-	-	-
Total ordinary shares fully paid	20,013,441	32,552,687	76,638,372	30,656,002

[1] Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

[2] On 16 October 2023, the Company announced its decision to consolidate the share capital on a 4:1 basis. At the time of the announcement, the Company had 80,053,372 shares on issue. The Consolidation applied equally to all shareholders and individual shareholdings were reduced in the same ratio as the total number of shares. Accordingly, the share consolidation has no material effect on the percentage interest of each individual shareholder. All other equity securities of the Company were adjusted accordingly. The consolidation was subsequently completed on 24 November 2023 and the Company has 20,013,441 shares (after rounding up of fractions) on issue after the consolidation. Earnings per share and diluted earnings per share were retrospectively adjusted to reflect the share consolidation in the preceding year.

Note 27. Convertible notes – equity

	Consolidated 2023 AUD	**Consolidated 2022 AUD**
Balance at beginning of the period	3,010,038	-
Recognition of equity on change of redemption term of existing convertible notes (see note below)	-	3,010,038
Balance at end of the period	3,010,038	3,010,038

In May 2020, 20,736 0% USD denominated convertible notes were issued by the Company to an investor 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. The maturity date was initially set at May 2021 but was later extended to May 2022. The net proceeds received from the issue of these convertible notes were initially recognised in liability in the previous financial period as the investor could redeem the convertible notes upon maturity.

However, on 16 May 2022, the investor agreed to extend the maturity date of the convertible notes to the official date of listing of the Company on the Nasdaq stock market and to convert all unconverted notes to ordinary shares upon maturity. As the convertible notes can no longer be redeemed for cash before or upon maturity, they are fully recognised as equity in this financial period.

This is in accordance with AASB 132 Financial Instruments whereby a convertible note can be classified as equity if the noteholder does not have the right to redeem in cash and must convert to a fixed number of shares upon maturity. The financial liability in this case has been extinguished as the substantial modification to the contractual obligation i.e. the obligation to repay in cash by the Company, has been cancelled. It is reclassified as equity on the basis that the redemption obligation has been extinguished and Company will deliver a fixed number of ordinary shares upon conversion.

After the share consolidation in November 2023, the conversion price for these convertible notes has been changed to US$6.912 per share.

Note 28. Reserves

	Consolidated 2023 AUD	Consolidated 2022 AUD (restated *)
Surplus reserve [1]	16,885	16,885
Investment revaluation reserve [2]	-	(2,431,515)
Foreign currency translation reserve [3]	342,383	379,233
Shares options reserve [4]	6,180,878	6,088,393
Total Reserves	**6,540,146**	**4,052,996**

[1] Surplus reserve is to recognise accumulation of surplus funds available for future use.

[2] The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of investments in equity instruments designated as at FVOCI, net of cumulative gain/loss transferred to retained earnings upon disposal. The total impairment loss of $2,431,515 which was previously recognised in other comprehensive income and accumulated in the investments' revaluation reserve is transferred to retained earnings upon the write-off of the investment in Dendrix Inc. Refer to Note 16.

[3] Foreign currency translation reserve represents exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in Note 2.2 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

[4] The share options reserve is used to recognise the grant date fair value of options issued to employees but not yet vested or exercised.

Note 29. Non-controlling interests

	Consolidated 2022 AUD	Consolidated 2022 AUD (restated*)
Non-controlling interests	160,983	387,956

* See Note 35

The non-controlling interests represent the other 60.71% ownership interest in PENAO Pty Ltd and the other 20% in Beroni Pharmaceuticals (Guangdong) Co., Ltd which were recognised upon acquisition of control and incorporation of the company respectively.

Note 30. Parent entity

The following information relates to the parent entity Beroni Group Limited. The information presented has been prepared using accounting policies that are consistent with those presented in Note 3.

	2023 AUD	2022 AUD (restated *)
Current assets	1,805,745	839,106
Non-current assets	16,142,108	13,019,862
Total assets	**17,947,853**	**13,858,968**
Current liabilities	8,347,143	865,379
Non-current liabilities	154,543	-
Total liabilities	**8,501,686**	**865,379**

Note 30. Parent entity (continued)

	2023 AUD	2022 AUD (restated *)
Contributed equity	32,772,432	30,745,747
Convertible notes	3,010,038	3,010,038
Accumulated losses	(32,517,181)	(24,419,074)
Reserves	6,180,878	3,656,878
Total equity	**9,446,167**	**12,993,589**
Loss for the year	(5,666,593)	(5,552,280)
Other comprehensive loss for the year	-	-
Total comprehensive loss for the year	**(5,666,593)**	**(5,552,280)**

* See Note 35

Note 31. Subsidiaries

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

Name of Entity	Country of Incorporation	Equity Holding 31.12.2023 %	Equity Holding 31.12.2022 %	Principle Activities
Beroni HongKong Limited	Hong Kong	100	100	Investment holdings
Tianjin Beroni Biotechnology Co., Limited	China	100	100	Retail of health products
BERONI BIOTECH INC.	Japan	100	100	Retail of diagnostic kits
Beroni USA Corporation	United States	100	100	Retail of diagnostic kits
Penao Pty Ltd	Australia	60.71	60.71	Anti-cancer drug development
Beroni Pharmaceuticals (Guangdong) Co., Ltd	China	80	80	R&D centre

Note 32. Reconciliation of Profit after income tax to Net Cash from operating activities

	2023 AUD	2022 AUD (restated*)
Operating loss after tax	(9,457,091)	(8,252,269)
Depreciation & Amortisation	475,094	449,576
Shares / options issued to directors and senior managers	1,801,170	4,725,658
Fair value loss on remeasurement of derivative financial liabilities	2,868,952	-
Consulting fee, directors' fees and employee benefits related to shares issued	-	20,000
Shares issued to service provider	188,000	-
Unrealised foreign exchange (gain) / loss	(340,183)	223,395
Others	105,127	-
Net foreign exchange difference	(50,046)	(408,707)
Decrease / (increase) in receivables	1,165,705	(177,892)
Decrease) / (increase) in prepayments	(276,256)	(122,245)
Decrease / (increase) in inventory	189,669	22,352
Decrease / (increase) in tax assets	(33,343)	-
Decrease / (increase) in other assets	50,197	-
(Decrease) / increase in payables	(204,155)	566,364
Increase in other liabilities	804,079	274,890
Net cash flow from operating activities	(2,713,081)	(2,678,878)

* See Note 35

Note 33. Contingencies

The Group has no contingent liabilities or commitments as at 31 December 2023 except for the followings:

(a) PENAO Pty Ltd

Convertible notes

In July 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. In December 2020, Beroni and NSI agreed to vary the original shareholding agreement whereby through the issuance of shares and convertible notes, Beroni and NSI owns 60% and 40% respectively of the share capital of PENAO Pty Ltd. Under the shareholding variation agreement, when new shares are issued to Beroni and NSI upon additional payments from the former, convertible notes will also be issued to NSI which will automatically be converted to shares upon the occurrence of key milestone events as detailed below:

- NDA China: acceptance of a PENAO New Drug Application in China;
- TGA Australia: TGA approval of PENAO's product for commercial sale in Australia;
- IPO: the date that is 90 days prior to the completion of an initial public offering (IPO) and listing of PENAO Shares in Australia or overseas stock exchange;
- Share sale: the date that is 90 days prior to the sale of all issued Shares in PENAO;
- Asset sale: the sale of all or substantively all of PENAO's assets.

At the end of 2023, NSI have been issued convertible notes which are convertible into 200,385 ordinary shares. Upon the occurrence of any of the above events and the automatic conversion into shares, NSI will increase its ownership from 39.29% to 60.71%. On the other hand, NSI and the creator shareholders have granted Beroni an option to purchase such number of the Shares held by NSI and the creator shareholders (on a pro rata basis to be determined by NSI) as constitutes 11 % of the share capital of PENAO for $5,500,000 (Call Option). The Call Option may be exercised by written notice to NSI and the creator shareholders at any time during the period:

- commencing on the PENAO drug achieving 50% enrolment in a Phase II trial; and
- ending two months after such trial has been completed and a study completion report has been provided to the PENAO company

Milestone payments

Beroni has so far paid $2.35 million to NSI for this investment and will pay a further $7.5 million over the next 17 months. An variation agreement was signed with NSI in December 2023 that has an expected first payment in March 2024 which was subsequently varied in July 2024 with the remaining payments rescheduled and repayable over the next 17 months. In the event Beroni is not able to pay the additional $7.5 million, then PENAO Pty Ltd must 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 the following 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

Any director appointed to the Board by Beroni will resign with immediate effect and NSI will be appointed by PENAO Pty Ltd as the lead commercialisation party.

(b) In June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd ("Medicine Plus"), 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 $14.37 million agreed in June 2018 was increased by 10% to approximately $15.81 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. However, the cash portion of the settlement has yet to be completed and Beroni management still intends to raise cash from the capital markets to complete this acquisition. Due to the long delay in the settlement, the cost of the shares issued to the owners of Medicine Plus has been recognised as an expense in the income statement in the 2019 financial year. In the event that the acquisition can be completed, the shares expense will be reversed accordingly. Beroni has no other financial commitments in respect of this acquisition. Subsequent to the year end, the directors of Beroni decided to write off this prepayment, See Note 34.

Note 33. Contingencies (continued)

(c) In January 2022, Beroni signed a contract to build a new Research & Development ("R&D") centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni plans to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant. The Company signed a renovation contract for RMB5.2 million (A$1.13 million) with a local builder to renovate the whole R&D office. The initial renovations were completed at the end of 2022 but due to various defects and lack of certification of the equipment and facilities, the office was not able to be used until toward the end of 2023. As at 31 December 2023, the Company has paid 60% payment of RMB3.12 million to the builder, with another 20% payment of RMB1.04 million due upon rectification of defects and completion of GMP facility certification and the remaining 20% of RMB1.04 million to be settled 3 months upon completion of the whole project. The prolonged delay in the settlement of the remaining payments is due to the builder's inability to rectify the various defects to the satisfaction of the Company. The Company has subsequently terminated the services of the builder in April 2024 and is using its own resources to rectify the numerous defects. The Company estimated a total of RMB1.285 million for the rectification works. The rectification is expected to be completed in the third quarter of 2024. In the meantime, the Company is contemplating to seek compensation from the builder for the costs of rectifying the defects. The outstanding commitments of RMB2.08 million to the builder has been forfeited.

(d) Beroni is required to restore the leased premises of its offices in China to their original condition at the end of the respective lease terms. In two leases, the lessee has to remove all additional renovations and not damage existing renovations while in one lease, the lessee may leave the office as it is if the lessor is willing to keep the renovations otherwise the lessee has to restore the office to its original state. It is however customary in China for the lessee to leave the office intact as the lessor may want to keep all the renovations to enhance the value of the premises. As it is not possible to meaningfully assess whether the office restoration will result in a probable outflow or to quantify or reliably estimate the liability, if any.

(e) On 9 November 2022, the Company signed an underwriter engagement letter with the US-based underwriter Joseph Stone Capital, LLC which has the following terms and conditions:

- Raise up to USD25 million, with the final offering to be agreed between both parties
- Share purchase warrants of 6% exercisable at 115% of the public offering price 6 months after the date of closing
- 8% commission,
- USD$30,000 upfront advance for out-of-pocket expenses
- Legal fees up to USD150,000 in the event of listing or up to USD100,000 if there is no listing

(f) The Company has signed service agreements with its legal counsel in the US, Australia and China in respect of its application to list on the Nasdaq. Upon the successful listing on Nasdaq, the Company has agreed to pay legal fees of USD200,000, AUD2,528 and USD30,000 to these counsels respectively. The Company will also issue USD150,000 worth of shares to the US counsel.

Note 34. Events after the Balance Sheet date

1. The Company has raised new funds of US$204,312 in March 2024 from the issue of new shares to a group of investors. A total of 102,516 shares were issued which were priced at US$2 per share. The new funds received are used for working capital.

2. In April 2024, the Company issued 2,824,329 ordinary shares following the conversion of USD2,935,399 (AUD4,543,607) worth of convertible loans. The convertible loans were issued between April and November 2023 and due to mature between July and November 2024. Another 100,000 shares were issued to a consultant as capital raising fee for the convertible loans. The new shares issued are subject to temporary holding restriction until the release of a cleansing prospectus.

3. In April 2024, the directors made the decision to fully write off the $1.22 million investment in Youtokukai and the $3.62 million worth of prepaid shares to Medicine Plus.

4. In May 2024, the Company issued 10,000 ordinary shares to a consultant for services rendered. The new shares are subject to temporary holding lock until the release of a cleansing prospectus.

5. 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 Group's operations in future financial years, or
    b. the results of those operations in future financial years, or
    c. the Group's state of affairs in future financial years.

Note 35. Correction of Prior Period Errors

During 2023, the Group discovered that the revenue derived from China includes a significant financing component in the contract as the timing of payments from some customers implicitly provides the customer with a significant benefit of financing the transfer of goods or services to the customer. In accordance with AASB15, the Group has to adjust the promised amount of consideration for the effects of the time value of money when determining the transaction price. As a result, the revenues recognised in 2021 and 2022 have been adjusted to reflect the significant financing component which also affect the net balance and impairment losses on trade receivables. It was also noted the Group had not appropriately applied the requirements of AASB 15 to reflect implicit price concessions provided to customers. As a result, recorded revenue has been reduced to the variable consideration amount expected to be received and an equal reduction in the amount of credit losses recorded in the Profit or Loss has been made.

The Group noted other errors with respect to the method of calculating the foreign currency translation reserve and whether the movement in foreign currency translation went through Other Comprehensive Income or Profit or Loss and the determination of goodwill on acquisition of PENAO Pty Ltd. in 2020. The prior balances and movements in the foreign currency translation reserve have been corrected accordingly while the goodwill on acquisition of PENAO was found to be understated and corrected retrospectively.

An error was also noted in the inter-company account between Beroni Biotech and the parent company. A commission payment of $130,000 relating to the USD2 million convertible note issued in 2021 and later converted to equity was not accounted for in the parent company. To correct the error, the closing retained earnings and share capital in 2021 were adjusted accordingly.

Consolidated statement of financial position

1 January 2022	**As previously reported AUD**	**Adjustments AUD**	**As restated AUD**
Current assets			
Trade receivables	1,291,086	(158,461)	1,132,625
Others	6,930,686		6,930,686
Total current assets	8,221,772	(158,461)	8,063,311
Non-current Assets			
Intangible assets	3,252,777	66,375	3,319,152
Others	434,835		434,835
Total non-current assets	3,687,612	66,375	3,753,987
Total Assets	**11,909,384**	(92,086)	**11,817,298**
Total Liabilities	**3,602,435**		**3,602,435**
Net Assets	**8,306,949**	(92,086)	**8,214,863**
Equity			
Share capital	30,766,002	(130,000)	30,636,002
Accumulated losses	(23,204,283)	856,791	(22,347,492)
Foreign currency translation reserve	1,326,774	(885,252)	441,522
Non-controlling interests	470,351	66,375	536,726
Others	(1,051,895)	-	(1,051,895)
Total Equity	**8,306,949**	(92,086)	**8,214,863**

31 December 2022			
Current assets			
Trade receivables	1,399,048	(70,585)	1,328,463
Others	3,887,864		3,887,864
Total current assets	5,286,912	(70,585)	5,216,327
Non-current Assets			
Intangible assets	3,189,503	66,375	3,255,878
Others	1,947,913		1,947,913
Total non-current assets	5,137,416	66,375	5,203,791
Total Assets	**10,424,328**		**10,420,118**
Total Liabilities	**2,841,703**		**2,841,703**
Net Assets	**7,582,625**	(4,210)	**7,578,415**

Note 35. Correction of Prior Period Errors (continued)

	As previously reported AUD	Adjustments AUD	As restated AUD
Equity			
Share capital	30,786,002	(130,000)	30,656,002
Accumulated losses	(31,305,026)	776,449	(30,528,577)
Foreign currency translation reserve	1,096,267	(717,034)	379,233
Non-controlling interests	321,583	66,373	387,956
Others	6,683,799		6,683,801
Total Equity	**7,582,625**	(4,210)	**7,578,415**

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2022	As previously reported AUD	Adjustments AUD	As restated AUD
Revenue	862,107	(223,191)	638,916
Cost of Sales	(310,921)		(310,921)
Gross profit	551,186	(223,191)	327,995
Other income			
Debtors finance	-	147,686	147,686
Government subsidy and other income	298,528		298,528
General and administration expenses	(8,307,486)		(8,307,486)
Impairment (losses) / reversals on trade and other receivables	(158,979)	163,381	4,402
Unrealised foreign currency translation loss	(166,548)	(56,847)	(223,395)
Others	(499,230)		(499,230)
Loss before income tax	**(8,282,529)**	31,029	**(8,251,500)**
Income tax expense	(769)		(769)
Net loss for the year from continuing operations	**(8,283,298)**	31,029	**(8,252,269)**
Other comprehensive loss	(230,682)	168,218	(62,464)
Total comprehensive loss for the year	**(8,513,980)**	199,247	**(8,314,733)**
Total loss for the year attributable to:			
Owners of Beroni Group Limited	(8,100,743)	31,029	(8,069,714)
Non-controlling interest	(182,555)		(182,555)
Total loss for the year	**(8,283,298)**	31,029	**(8,252,269)**
Total comprehensive loss for the year attributable to:			
Owners of Beroni Group Limited	(8,331,250)	199,247	(8,132,003)
Non-controlling interest	(182,730)		(182,730)
Total comprehensive loss for the year	**(8,513,980)**	199,247	**(8,314,733)**

Note 35. Correction of Prior Period Errors (continued)

Earnings per share

	As previous reported AUD	Adjustments AUD	As restated AUD
Earnings for the purpose of basic earnings per share being net loss attributable to owners of the Company	(8,100,743)	31,029	(8,069,714)
Earnings for the purpose of diluted earnings per share	(8,100,743)		(8,069,714)
Weighted average number of shares (pre consolidation) used in calculating basic earnings per share	76,635,084		76,635,084
Weighted average number of shares (post consolidation) used in calculating basic earnings per share	19,158,771		19,158,771
Earnings per share	(42.28)		(42.12)
Diluted earnings per share	(42.28)		(42.12)

Directors' Declaration

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

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Boqing Zhang

Chairman and Chief Executive Officer

7 August 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of Beroni Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Beroni Group Limited (the Company) and its Controlled Entities (the Group), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year then ended; and

ii. Complying with Australian Accounting Standards and the *Corporations Regulation 2001.*

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001,* which has been given to the directors of the Company, would be in the same terms given to the directors at the time of this auditor's report.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the financial report, which discloses that the Group's ability to continue as a going concern is impacted by continuing losses after tax. These conditions together with other matters described in 2 of the Financial Report, indicate a material uncertainty that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

RECOVERABILITY OF RECEIVABLES

As at 31 December 2023, the Group's Statement of Financial Position includes trade receivables of $0.33 million after provision for expected credit losses (gross balance $3.08 million and provision for expected credit losses $2.75 million).

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of this asset to the Group's consolidated statement of financial position; • The value of trade receivables comprise a significant portion of the total asset value; • The inherent uncertainty and subjectivity associated with provisions for expected credit losses due to the significant level of judgement involved in estimating future recoveries and other forward looking assumptions; • The high degree of sensitivities in the assumptions used to calculate the expected credit loss; and • The significant ageing of accounts receivable. A key audit matter is trade receivables are not recoverable and they are not disclosed appropriately in the financials.	Our audit procedures included, amongst others: ▸ We assessed whether management's expected credit loss methodology was appropriate. ▸ We examined historical recoveries of trade receivables and their aging structure to determine whether management's lifetime expected credit loss matrix appeared reasonable. ▸ We reviewed and assessed other supporting documentation provided by management to substantiate the recoverability of receivables. ▸ We reviewed the subsequent aged debtor listing as at 29 February 2024 to check subsequent receipts from customers. ▸ We reviewed subsequent credit notes issued (if any) to check for reversal of revenue/receivable. ▸ For each debtor, we checked the movement of the balance as compared to the prior year. Provision for ECL was made based on the history of collections and sales. ▸ We assessed the reasonability and completeness of the Group's disclosures in the consolidated financial statements.

ACCOUNTING FOR CONVERTIBLE NOTES

As at 31 December 2023, the Group's Statement of Financial Position includes convertible note liabilities of $7.42 million (including derivative liabilities) and convertible notes – equity of $3.01 million.
New convertible notes were issued during the 2023 financial year that were classed as liabilities, and additionally certain notes had their maturity dates were extended during the period.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of these liabilities to the Group's consolidated statement of financial position; and • The accounting recognition of convertible notes is an audit risk due to the accounting complexity associated with the relevant calculations and disclosure requirements. A key audit matter is that the convertible notes, both liability and equity, are not correctly valued and disclosed in the financials.	Our audit procedures included, amongst others: ▸ We assessed whether management's accounting for convertible notes appeared appropriate. ▸ We assessed whether direct issuance costs were accounted for appropriately. ▸ We assessed the work of management's independent expert valuer. ▸ We independently determined an auditors estimate and compared this to management's estimate. ▸ We assessed whether modifications in the period were accounted for appropriately. ▸ We assessed the reasonability and completeness of the Group's financial statements disclosures.

IMPAIRMENT OF INTANGIBLE ASSETS

As at 31 December 2023, the Group's Statement of Financial Position included intangible assets of $3.18 million. Assets relating to the Penao and Zika products made up the major portion of these assets. The Group assesses these assets for impairment as required under Accounting Standards.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of these assets to the Group's consolidated statement of financial position; and • The inherent uncertainty associated with impairment analysis (which is a requirement for	Our audit procedures included, amongst others: ▸ We assessed whether indicators of impairment existed for these intangible assets. ▸ We assessed whether any other impairment test requirements under Australian Accounting Standards were triggered for these assets.

intangible assets not yet ready for use). A key audit matter is that intangible assets are not correctly valued and disclosed in the financials.	▸ We assessed the reasonability of management's impairment assessment, including testing management's estimates and performing procedures to assess the work of a management expert. ▸ We calculated an independent auditor's estimate and compared the value to management's estimate. ▸ We assessed the reasonability of management's disclosures in respect of intangible asset accounting.

ACCOUNTING FOR SHARE BASED PAYMENTS

As at 31 December 2023, the Group's Statement of Financial Position included a share option reserve of $6.18 million, and a share based payment expense of $1.9 million was recognised in the year ended 31 December 2023.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of these amounts to the Group's consolidated statement of financial position and profit and loss; and • The accounting recognition of share based payments is an audit risk due to the accounting complexity associated with the relevant calculations and disclosure requirements. A key audit matter is that the share options are not correctly valued and disclosed in the financials.	Our audit procedures included, amongst others: ▸ We obtained supporting documentation to corroborate management's calculations. ▸ We reviewed management's calculations to verify their accuracy. ▸ We assessed the reasonability of estimates relevant to the calculation of share based payment amounts. ▸ We assessed whether the recognition is in line with the relevant accounting standards. ▸ We assessed the appropriateness of management's accounting for modifications of existing share based payment arrangements in the period. ▸ We assessed the reasonability and completeness of the Group's financial statements disclosures.

REVENUE RECOGNITION

Revenue of $0.47 million was recognised in the year ended 31 December 2023.

Why a key audit matter	How our audit addressed the risk
We focused on this area because of: • The significance of this amount relative to the Group's consolidated profit and loss; and • The accounting recognition of revenue is an audit risk due to the accounting complexity associated with the relevant calculations and compliance with the accounting standards and disclosure requirements. A key audit matter is that revenue is not correctly accounted for and disclosed in the financials.	Our audit procedures included, amongst others: ► We assessed the appropriateness of management's application of accounting policies for recognising sales revenue and assessed the appropriateness of these policies in accordance with the requirements of the accounting standards. ► We reviewed management's calculations to verify their accuracy. ► We obtained material contracts with customers. ► We tested a sample of sales from the general ledger to supporting documents. ► We obtained an external confirmation from the largest customer. ► We performed cut off procedures to assess revenue was recorded in the correct period. ► We assessed the reasonability of relevant estimates relevant to the calculation of revenue amounts. ► We examined the accounting entries in relation to revenue to identify any unusual general journals to revenue accounts, and supporting information obtained as needed. ► We assessed the reasonability and completeness of the Group's financial statements disclosures.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 11-17 of the directors' report for the year ended 31 December 2023.

In our opinion, the Remuneration Report of Beroni Group Limited, for the year ended 31 December 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

M Nicholaeff

UHY Haines Norton

Mark Nicholaeff
Partner
Sydney
Date: 7 August 2024

UHY Haines Norton
Chartered Accountants