



# **Beroni Group Limited**

**ABN 20 613 077 526**

**APPENDIX 3 AND  
INTERIM FINANCIAL REPORT  
For the Half Year Ended 30 June 2018**

# Beroni Group Limited

ABN 20 613 077 526

## Appendix 3

### 1. Details of the reporting period

Current Period: 1 January 2018– 30 June 2018 (“HY2018”)

Previous Corresponding Period: 1 January 2017 – 30 June 2017 (“HY2017”)

### 2. Results for announcement to the market

Comparison to previous period		HY2018 (AUD)	HY2017 (AUD)	Change %
2.1	Revenue from continuing operations	1,259,085	1,237,811	2%
2.2	Profit / (loss) from ordinary activities after income tax attributable to members	(1,666,279)	64,884	(2668%)
2.3	Net profit attributable to members	(1,666,279)	64,884	(2668%)

#### 2.4 Dividend

No dividend declared during the period.

#### 2.5 Explanation of Results

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

### 3. Net tangible assets per ordinary share

	30.06.2018	31.12.2017
	Cents	Cents
Net tangible assets per ordinary share	20.74	17.97

Calculation based from ordinary shares issued of 68,034,448 as of 30 June 2018 and 60,177,683 as of 31 December 2017.

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

The Company acquired 51% of the shares in Beroni Japan in April 2018. No other entities were acquired or disposed of during the period.

### 5. Dividend Payment Information

No dividend was paid during the period.

### 6. Dividend/distribution reinvestment plan

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

### 7. Investment in Associates and Joint Ventures

The Company entered into a share subscription agreement to acquire 30.40% of the total share capital of Dendrix Inc., a Japanese company specialising in immune cell therapy, for a total investment of JPY400 million (approximately A\$4.87 million). The investment is to be completed in two tranches. The first tranche for 17.92% of the share capital of Dendrix Inc for JPY200 million was completed in April 2018 and the second tranche for JPY200 million to bring Beroni's total shareholding interest in Dendrix to 30.40% will be completed before 30 September 2018, subject to certain conditions being met.

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

### 8. Accounting Standards

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

### 9. Audit Disputes or Qualifications

There are no audit disputes or qualifications.

# **Beroni Group Limited and Its Subsidiaries**

**ABN 20 613 077 526**

**Consolidated Financial Statements  
For the Half Year Ended 30 June 2018**

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## **Director's Report**

The directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as the 'Group') consisting of Beroni Group Limited (referred to hereafter as the 'Company' or 'Beroni') and the entities it controlled at the end of, or from 1 January 2018 to 30 June 2018.

### **Directors**

The following persons were directors of Beroni during the whole of the financial period and up to the date of this report, unless otherwise stated:

Boqing ZHANG (Chairman, appointed 17 June 2016)

Chris DENG (appointed 30 September 2016)

Hai HUANG (appointed 3 November 2016)

Peter Yap Ting WONG (appointed 30 September 2016)

Libing GUO (appointed 3 November 2016)

Dr. Zhinan Yin (appointed 1 July 2018)

### **Principal activities**

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

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

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

## Review of Operations

The table below sets out the selected key performance indicators for the half year's ending 30 June 2018 ("HY2018") and 30 June 2017 ("HY2017"):

A\$'000	HY2018	HY2017	Change
Sales revenue	1,259,085	1,237,811	2%
Cost of sales	(327,488)	(283,855)	-15%
<b>Gross profit</b>	<b>931,597</b>	<b>953,956</b>	<b>-2%</b>
Other income	86,676	5,976	1350%
Selling and distribution expenses	(125,330)	(181,230)	-31%
General and administrative expenses	(2,586,247)	(584,399)	343%
Finance expense	(9,218)	(16,712)	-45%
Finance income	24,466	2,833	764%
<b>Profit before income tax</b>	<b>(1,678,056)</b>	<b>180,424</b>	<b>-1030%</b>
Depreciation	22,975	24,939	-8%
Finance expense	9,218	16,712	-45%
Finance income	(24,466)	2,833	-964%
<b>EBITDA</b>	<b>(1,670,329)</b>	<b>219,242</b>	<b>-862%</b>

### (A) Revenue

Sales revenue has remained almost the same compared to the same period last year. Sales in both periods have been affected by the substantial decline in sales of the Company's key product, Nicobloc due to delay in shipment from its UK supplier in early 2017. The Company is now working on alternative supply sources so that it can continue to sell this product. Sales of its other popular products such as air purifier and water filter have continued to increase.

### (B) Other Income

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

### (C) Gross Profit

As with sales revenue, gross profit has remained about the same as that in first half of 2017.

### (D) Expenses

The general and administrative expenses included the one-off listing expenses of \$503,370 in HY2018 and \$192,932 in HY2017. The listing expenses in HY2018 and HY2017 were related to the dual listing on the Frankfurt Stock Exchange and the IPO listing on the National Stock Exchange respectively.

In June 2018, 960,000 shares at \$1.05 per share were issued to the directors and company secretary incurring total share-based compensation expense of \$1,008,000. There was no such expense in the previous period.

The expenses related to the Australian Head Office in HY2018 (excluding the listing expenses and share-based compensation expense) has increased from \$68,794 to \$455,866 mainly as a result of additional expenses incurred for the dual listing on the Frankfurt Stock Exchange and for the due diligence checks conducted prior to the investments in Dendrix Inc. and Medicine Plus.

## **Dividend**

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

## **Significant Changes in State of Affairs**

### **1. Dual listing on Frankfurt Stock Exchange**

The Company was listed on the Open Market of the Frankfurt Stock Exchange on 19 January 2018.

### **2. Issue of new shares**

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

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

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

### **3. Investments**

The Company signed an agreement in March 2018 with the Columbia University, New York to provide US\$1 million funding to a 12-month research program in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus.

Beroni has signed an investment term sheet with Cystemix Pty Limited and NewSouth Innovations Pty Limited on 28 March 2018 for the acquisition of an initial 2.2% shares in Cystemix for \$400,000. The parties also agreed to enter into a share subscription and shareholders agreement by October 2018, setting out terms of subsequent investments by the Company into Cystemix. Subject to final negotiations of terms, it is intended that the Company will invest a total of \$10 million for 40% shares in Cystemix by the end of Phase 2 clinical trials of PENAO. Cystemix is a company set up by the University of New South Wales to develop an anti-cancer drug called PENAO for treatment of brain tumour.

The Company entered into a share subscription agreement to acquire 30.40% of the total share capital of Dendrix Inc., a Japanese company specialising in immune cell therapy, for a total investment of JPY400 million (approximately A\$4.87 million). The investment is to be completed in two tranches. The first tranche for 17.92% of the share capital of Dendrix Inc for JPY200 million was completed in April 2018 and the second tranche for JPY200 million to bring Beroni's total shareholding interest in Dendrix to 30.40% will be completed before 30 September 2018, subject to certain conditions being met.

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

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

Towards the end of June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd, a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A\$14.37 million) via a combination of cash and shares. Beroni has until 20 September 2018 to pay the consideration.

## **Likely developments and expected results of operations**

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

**Matters subsequent to the end of the financial year**

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

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

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 7.

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  
7 September 2018



**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF BERONI GROUP LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2018 there have been:

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

*Prosperity Audit Services*

**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

7 September 2018  
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Prosperity Advisers Audit Services Pty Ltd  
ABN 90 147 151 228

Chartered Accountants  
Liability limited by a Scheme approved  
under the Professional Standards  
Legislation.



## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Consolidated Half-year Ended 30.06.2018 AUD	Consolidated Half-year Ended 30.06.2017 AUD
<b>Revenue</b>			
Sales revenue		1,259,085	1,237,811
Cost of sales		(327,488)	(283,855)
<b>Gross profit</b>		931,597	953,956
Other income			
Government subsidy		86,676	5,976
Selling and distribution expenses		(125,330)	(181,230)
General and administration expenses	5	(2,586,247)	(584,399)
Finance income		24,466	2,833
Finance expense		(9,218)	(16,712)
<b>Profit before income tax</b>		(1,678,056)	180,424
Income tax (benefit) / expense		8,900	(115,540)
<b>Net profit/(loss) for the period</b>		<b>(1,669,156)</b>	<b>64,885</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation			
Attributed to Beroni Group parent company		300,355	(106,509)
Attributed to Non-controlling interest		(23)	-
Foreign currency translation		300,332	(106,509)
<b>Total comprehensive income / (loss) for the period</b>		<b>(1,368,824)</b>	<b>(41,624)</b>
<b>Profit for the period is attributable to:</b>			
Owners of Beroni Group Limited		(1,666,280)	64,885
Non-controlling interest		(2,876)	-
<b>Total profit for the period</b>		<b>(1,669,156)</b>	<b>64,885</b>
<b>Total comprehensive income / (loss) for the period attributable to:</b>			
Owners of Beroni Group Limited		(1,365,925)	(41,624)
Non-controlling interest		(2,899)	-
<b>Total comprehensive income / (loss) for the period</b>		<b>(1,368,823)</b>	<b>(41,624)</b>
<b>Earnings per share for profit for the period</b>			
Basic earnings / (loss) per share		(2.69)	0.15
Diluted earnings / (loss) per share		(2.69)	0.15

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Consolidated As at 30.06.2018 AUD	Consolidated As at 31.12.2017 AUD
<b>Current Assets</b>			
Cash and cash equivalents		7,401,374	8,669,709
Trade receivables	6	1,934,469	1,637,105
Inventories		107,532	162,964
Prepayments and other current assets	7	838,645	475,803
Other receivables	6	100,367	106,317
Total current assets		10,382,387	11,051,898
<b>Non-Current Assets</b>			
Property, plant and equipment		169,725	152,759
Intangible assets	8	1,288,785	644
Deferred tax assets		59,540	47,058
Investment in other entities	9	3,656,383	-
Other assets		37,415	47,651
Total non-current assets		5,211,848	248,112
<b>Total Assets</b>		<b>15,594,235</b>	<b>11,300,010</b>
<b>Current Liabilities</b>			
Trade and other payables		15,790	32,388
Borrowings from related parties	10	32,235	196,688
Other current tax liabilities		69,548	93,586
Other liabilities		74,595	161,613
Total current liabilities		192,168	484,275
<b>Non-Current Liabilities</b>		-	-
<b>Total Liabilities</b>		<b>192,168</b>	<b>484,275</b>
<b>Net Assets</b>		<b>15,402,067</b>	<b>10,815,735</b>
<b>Equity</b>			
Issued capital	11, 12	17,324,236	11,372,072
Reserves		376,487	8,682
Retained earnings		(2,298,656)	(565,019)
<b>Total Equity</b>		<b>15,402,067</b>	<b>10,815,735</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings	Total	Total attributed to the parent company	Total attributed to non-controlling interest
	AUD	AUD	AUD	AUD	AUD	AUD	AUD
<b>Consolidated 2018</b>							
<b>Balance at 1 January 2018</b>	11,372,072	16,885	(8,203)	(565,019)	10,815,735	10,815,735	-
Comprehensive income/(loss) for the period:							
Net loss for the period	-	-	-	(1,669,156)	(1,669,156)	(1,666,280)	(2,876)
Other comprehensive income/(loss) for the period	-	-	300,332	-	300,332	300,355	(23)
Appropriation to surplus reserve	-	67,473	-	(67,473)	-	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	67,473	300,332	(1,736,629)	(1,368,824)	(1,365,924)	(2,899)
Transactions with owners in their capacity as owners, net of transaction cost	-	-	-	2,993	2,993	-	2,993
Placement of additional shares	4,914,270	-	-	-	4,914,270	4,914,270	-
Ordinary shares issued to directors and company secretary	1,008,000	-	-	-	1,008,000	1,008,000	-
Non- controlling interest	29,893	-	-	-	29,893	-	29,893
<b>Balance at 30 June 2018</b>	<b>17,324,236</b>	<b>84,358</b>	<b>292,129</b>	<b>(2,298,656)</b>	<b>15,402,067</b>	<b>15,372,080</b>	<b>29,988</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)**

	Issued Capital	Surplus reserve	Foreign currency translation reserve	Retained earnings	Total	Total attributed to the parent company	Total attributed to non-controlling interest
	AUD	AUD	AUD	AUD	AUD	AUD	AUD
<b><u>Consolidated 2017</u></b>							
Balance at 1 January 2017	2,107,354	-	(129,623)	176,933	2,154,664	-	-
<b>Total comprehensive income/(loss) for the period</b>	-	-	121,420	(725,071)	(603,651)	-	-
Appropriation to surplus reserve	-	16,885	-	(16,885)	-	-	-
Capital contribution from debt- conversion	1,245,899	-	-	-	1,245,899	-	-
Premium on debt-conversion	830,983	-	-	-	830,983	-	-
Capital contribution from IPO, net of transaction cost	4,057,673	-	-	-	4,057,673	-	-
Placement of additional shares	3,130,163	-	-	-	3,130,163	-	-
<b>Balance at 31 December 2017</b>	<b>11,372,073</b>	<b>16,885</b>	<b>(8,203)</b>	<b>(565,019)</b>	<b>10,815,735</b>	<b>-</b>	<b>-</b>

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

Notes	Consolidated Half-year Ended 30.06.2018 AUD	Consolidated Half-year Ended 30.06.2017 AUD
<b>Cash flows from operating activities:</b>		
Receipts from customers	966,679	532,875
Payments to suppliers and employees	(2,819,831)	(1,024,018)
Interest paid	(9,218)	(2,833)
Income tax paid	(1,701)	(100,242)
Receipts from government	86,678	-
Net cash generated/(used in) operating activities	<u>(1,777,393)</u>	<u>(594,218)</u>
<b>Cash flows from financing activities:</b>		
Gross proceeds from issue of equity instruments of the Company	5,952,163	4,795,380
Payment for cost of issuing equity instruments	-	(675,840)
Gross proceeds from borrowings	12,140	-
Repayment of borrowings	(172,314)	-
Net cash generated from financing activities	<u>5,791,989</u>	<u>4,119,540</u>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of property, plant and equipment	(30,448)	1,045
Investments in other entities	(4,206,383)	-
Interest received	24,466	16,712
Payments for intangible assets	(1,288,115)	(1,056)
Net cash generated/ (used in) investing activities	<u>(5,500,480)</u>	<u>16,701</u>
Net increase in cash and cash equivalents	(1,485,884)	3,542,022
Cash and cash equivalents at beginning of the period	8,669,709	2,251,843
Exchange gain/(loss) on cash and cash equivalents	217,549	(527,316)
<b>Cash and cash equivalents at end of the period</b>	<u><u>7,401,374</u></u>	<u><u>5,266,549</u></u>

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

## Notes to Financial Statements

### Note 1. Corporate information

The financial statements cover Beroni Group Limited ("Parent entity" or the "Company") as a consolidated entity consisting of Australia Beroni Group Limited and the entities it controlled (together referred to as the "Group") at the end of, or during, the half-year ended 30 June 2018. The financial statements are presented in Australian dollars, which is the Company's presentation currency, with all values rounded to the nearest thousand dollars unless otherwise stated.

The Company is a for-profit listed public company limited by shares, incorporated and domiciled in Australia. The Company's shares are publicly traded on the National Stock Exchange (Australia) and on the Frankfurt Stock Exchange (Germany).

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

Registered office	Principal place of business
Level 36 Gateway Tower 1 Macquarie Place Sydney NSW 2000 Australia	15-2 Zhonglian Industry Park Zhongbei, Xiqing District Tianjin 300380 People's Republic of China

The Company is principally engaged in the sale of smoking control product (NicoBloc), air purifier, water filter, and healthcare products and supplements in China.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 7 September 2018.

### Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2018 have been prepared in accordance with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 'Interim Financial Reporting'*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

## Notes to Financial Statements

### New, revised or amended Accounting Standards and Interpretations adopted

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

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

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

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

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

### **Note 3. Group restructure**

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

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

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

When combined with the transactions above, Beroni Hong Kong become the intermediate holding company for the Group. Through this transaction, effective control of Tianjin Beroni passed to the shareholders of the Company. The transaction is not within the scope of *AASB 3 Business Combinations* and has been treated as a capital restructure, where following the corporate restructure of the Group, the Company took control of Tianjin Beroni with no change in underlying control.

Consequently, the comparative financial information presented in these financial statements is the historical information of Tianjin Beroni, represented as a continuation of the financial statements of Tianjin Beroni.

### **Note 4. Segment reporting**

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

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

The following operating segments have been noted:

- Nicobloc
- Fogibloc air purifier
- Olansi water filter
- MRET water activator



## Notes to Financial Statements

### Segment information

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

Segment	Segment Revenue		Segment Gross Profit	
	HY2018 AUD	HY2017 AUD	HY2018 AUD	HY2017 AUD
Nicobloc	105	90,496	75	64,141
Fogibloc air purifier	618,741	501,167	433,894	405,992
Olansi water filter	352,541	338,840	294,300	285,485
MRET water activator	149	242,452	0	157,403
All other	288,004	46,073	203,329	38,850
Total for all segments	<u>1,259,540</u>	<u>1,219,028</u>	931,597	951,871
Other income			86,678	5,976
Unallocated selling and distribution expenses			(125,330)	(181,230)
Central general and administrative expenses			(2,579,360)	(584,399)
Net finance costs			15,248	(13,879)
Profit / (loss) before income tax			<u>(1,671,167)</u>	<u>180,424</u>

### Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current half year (HY2017: nil).

The executive management committee monitors segment performance based on gross profit. Segment gross profit represents the gross profit earned by each segment without allocation of selling and distribution expenses, central general and administration expenses, other income as well as net finance costs.

### Geographical information

Segment revenues based on the geographical location of customers has not been disclosed, as the Group derives all of its revenue from its operations in China.

### Major customers

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

## Notes to Financial Statements

### Note 5. Expenses

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

	Consolidated 30 June 2018 AUD	Consolidated 30 June 2017 AUD
Wages and salaries	252,903	113,768
Rent expense	41,049	121,970
R&D Expenses	112,952	85,859
Legal fee	68,346	247
Listing expenses	503,370	192,933
Share-based payment compensation <sup>1</sup>	1,008,000	-
Doubtful debts expense <sup>2</sup>	70,313*	(175,890)
	<u>2,056,933</u>	<u>338,887</u>

<sup>1</sup> Share-based payment compensation relates to the 960,000 shares granted to the directors and company secretary in June 2018.

<sup>2</sup> Being adjustment of bad debts provision based on trade receivables aging at 30 June 2018.

### Note 6. Trade and other receivables

	Consolidated 30 June 2018 AUD	Consolidated 31 December 2017 AUD
Amounts due from customers	2,306,860	1,927,225
Less: Provision for doubtful debt	(372,390)	(290,120)
Trade receivables	<u>1,934,469</u>	<u>1,637,105</u>
Other receivables	100,366	106,317
	<u><b>2,034,836</b></u>	<u><b>1,743,422</b></u>

### Note 7. Prepayments and other current assets

	Consolidated 30 June 2018 AUD	Consolidated 31 December 2017 AUD
Prepayment for shares in Cystemix *	550,000	-
Other prepayments and current assets	288,645	475,803
	<u>838,645</u>	<u>475,803</u>

\* On 28 March 2018, the company signed a term sheet with NewSouth Innovations Pty Ltd ("NSI"), a subsidiary of the University of New South Wales and Cystemix Pty Limited ("Cystemix"), a company established in 2002 by NSI to advance the clinical development of the potentially groundbreaking anti-cancer drug called PENAO. Beroni will invest up to 40% of the shares of Cystemix. Beroni has paid in advance \$550,000 for 2.2% of the share investment during the first half year of 2018. The shares in Cystemix will be issued to Beroni in the second half of 2018 upon signing of the investment agreement.

## Notes to Financial Statements

### Note 8. Intangible Assets

	<b>Consolidated 30 June 2018</b>	<b>Consolidated 31 December 2017</b>
	<b>AUD</b>	<b>AUD</b>
Investment in research and development *	1,288,785	644
	1,288,785	644

\* The Company has entered into an agreement with the Columbia University, New York to provide US\$1 million funding to a 12-month research program in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus, under the direction of Professor Walter Ian Lipkin. In return for the research funding support, Columbia University grants the Company an exclusive option to obtain an exclusive, compensation bearing license in the territory of China to the ArboViroPlex rRT-PCR Test patents and inventions and also a non-exclusive, compensation bearing license in the territory of China to the information and materials developed in the course of this research.

### Note 9. Investment in other entities

	<b>Consolidated 30 June 2018</b>	<b>Consolidated 31 December 2017</b>
	<b>AUD</b>	<b>AUD</b>
Investment in shares of Dendrix Inc. <sup>1</sup>	2,431,515	-
Investment in Youtokukai Fund <sup>2</sup>	1,224,868	-
	3,656,383	-

<sup>1</sup> The company entered into a share subscription agreement on 9 April 2018 to acquire 20,000 ordinary shares at an issue price of 20,000 Japanese Yen (JPY) per share, for a total investment of 400 million JPY (approximately A\$4.87 million dollars), representing 30.40% of the total share capital of Dendrix Inc. The investment is to be completed in two tranches. The first tranche for 17.92% of the share capital of Dendrix Inc for JPY200 million was completed in April 2018 and the second tranche for JPY200 million to bring Beroni's total shareholding interest in Dendrix to 30.40% will be completed before 30 September 2018, subject to certain conditions being met.

<sup>2</sup> On 18 June 2018, Beroni 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 investment can be fully redeemed after 30 June 2021.

### Note 10. Related party transactions

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>AUD</b>	<b>AUD</b>
a) Sales to related party		
Sales to Tianjin Zhongkebeicheng Technology Co. Ltd (A director was previously a shareholder and director of related company)*	-	372,370

\* Zhongkebeicheng ceased to be a related party of Beroni Group Ltd as their previous director and shareholder, Mr. Boqing Zhang, resigned from this company in May 2016. Zhongkebeicheng, however, still has a contract in effect in the prior period, which was signed with Tianjin Beroni prior to the cessation of Mr. Boqing Zhang's directorship and shareholding.

## Notes to Financial Statements

b) Balances with related parties

	30 June 2018 AUD	31 December 2017 AUD
<b>Amounts due to related parties</b>		
Mr. Boqing Zhang (Director)*	32,235	196,688

\* This represents \$6,159 loaned to Beroni Japan and \$26,076 loaned to Beroni HK by Mr. Boqing Zhang for payment of general & administration expenses before these companies were able to open their bank accounts.

### Note 11. Acquisition of subsidiary

In April 2018, the Company acquired 51% of the share capital of Beroni Japan Inc., a company newly set up for the purpose of developing Beroni's business in Japan. The Company has paid a consideration of JPY2.55 million (A\$31,114) for this investment. In addition, it has provided a start-up loan of JPY2.45 million (A\$28,893) to this Japanese company.

Included in the profit for the half-year is a total expense of A\$5,870 relating to Beroni Japan for general & administration activities.

### Note 12. Share capital

	30 June 2018		31 December 2017	
	Number of shares	AUD	Number of shares	AUD
<b>Total ordinary shares fully paid</b>				
At the beginning of the period	60,177,683	11,372,072	35,255,782	2,107,354
Conversion of convertible notes	-	-	3,559,712	1,245,899
Premium on debt-conversion	-	-	-	830,983
Issued through IPO on 12 May 2017	-	-	13,701,086	4,795,380
Shares issued to Eagle IG Limited on IPO	-	-	1,864,506	652,577
Cost of shares issued on IPO	-	-	-	(1,390,284)
Placement	6,896,765	4,914,270	5,796,597	3,130,163
Shares issued to directors and company secretary	960,000	1,008,000	-	-
At the end of the period	68,034,448	17,294,342	60,177,683	11,372,072
Attributed to owners of Beroni Group Limited	68,034,448	17,294,342	60,177,683	11,372,072
Attributed to non-controlling interest	-	29,893	-	-
<b>Total ordinary shares fully paid</b>	68,034,448	17,324,236	60,177,683	11,372,072

### Note 13 Key Management Personnel

The company has issued a total of 960,000 fully paid ordinary shares to the directors and company secretary in June 2018.

Director	No of Shares	Value
Boqing ZHANG	500,000	\$525,000
Chris DENG	40,000	\$42,000
Hai HUANG	120,000	\$126,000
Peter Yap Ting WONG	120,000	\$126,000
Libing GUO	100,000	\$105,000
Nicholas Ong (Company Secretary)	80,000	\$84,000
Total	960,000	\$1,008,000

## **Notes to Financial Statements**

### **Note 14. Contingencies and commitments**

The Group has no contingent liabilities or commitments as at 30 June 2018. (31 December 2017: \$nil) except for the followings:

- (a) On 28 March 2018, Beroni Group has signed a term sheet to invest in Cystemix Pty Ltd, a company set up by the University of New South Wales to advance the clinical development of the potentially ground-breaking anti-cancer drug called PENAO. Subject to the signing of the formal agreement later this year, Beroni will be committed to invest a total of A\$10 million for 40% of the shares of Cystemix. At the end of June 2018, the Company has paid a total of A\$550,000 and the rest of the payments will be made in the second half of 2018 and in 2019 depending on the progress made.
- (b) On 20 June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd, a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A\$14.37 million) via a combination of cash and shares. Beroni has until 20 September 2018 to pay the consideration.

### **Note 15. Fair value measurements of financial instruments**

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

### **Note 16. Events after the Balance Sheet date**

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

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

### **Note 17. Dividends**

There was no dividend paid nor declared during the period.

## Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Boqing Zhang  
Chairman

7 September 2018

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE SHAREHOLDERS OF BERONI GROUP LIMITED  
FOR THE HALF-YEAR ENDED 30 JUNE 2018**

**Report on the Financial Report**

We have reviewed the accompanying financial report of Beroni Group Limited ("the Company"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

**Directors' Responsibility 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 (including the Australian Accounting Interpretations) 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 is free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Beroni Group Limited's financial position as at 30 June 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Beroni Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is located on page 7 of the financial report.

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ABN 90 147 151 228

Chartered Accountants  
Liability limited by a Scheme approved  
under the Professional Standards  
Legislation.



**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE SHAREHOLDERS OF BERONI GROUP LIMITED  
FOR THE YEAR ENDED 30 JUNE 2018**

**Conclusion**

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

- (i) giving a true and fair view of Beroni Group Limited's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and
- (ii) (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Prosperity Audit Services*

**PROSPERITY AUDIT SERVICES**



**LUKE MALONE**  
Partner

7 September 2018  
Sydney