



Beroni Group Limited

ABN 20 613 077 526

**APPENDIX 3 AND
INTERIM FINANCIAL REPORT
For the Half Year Ended 30 June 2021**

Beroni Group Limited

ABN 20 613 077 526

Appendix 3

1. Details of the reporting period

Current Period: 1 January 2021 – 30 June 2021 (“HY2021”)

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

2. Results for announcement to the market

| Comparison to previous period | | HY2021 (AUD) | HY2020 (AUD) | Change % |
|-------------------------------|--|-----------------|-----------------|----------|
| 2.1 | Revenue from continuing operations | 531,137 | 315,822 | 68% |
| 2.2 | Loss from ordinary activities after income tax attributable to members | (1,454,669) | (4,273,312) | -66% |
| 2.3 | Net loss attributable to members | (1,454,669) | (4,273,312) | -66% |

2.6 Dividend

No dividend declared during the period.

2.7 Explanation of Results

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

3. Net tangible assets per ordinary share

| | 30.06.2021 | 31.12.2020 |
|--|------------|------------|
| | Cents | Cents |
| Net tangible assets per ordinary share | 11.15 | 8.87 |

Calculation based on ordinary shares issued of 75,722,348 as of 30 June 2021 and 75,722,348 as of 31 December 2020.

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

No other entities were acquired or disposed during the period.

5. Dividend payment information

No dividend was paid during the period.

6. Dividend/distribution reinvestment plan

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

7. Investment in associates and joint ventures

No new investment in associates or joint ventures was made during the period.

8. Accounting standards

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

9. Audit qualification or review

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

Beroni Group Limited and Its Subsidiaries

ABN 20 613 077 526

**Consolidated Financial Statements
For the Half Year Ended 30 June 2021**

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Directors' Report

The directors present their report, together with the financial statements on the consolidated entity (referred to hereafter as the 'Group') consisting of Beroni Group Limited (referred to hereafter as the 'Company' or 'Beroni') and the entities it controlled at the end of, or from 1 January 2021 to 30 June 2021.

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 and CFO)
Libing GUO (Non-executive Director)
Dr Zhinan YIN (Non-executive Director)
Tameyuki KAWAGUCHI (Non-executive Director, resigned 1 August 2021)
Dr Richard BUCHTA (Non-executive Director)
Nicholas Ong (Non-executive Director, appointed 1 March 2021)

Company secretary

Nicholas Ong

Principal activities

The principal activities of the Company during the financial year are the sales of smoking control product (NicoBloc), air purifiers, water filters, healthcare products and supplements, cell therapies, cosmetics and viral diagnostic kits, and 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 half year's ending 30 June 2021 ("HY2021") and 30 June 2020 ("HY2020"):

| A\$'000 | HY2021 | HY2020 | Change |
|---------------------------------------|--------------------|--------------------|-------------|
| Sales revenue | 531,137 | 315,822 | 68% |
| Cost of sales | (68,279) | (74,130) | -8% |
| Gross profit | 462,858 | 241,692 | 92% |
| Other income | 174,811 | 24,293 | 620% |
| Selling and distribution expenses | (136,654) | (157,661) | -13% |
| General and administrative expenses | (2,032,300) | (4,430,295) | -54% |
| Finance expense | (21,278) | (33,647) | -37% |
| Finance income | 3,475 | 92,427 | -96% |
| Share of loss of associate | - | (108,470) | -100% |
| Realised foreign exchange gain/(loss) | 7,960 | - | - |
| Profit before income tax | (1,541,128) | (4,371,661) | -65% |
| Depreciation | 190,271 | 262,166 | -27% |
| Finance expense | 21,278 | 33,647 | -37% |
| Finance income | (3,475) | (92,427) | -96% |
| EBITDA | (1,333,054) | (4,168,275) | -68% |

(A) Revenue

Sales revenue has increased by 68% compared to the same period last year. The sales in the same period last year was affected by the COVID-19 pandemic which led to an almost 3 months of lockdown in China from late January to April 2020 and Japan declared a state of emergency nationwide in April and May 2020. Sales in China and Japan are gradually recovering in 2021. In 2021, sales of health supplements and cosmetics have increased whilst sales of Nicobloc have declined. The Company will continue to promote its products and increase its sales despite the challenging economic circumstances.

(B) Gross Profit

The gross profit margin has improved from 77% to 87% in this period due to higher profitability of the health supplements and cosmetic products.

(C) Other Income

Other income represents the estimated refundable R&D tax incentive from the Australian government for the PENAO drug development program for the financial year ending 30 June 2021. The R&D tax incentive application has been approved by the Australian government in August 2021.

(D) Expenses

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

- In May 2020, the Company issued 2,390,000 shares to directors, senior managers and scientists at \$1 per share incurring total share-based compensation expense of \$2,390,000 in 2020. In July 2021, the Company has changed to issuing share options to directors and senior management. The cost of the share options will be reflected in the second half of 2021.
- The increase in allowance for expected credit loss by \$434,932 in the previous period. There was no significant increase in such provision in the current period.

Dividend

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

Significant Changes in State of Affairs

1. Issue of convertible notes

In May 2021, the Company raised another US\$2 million via the issue of convertible notes to a professional and sophisticated investor in Japan. A total of 20,000 convertible notes with a face value were issued with a one-year maturity date. The convertible notes can be converted to shares at any time prior to maturity. The number of shares to be issued in respect of each Convertible Note will be calculated by dividing the face value of the notes by the conversion price of US\$10. This convertible note has a price protection provision such that if, upon the up-listing of Beroni on the Nasdaq Stock Market or the New York Stock Exchange, the issue price is lower than the conversion price, then Beroni must on demand by the convertible noteholder issue such number of additional convertible notes to the convertible noteholder that would have been issued if the convertible notes were issued at the issue price instead of the conversion price.

2. Investment

In June 2021, the Company injected another \$1.3 million into PENAO Pty Ltd to fund the phase II clinical trials which is scheduled to commence in H1 2022.

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

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

(b) 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. Subsequently in August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The Chinese subsidiary will continue to file a strong defence. The directors are of the view that no material losses will arise in respect of the legal claim.

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of directors, pursuant to section 306(3) (a) of the Corporations Act 2001.

On behalf of the directors



Boqing Zhang
Chairman
10 September 2021

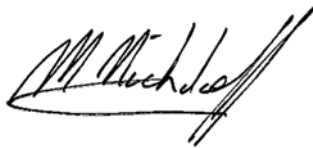
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

To the Directors of Beroni Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2021, there have been:

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

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

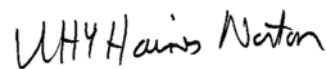


Mark Nicholaeff

Partner

Sydney

Date: 10 September 2021



UHY Haines Norton

Chartered Accountants

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Consolidated Half-year Ended 30.06.2021 AUD | Consolidated Half-year Ended 30.06.2020 AUD |
|---|-------|---|---|
| Revenue | | | |
| Sales revenue | | 531,137 | 315,822 |
| Cost of sales | | (68,279) | (74,130) |
| Gross profit | | 462,858 | 241,692 |
| | | | |
| Other income | | | |
| Government subsidy | | 174,811 | 2,992 |
| Other revenue | | - | 21,301 |
| | | | |
| Selling and distribution expenses | 4 | (136,654) | (157,661) |
| General and administration expenses | 4 | (2,032,300) | (4,430,295) |
| Finance income | | 3,475 | 92,427 |
| Finance expense | | (21,278) | (33,647) |
| Share of loss of associate | | - | (108,470) |
| Realised foreign exchange gain/(loss) | | 7,960 | - |
| Profit / (loss) before income tax | | (1,541,128) | (4,371,661) |
| | | | |
| Income tax benefit / (expense) | | (40,759) | - |
| Net loss for the period | | (1,581,887) | (4,371,661) |
| | | | |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| | | | |
| Foreign currency translation | | | |
| Attributed to Beroni Group parent company | | 683,310 | (20,071) |
| Attributed to Non-controlling interest | | - | (2,016) |
| | | | |
| Foreign currency translation | | 683,310 | (22,087) |
| | | | |
| Total comprehensive income / (loss) for the period | | (898,577) | (4,393,748) |
| | | | |
| Loss for the period is attributable to: | | | |
| Owners of Beroni Group Limited | | (1,454,669) | (4,273,312) |
| Non-controlling interest | | (127,218) | (98,349) |
| Total loss for the period | | (1,581,887) | (4,371,661) |
| | | | |
| Total comprehensive loss for the period attributable to: | | | |
| Owners of Beroni Group Limited | | (771,359) | (4,293,383) |
| Non-controlling interest | | (127,218) | (100,365) |
| Total comprehensive loss for the period | | (898,577) | (4,393,748) |
| | | | |
| | | Cents | Cents |
| Earnings per share for loss for the period | | | |
| Basic loss per share | | (1.92) | (5.96) |
| Diluted loss per share | | (1.92) | (5.96) |

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 30.06.2021 AUD | Consolidated As at 31.12.2020 AUD |
|--|-------|--|--|
| Current Assets | | | |
| Cash and cash equivalents | | 5,823,731 | 4,768,763 |
| Trade receivables | 5 | 1,019,637 | 911,418 |
| Inventories | | 338,449 | 112,714 |
| Prepayments and other current assets | | 131,235 | 131,329 |
| Other receivables | 5 | 311,772 | 260,128 |
| Total current assets | | 7,624,824 | 6,184,352 |
| Non-Current Assets | | | |
| Property, plant and equipment | | 202,688 | 243,721 |
| Right-of-use assets | 6 | 357,418 | 452,417 |
| Intangible assets | 7 | 1,322,478 | 1,349,204 |
| Goodwill | 8 | 1,993,226 | 1,993,226 |
| Current tax assets | | 24,548 | - |
| Investment in other entities | 9 | 1,303,007 | 1,303,007 |
| Other assets | | 48,737 | 47,047 |
| Total non-current assets | | 5,252,102 | 5,388,622 |
| Total Assets | | 12,876,926 | 11,572,974 |
| Current Liabilities | | | |
| Trade and other payables | | 51,514 | 18,902 |
| Borrowings from related parties | 10 | 35,106 | 327,436 |
| Lease liabilities | 6 | 236,321 | 209,652 |
| Other current tax liabilities | | - | 35,089 |
| Other current liabilities | 11 | 625,337 | 633,327 |
| Total current liabilities | | 948,278 | 1,224,406 |
| Non-Current Liabilities | | | |
| Lease liabilities | 6 | 167,381 | 281,983 |
| Other non-current liabilities | | - | 6,741 |
| Total non-current liabilities | | 167,381 | 288,724 |
| Total Liabilities | | 1,115,659 | 1,513,130 |
| Net Assets | | 11,761,267 | 10,059,844 |
| Equity | | | |
| Issued capital | 12 | 26,973,167 | 26,973,167 |
| Convertible notes | 13 | 6,479,258 | 3,879,258 |
| Reserves | | (40,517) | (723,827) |
| Retained earnings | | (22,213,423) | (20,758,754) |
| Equity attributable to equity holders of the parent entity | | 11,198,485 | 9,369,844 |
| Non-controlling interests | | 562,782 | 690,000 |
| Total Equity | | 11,761,267 | 10,059,844 |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Attributable to Equity Holders of the Parent | | | | | | | Non- controlling interests | Total |
|---|--|--------------------|------------------------|----------------------------------|---|----------------------|------------------|----------------------------------|-------|
| | Issued Capital | Surplus reserve | Revaluation reserve | Convertible Notes - equity | Foreign currency translation reserve | Retained earnings | | | |
| | AUD | AUD | AUD | AUD | AUD | AUD | AUD | | |
| Consolidated 2021 | | | | | | | | | |
| Balance as at 1 January 2021 | 26,973,167 | 16,885 | (1,128,508) | 3,879,258 | 387,797 | (20,758,755) | 690,000 | 10,059,844 | |
| Comprehensive income/(loss) for the period: | | | | | | | | | |
| Net loss for the period | - | - | - | - | - | (1,454,669) | (127,218) | (1,581,887) | |
| Other comprehensive income for the period | - | - | - | - | 683,310 | - | - | 683,310 | |
| Total comprehensive loss for the period | - | - | - | - | 683,310 | (1,454,669) | (127,218) | (898,577) | |
| Transactions with owners in their capacity as owners, net of transaction cost | | | | | | | | | |
| Convertible bond – equity component | - | - | - | 2,600,000 | - | - | - | 2,600,000 | |
| Balance as at 30 June 2021 | 26,973,167 | 16,885 | (1,128,508) | 6,479,258 | 1,071,107 | (22,213,424) | 562,782 | 11,761,267 | |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to Equity Holders of the Parent

| | Issued Capital | Surplus reserve | Revaluation reserve | Convertible Notes - Equity | Foreign currency translation reserve | Retained earnings | Non- controlling interests | Total |
|---|-------------------|--------------------|------------------------|----------------------------------|---|----------------------|----------------------------------|--------------------|
| | AUD | AUD | AUD | AUD | AUD | AUD | AUD | AUD |
| Consolidated 2020 | | | | | | | | |
| Balance as at 1 January 2020 | 24,223,167 | 16,885 | (486,303) | - | 249,789 | (10,686,755) | (190,175) | 13,126,608 |
| Change in accounting policy | - | - | - | - | - | (91,821) | - | (91,821) |
| Restated total equity at 1 January 2020 | 24,223,167 | 16,885 | (486,303) | - | 249,789 | (10,778,576) | (190,175) | 13,034,787 |
| Net loss for the period | - | - | - | - | - | (4,273,312) | (98,349) | (4,371,661) |
| Other comprehensive loss for the period | - | - | - | - | (20,071) | - | (2,016) | (22,087) |
| Total comprehensive loss for the period | - | - | - | - | (20,071) | (4,273,312) | (100,365) | (4,393,748) |
| Transactions with owners in their capacity as owners, net of transaction cost | - | - | - | - | - | - | - | - |
| Capital contribution from share placements | 310,000 | - | - | - | - | - | - | 310,000 |
| Ordinary shares issued to directors and employees | 2,390,000 | - | - | - | - | - | - | 2,390,000 |
| Ordinary shares issued to financial advisor | 128,500 | - | - | - | - | - | - | 128,500 |
| Convertible notes – equity component | - | - | - | 3,611,759 | - | - | - | 3,611,759 |
| Balance as at 30 June 2020 | 27,051,667 | 16,885 | (486,303) | 3,611,759 | 229,718 | (15,051,888) | (290,540) | 15,081,298 |

CONSOLIDATED STATEMENT OF CASH FLOWS

| Notes | Consolidated Half-year Ended 30.06.2021 AUD | Consolidated Half-year Ended 30.06.2020 AUD |
|--|---|---|
| Cash flows from operating activities: | | |
| Receipts from customers | 591,310 | 560,640 |
| Payments to suppliers and employees | (2,332,161) | (1,641,714) |
| Interest paid | (18,118) | (2,060) |
| Income tax paid | (122,767) | (31,330) |
| Net cash used in operating activities | <u>(1,881,736)</u> | <u>(1,114,464)</u> |
| Cash flows from financing activities: | | |
| Gross proceeds from issue of equity instruments of the Company | 2,991,692 | 4,794,138 |
| Transaction costs related to issue of convertible notes | - | (569,210) |
| Borrowings from related parties | (6,793) | (8,617) |
| Principal elements of lease payments | (102,721) | (28,042) |
| Net cash generated from financing activities | <u>2,882,178</u> | <u>4,188,269</u> |
| Cash flows from investing activities: | | |
| Purchase of property, plant and equipment | (1,559) | (4,097) |
| Investments in other entities | - | 1,149 |
| Interest received | 157 | - |
| Payments for intangible assets | (9,554) | (210,112) |
| Net cash used in investing activities | <u>(10,956)</u> | <u>(213,060)</u> |
| Net increase / (decrease) in cash and cash equivalents | 989,486 | 2,860,745 |
| Cash and cash equivalents at beginning of the period | 4,768,763 | 3,010,530 |
| Exchange gain/(loss) on cash and cash equivalents | 65,482 | (13,663) |
| Cash and cash equivalents at end of the period | <u><u>5,823,731</u></u> | <u><u>5,857,612</u></u> |

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

Notes to Financial Statements

Note 1. Corporate information

The financial statements cover Beroni Group Limited (“Parent entity” or the “Company”) as a consolidated entity consisting of Australia Beroni Group Limited and the entities it controlled (together referred to as the “Group”) at the end of, or during, the half-year ended 30 June 2021. The financial statements are presented in Australian dollars, which is the Company’s presentation currency, with all values rounded to the nearest thousand dollars unless otherwise stated.

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

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

Registered office

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

Principal place of business

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

The principal activities of the Group during the financial period are the sales of smoking control products (NicoBloc), air purifiers, water filters, cosmetics, healthcare products, stem-cell therapies and viral diagnostic kits and 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 10 September 2021.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard *AASB 134 'Interim Financial Reporting'* and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard *IAS 34 'Interim Financial Reporting'*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

These general purpose financial statements have been prepared on a historical cost basis, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

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

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

Note 2. Basis of preparation (continued)

New, revised or amended Accounting Standards and Interpretations adopted

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

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

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

Note 3. Segment reporting

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

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

The following operating segments have been noted:

- Nicobloc
- Fogibloc air purifiers
- Water filters
- Health supplements
- Cosmetic products
- Viral diagnostic kits

Note 3. Segment reporting (continued)

Segment information

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

| Segment | Segment Revenue | | Segment Gross Profit | |
|---|-----------------|----------------|----------------------|--------------------|
| | HY2021 AUD | HY2020 AUD | HY2021 AUD | HY2020 AUD |
| Nicobloc | 16,010 | 202,676 | 8,593 | 165,513 |
| Health supplements | 297,851 | - | 246,866 | - |
| Water filters | - | 1,636 | - | 1,366 |
| Cosmetic products | 184,989 | 75,414 | 166,873 | 56,937 |
| Viral diagnostic kits | - | 31,394 | - | 16,685 |
| All others | 32,287 | 4,702 | 40,526 | 1,191 |
| Total for all segments | <u>531,137</u> | <u>315,822</u> | 462,858 | 241,692 |
| Other income | | | 178,286 | 116,720 |
| Unallocated selling and distribution expenses | | | (136,654) | (157,661) |
| Central general and administrative expenses | | | (2,032,300) | (4,430,295) |
| Net finance costs | | | (21,278) | (33,647) |
| Share of loss of associate | | | - | (108,470) |
| Realised foreign exchange gain/(loss) | | | 7,960 | - |
| Loss before income tax | | | <u>(1,541,128)</u> | <u>(4,371,661)</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 (HY2020: nil). The executive management committee monitors segment performance based on gross profit. Segment gross profit represents the gross profit earned by each segment without allocation of selling and distribution expenses, central general and administration expenses, other income as well as net finance costs.

Geographical information

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

| | Sales Revenue by Geographical Market | |
|-------|--------------------------------------|----------------|
| | HY2021 AUD | HY2020 AUD |
| China | 531,137 | 305,940 |
| USA | - | 9,882 |
| | <u>531,137</u> | <u>315,822</u> |

Note 3. Segment reporting (continued)

Major customers

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

| | HY2021 | HY2020 |
|--|----------------|----------------|
| | AUD | AUD |
| China Business Belloni (Tianjin) Technology Co., Ltd | 486,965 | 224,304 |
| Tianjin Zhongke Beicheng Technology Co., Ltd | - | 8,879 |
| Tmall.com Flagship Store | 44,172 | - |
| | <u>531,137</u> | <u>233,183</u> |

Note 4. Expenses

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

| | Consolidated | Consolidated |
|----------------------------------|---------------------|---------------------|
| | 30 June 2021 | 30 June 2020 |
| | AUD | AUD |
| Listing expenses | 449,977 | 131,843 |
| Wages and salaries | 310,154 | 414,981 |
| Rent expenses | 33,848 | 2,922 |
| R&D Expenses | 224,192 | 163,852 |
| Legal fee | 73,541 | 39,551 |
| Share-based payment compensation | - | 2,390,000 |
| Doubtful debts expense | - | 434,932 |
| All other expenses | 1,077,242 | 1,009,875 |
| | <u>2,168,954</u> | <u>4,587,956</u> |

Note 5. Trade and other receivables

| | Consolidated | Consolidated |
|---|---------------------|-------------------------|
| | 30 June 2021 | 31 December 2020 |
| | AUD | AUD |
| Amounts due from customers | 3,301,399 | 3,127,827 |
| Less: Provision for expected credit loss ¹ | (2,281,762) | (2,216,409) |
| Trade receivables | <u>1,019,637</u> | <u>911,418</u> |
| Other receivables | 617,617 | 557,335 |
| Less: Provision for expected credit loss | (305,845) | (297,207) |
| Other receivables | <u>311,772</u> | <u>260,128</u> |

¹ Being increase in expected credit losses based on trade receivables aging as of 30 June 2021.

Note 6. Leases

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

On adoption of *AASB 16*, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of *AASB117 Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2021. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2021 was 8% for China, 6% for Japan and 9% for USA.

Note 6. Leases (continued)

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

| Lease liabilities recognized as at 30 June 2021 | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|--|--|--|
| Current lease liabilities | 236,321 | 209,652 |
| Non-current lease liabilities | 167,381 | 281,983 |
| | 403,702 | 491,635 |

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2020. The right-of-use assets are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis.

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

| Properties | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|--------------------------|--|--|
| Cost | 739,869 | 808,556 |
| Accumulated depreciation | (382,451) | (356,139) |
| Carrying amount | 357,418 | 452,417 |

| Amounts recognised in profit and loss | Consolidated 30 June 2021 AUD | Consolidated 30 June 2020 AUD |
|--|--|--|
| Depreciation expense on right-of-use assets | 108,223 | 168,087 |
| Interest expense on lease liabilities | 18,118 | 30,702 |
| | 126,340 | 198,789 |

Note 7. Intangible Assets

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|---|--|--|
| Capitalised development cost ¹ | 1,181,052 | 1,212,972 |
| Patents ² | 141,077 | 135,893 |
| Software | 350 | 339 |
| | 1,322,478 | 1,349,204 |

¹ The Company has entered into an agreement with the Columbia University, New York to provide US\$1 million funding to a 12-month research program in the field of ArboViroPlex rRT-PCR Test, a multiplex assay that can simultaneously test for Zika virus, all dengue virus serotypes, Chikungunya virus and West Nile virus, under the direction of Professor Walter Ian Lipkin. In return for the research funding support, Columbia University grants the Company an exclusive option to obtain an exclusive, compensation bearing license in the territory of China to the ArboViroPlex rRT-PCR Test patents and inventions and also a non-exclusive, compensation bearing license in the territory of China to the information and materials developed in the course of this research. In April 2019, the Company signed a 20-year exclusive license agreement with the Columbia University to sell the diagnostic kit product on a worldwide basis. The capitalized development cost will be amortised over the 20-year life of the license.

² As requested by the Company, Columbia University has secured the ArboViroPlex rRT-PCR Test patent in six countries namely USA, India, Saudi Arabia, China, Australia and Japan. The patents were paid for by Beroni and the carrying amount of the patents which represents the registration costs of the patent in these countries will be amortised over the 20-year life of the license.

Note 8. Goodwill

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|---|-------------------------------------|---|
| Cost | | |
| Balance at beginning of the period | 1,993,226 | - |
| Recognised on acquisition of a subsidiary | - | 1,993,226 |
| Balance at closing of the period | <u>1,993,226</u> | <u>1,993,226</u> |
| Accumulated impairment losses | | |
| Balance at beginning of the period | - | - |
| Impairment losses for the period | - | - |
| Balance at closing of the period | <u>-</u> | <u>-</u> |
| Carrying amount | | |
| Balance at closing of the period | <u>1,993,226</u> | <u>1,993,226</u> |

The goodwill of \$1,993,226 arising from the Penao acquisition in December 2020 is based on its value in use, estimated using discounted cash flows. The initial accounting of the acquisition of PENAO Pty Ltd is incomplete by the end of 2020. In accordance with AASB 3, the company has 12 months from the date of acquisition to finalise its acquisition accounting. Management believes that materially all of the presently valued goodwill balance will be accounted for as definite-life patents once acquisition accounting is complete, amortised over the expected life of the patent. Management will perform procedures to appropriately allocate the purchase consideration between identified assets and liabilities in 2021.

Note 9. Investment in other entities

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|---|-------------------------------------|---|
| Investment in shares of Dendrix Inc. ¹ | 1,303,007 | 1,303,007 |
| | <u>1,303,007</u> | <u>1,303,007</u> |

¹ Pursuant to a share subscription agreement signed with Dendrix Inc. on 9 April 2018, Beroni acquired 10,000 ordinary shares at an issue price of 20,000 Japanese Yen (JPY) per share, for a total investment of 200 million JPY (approximately A\$2.43 million dollars), representing 17.92% of the total share capital of Dendrix Inc. Dendrix Inc. is a company based in Tokyo, Japan and was established in December 2012 to provide immune cell culture for treatment against malignant tumours. For the fair value assessment of the investment in the shares of Dendrix Inc., please see Note 16.

Note 10. Related party transactions

Balances with related parties

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|--|-------------------------------------|---|
| Amounts due to related parties | | |
| Mr. Boqing Zhang (Director) ¹ | 35,106 | 34,327 |
| NewSouth Innovations ² | - | 293,109 |
| Total amounts due to related parties | <u>35,106</u> | <u>327,436</u> |

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

² This represents the amount of expenses paid on behalf of PENAO Pty Ltd by NewSouth Innovations Pty Ltd.

Note 11. Other Current Liabilities

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|--|-------------------------------------|---|
| Payroll and employee benefits payables | 73,218 | 195,564 |
| Accruals | 251,608 | 282,836 |
| Other liabilities | 300,501 | 154,927 |
| | <u>625,327</u> | <u>633,327</u> |

Note 12. Share capital

| | 30 June 2021 | | 31 December 2020 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Number of shares | AUD | Number of shares | AUD |
| Total ordinary shares fully paid | | | | |
| At the beginning of the period | 75,722,348 | 26,973,167 | 72,972,348 | 24,223,167 |
| Share placements | - | - | 310,000 | 310,000 |
| Shares issued to directors, senior managers and scientists | - | - | 2,390,000 | 2,390,000 |
| Shares issued to financial advisor | - | - | 50,000 | 50,000 |
| Total ordinary shares fully paid | <u>75,722,348</u> | <u>26,973,167</u> | <u>75,722,348</u> | <u>26,973,167</u> |

Note 13. Convertible notes - Equity

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|--|-------------------------------------|---|
| Balance at beginning of the period | 3,879,258 | - |
| Recognition of equity component on issue of convertible notes ¹ | 2,600,000 | 3,879,258 |
| Balance at end of the period | <u>6,479,258</u> | <u>3,879,258</u> |

¹ In May 2021, 20,000 0% USD denominated convertible notes were issued by the Company at an issue price of \$100 per note. Each note entitles the holder to convert to a fixed number of shares by dividing the face value of the note by the conversion price of US\$10 per share. Conversion may occur at any time between the date of issue and the maturity date. The full amount of the convertible notes raised was recognised in equity on the following bases:

- The notes contain a mandatory conversion and there is no contractual obligation for the issuer to pay cash; and
- The notes are convertible into a fixed number of shares.

| | Consolidated 30 June 2021 AUD | Consolidated 31 December 2020 AUD |
|---|-------------------------------------|--|
| Equity component of convertible notes | 7,177,188 | 4,577,188 |
| Transaction costs relating to equity component of convertible notes | (697,930) | (697,930) |
| Amount classified as equity | <u>6,479,258</u> | <u>3,879,258</u> |

Note 14. Key Management Personnel

The directors and company secretary received the following remuneration in the current half year.

| Director | Consolidated 30 June 2021 | Consolidated 30 June 2020 |
|---|--------------------------------------|--------------------------------------|
| | AUD | AUD |
| Boqing ZHANG | 90,000 | 20,000 |
| Hai HUANG | 40,000 | 15,000 |
| Peter Yap Ting WONG | 50,000 | 20,000 |
| Libing GUO | 20,000 | 10,000 |
| Zhinan YIN | 20,000 | 20,000 |
| Nicholas ONG (Company Secretary) ¹ | 18,000 | 18,000 |
| Richard BUCHTA ² | 18,000 | - |
| Tameyuki KAWAGUCHI | - | - |

¹ Appointed as non-executive director on 1 March 2021

² Appointed as non-executive director on 1 July 2020

No fully paid ordinary shares have been issued to the directors, company secretary, senior managers and scientists in the current half year. In July 2021, the Company issued stock options to directors and senior management. The cost of the stock options will be reflected in the second half of 2021.

| Director | Consolidated 30 June 2021 | | Consolidated 30 June 2020 | |
|---------------------|--------------------------------------|---------------------|--------------------------------------|---------------------|
| | No of Shares | Value \$ | No of Shares | Value \$ |
| Boqing ZHANG | - | - | 600,000 | 600,000 |
| Hai HUANG | - | - | 150,000 | 150,000 |
| Peter Yap Ting WONG | - | - | 250,000 | 250,000 |
| Libing GUO | - | - | 130,000 | 130,000 |
| Zhinan YIN | - | - | 60,000 | 60,000 |
| Nicholas ONG | - | - | 100,000 | 100,000 |
| Richard BUCHTA | - | - | - | - |
| Tameyuki KAWAGUCHI | - | - | - | - |

Note 15. Contingencies and commitments

The Group has no contingent liabilities or commitments as at 30 June 2021. (31 December 2020: \$nil) except for the followings:

(a) In June 2019, Beroni signed a shareholder agreement to acquire 40% of the total share capital of PENAO Pty Ltd with NewSouth Innovations Pty Limited (NSI) owning the other 60%. NSI is the subsidiary arm of the University of New South Wales. PENAO Pty Ltd is a company recently set up to take over from Cystemix Pty Ltd the development of the anti-cancer drug called PENAO for treatment of cancer tumours. PENAO Pty Ltd will take over the licensing rights to the new drug. Beroni has so far paid \$2.35 million to NSI for this investment and will pay a further \$7.5 million over the next 2 years to own a total of 60% shares in PENAO Pty Ltd. In the event Beroni is not able to pay the additional \$7.5 million, then PENAO Pty Ltd can issue on the same terms to NSI the shares which were to be issued to Beroni and Beroni will grant NSI an option to purchase all of the shares then held by Beroni for the lesser of and at NSI's sole discretion:

- the price per share paid by a genuine third-party investor for shares in PENAO Pty Ltd; or
- at a 20% discount on the price paid by Beroni for the Beroni Shares

Note 15. Contingencies and commitments (continued)

(b) 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. Subsequently in August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The Chinese subsidiary will continue to file a strong defence. The directors are of the view that no material losses will arise in respect of the legal claim.

Note 16. Fair value measurements of financial instruments

Fair value measurement

At 30 June 2021, the directors and management performed an assessment of reasonably possible changes in key assumptions and had made a fair value assessment of the investments. The fair value gains and losses are recognised in other comprehensive income and accumulated in the investments revaluation reserve.

In estimating the fair value of its investment, the Group considers the three levels of inputs to valuation techniques as follows:

- a. Level 1 inputs are quoted prices in active markets for identical assets that the Group can access at the measurement date
- b. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- c. Level 3 inputs are unobservable inputs for the asset

For the investment in the equity of Dendrix Inc, the Group has used the intellectual properties and net tangible assets value of the entity (based on its financial statements) as the basis for the fair value measurement. The Group has engaged an independent asset valuer to determine the fair value of the intellectual properties. The fair value measurement is shown in the table below. Management believes there is no reasonably possible changes in key inputs that could materially impact the fair value.

| Financial assets/ financial liabilities | Fair value as at 30/06/2021 | Fair value as at 31/12/20 | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|--|---|---|----------------------|---|---|---|
| Private equity investments | 17.92% equity investment in Dendrix Inc, a Japanese company engaged in providing immune cell culture for cancer and anti-aging treatments | 17.92% equity investment in Dendrix Inc, a Japanese company engaged in providing immune cell culture for cancer and anti-aging treatments | Level 3 | Independent valuation of the intellectual properties (cell therapy patents) using discounted cash flows method and tangible assets owned by Dendrix Inc. Key valuation inputs were assessed to be the discount rate, cash flow compound growth rate and financial statements. | Discount rate of 11.40% and cash flow growth rate of 125% were used. Net tangible assets value was based on the latest financial statements. | The value of intellectual properties and tangible assets is a reasonable approximation of the fair value of the share investment. |

Note 16. Fair value measurements of financial instruments (continued)

| | 30 June 2021 | 31 December 2020 | Fair value measurements at end of reporting period | | | Total gain/(loss) |
|---|-----------------|------------------------|---|---|--|----------------------|
| | | | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | |
| Recurring fair value measurements | | | AUD | AUD | AUD | AUD |
| Investment in equity of Dendrix Inc. | 1,303,007 | 1,303,007 | - | - | 1,303,007 | - |

Note 17. Events after the Balance Sheet date

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

(b) 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. Subsequently in August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The Chinese subsidiary will continue to file a strong defence. The directors are of the view that no material losses will arise in respect of the legal claim.

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

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

Note 18. Dividends

There was no dividend paid nor declared during the period.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 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

10 September 2021

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Beroni Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Beroni Group Limited ("the company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2021, 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 half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Conclusion

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

- a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the half-year ended on that date; and
- b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

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

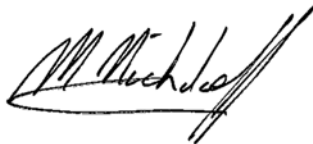
Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its financial performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

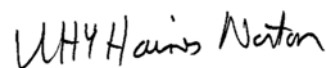


Mark Nicholaeff

Partner

Sydney

Date: 10 September 2021



UHY Haines Norton

Chartered Accountants