



Beroni Group Limited

ABN 20 613 077 526

**APPENDIX 3 AND
INTERIM FINANCIAL REPORT
For the Half Year Ended 30 June 2022**

Beroni Group Limited

ABN 20 613 077 526

Appendix 3

1. Details of the reporting period

Current Period: 1 January 2022 – 30 June 2022 (“HY2022”)

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

2. Results for announcement to the market

Comparison to previous period	HY2022 (AUD)	HY2021 (AUD)	Change %
2.1 Revenue from continuing operations	241,412	531,137	-55%
2.2 Loss from ordinary activities after income tax attributable to members	(3,512,916)	(1,723,908)	104%
2.3 Net loss attributable to members	(3,512,916)	(1,723,908)	104%

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

	30.06.2022	31.12.2021
	Cents	Cents
Net tangible assets per ordinary share	7.74	5.72

Calculation based on ordinary shares issued of 76,638,372 as of 30 June 2022 and 76,618,372 as of 31 December 2021.

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

A new entity based in China, Beroni Pharmaceuticals (Guangdong) Co., Ltd was established during the period, with Beroni owning 80% of its shares.

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 with 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 2022**

Contents

	Page
Directors' report	3
Auditor's independence declaration.....	6
Interim consolidated statement of profit or loss and other comprehensive income	7
Interim consolidated statement of financial position	8
Interim consolidated statement of changes in equity.....	9
Interim consolidated statement of cash flows.....	11
Notes to the interim consolidated financial statements.....	12
Directors' declaration	22
Independent auditor's report.....	23

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 2022 to 30 June 2022.

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)
 Dr Richard BUCHTA (Non-executive Director)
 Nicholas Ong (Non-executive Director)
 Dr John Chiplin (Non-executive Director, appointed 1 April 2022)

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 ending 30 June 2022 ("HY2022") and 30 June 2021 ("HY2021"):

A\$'000	HY2022	HY2021*	Change
Sales revenue	241,412	531,137	-55%
Cost of sales	(92,581)	(68,279)	36%
Gross profit	148,831	462,858	-68%
Other income	159,432	174,811	-9%
Selling and distribution expenses	(155,510)	(136,654)	14%
General and administrative expenses	(3,641,693)	(2,235,184)	63%
Finance expense	(24,817)	(21,278)	17%
Finance income	4,161	3,475	20%
Realised foreign exchange gain/(loss)	63,536	7,960	-
Unrealised foreign exchange gain/(loss)	(166,548)	(66,355)	-
Profit before income tax	(3,612,609)	(1,810,128)	100%
Depreciation and amortisation	209,598	393,155	-47%
Finance expense	24,817	21,278	17%
Finance income	(4,161)	(3,475)	20%
EBITDA	(3,382,355)	(1,399,170)	142%

* The comparative information has been restated to rectify a previous year error. See Note 5 in the Notes to the Interim Consolidated Financial Statements.

(A) Revenue

Sales revenue has decreased by 55% compared to the same period last year. The sales in this period have been significantly affected by the COVID lockdowns in various cities in China which have disrupted supply chains and forced factories to halt operations. As a result, China experienced a sharp slowdown in economic growth in 2022. Although there are signs that China's economy has started to recover in the second half of 2022, the pressure on consumption may persist for a while. Nevertheless, the Company will continue to promote its products and increase its sales despite the challenging economic circumstances in China.

(B) Gross Profit

The gross profit margin has deteriorated from 87% to 62% in this period due to the drop in sales of the health supplements and cosmetic products which are highly profitable with gross margins exceeding 80%.

(C) Other Income

Other income mainly represents an estimated refundable R&D tax incentive of \$153,439 from the Australian government for the PENAO drug development program for the financial year ending 30 June 2022. The R&D tax incentive application has been submitted to the Australian government in August 2022.

(D) Expenses

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

- In July 2021, the Company issued share options to directors and employees instead of shares as in the preceding years. The cost of the share options issued which amounted to \$1,362,735 was reflected in the second half of 2021. In May 2022, the Company varied the milestone parameters of the share options and extended the vesting period by another year. The estimated cost of the share options was revised and an amount of \$1,485,921 was reflected in this financial period
- The increase in allowance for expected credit loss by \$272,769 in the current period. There was no increase in such provision in the previous period.

Dividend

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

Significant Changes in State of Affairs

1. New R&D centre

In January 2022, Beroni signed a contract to build a new Research & Development ("R&D") centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni aspires to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant. The new R&D centre will help the Company develop new drugs and medicines to cater for the vast needs of the Chinese market. The Company will bring professional staff, scientists, technicians, and support teams together into a state-of-the-art hub for innovation and development of the company's future products and services.

2. Acquisition of new subsidiary

A new company, Beroni Pharmaceuticals (Guangdong) Co., Ltd (Beroni Guangdong), was established for the purpose of running the new R&D centre with Beroni owning 80% of the entity's shares and a local investor owning the other 20% shares.

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 claim for RMB1.4 million (approximately A\$280,000) compensation was lodged by the deceased estate of a shareholder in the later part of 2020 against the Chinese subsidiary, Beroni Biotechnology Co., Ltd. The claimant challenged that the share subscription agreement entered into between the Chinese subsidiary and the deceased shareholder in the pre-IPO period before Beroni Group Limited was listed on the National Stock Exchange of Australia was not valid and thereby sought a return of the share subscription money. Beroni Biotechnology Co., Ltd has strongly defended against the claim and provided evidence that the share subscription agreement was valid and effective. In December 2020, the Chinese court issued a judgement dismissing the validity of the claim. After the court ruling, the deceased estate lodged an appeal in February 2021.

In August 2021, the appeal court having considered the case, dismissed the ruling of the first trial and requested a retrial. The retrial was held on 2 June 2022 and subsequently on 4 July 2022, the Chinese court issued a judgement rejecting the claim again and ruling in favour of the Chinese subsidiary. The claimant may nevertheless file a subsequent appeal.

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
12 September 2022

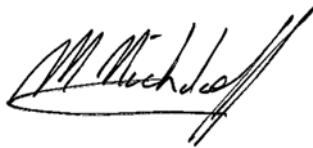
**Auditor's Independence Declaration
Under Section 307C of the Corporations Act 2001**

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 2022, 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.

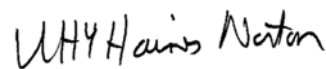


Mark Nicholaeff

Partner

Sydney

Date: 12 September 2022



UHY Haines Norton

Chartered Accountants

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Consolidated Half-year Ended 30.06.2022 AUD	Consolidated Half-year Ended 30.06.2021 AUD Restated *
Revenue			
Sales revenue		241,412	531,137
Cost of sales		(92,581)	(68,279)
Gross profit		148,831	462,858
Other income			
Government subsidy		159,432	174,811
Finance income		4,161	3,475
Selling and distribution expenses	4	(155,510)	(136,654)
General and administration expenses	4	(3,641,693)	(2,235,184)
Finance expense		(24,817)	(21,278)
Unrealised foreign exchange (loss)/gain		(166,548)	(66,355)
Realised foreign exchange gain		63,535	7,960
Profit / (loss) before income tax		(3,612,609)	(1,810,367)
Income tax benefit / (expense)		-	(40,759)
Net loss for the period		(3,612,609)	(1,851,126)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation			
Attributed to Beroni Group parent company		(87,924)	683,310
Attributed to non-controlling interest		(1,366)	-
		(89,290)	683,310
Total comprehensive loss for the period		(3,701,899)	(1,167,816)
Loss for the period is attributable to:			
Owners of Beroni Group Limited		(3,512,916)	(1,723,908)
Non-controlling interest		(99,693)	(127,218)
Total loss for the period		(3,612,609)	(1,851,126)
Total comprehensive loss for the period attributable to:			
Owners of Beroni Group Limited		(3,600,840)	(1,040,598)
Non-controlling interest		(101,059)	(127,218)
Total comprehensive loss for the period		(3,701,899)	(1,167,816)
Cents			
Earnings per share for loss for the period			
Basic loss per share		(4.58)	(2.28)
Diluted loss per share		(4.58)	(2.28)

* The Group has restated the comparative information to rectify a previous year error. See Note 5.

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Consolidated As at 30.06.2022 AUD	Consolidated As at 31.12.2021 AUD
Assets			
Current Assets			
Cash and cash equivalents		4,073,144	5,744,957
Trade receivables	6	1,157,567	1,291,086
Inventories		322,447	316,072
Prepayments and other current assets		512,372	477,844
Other receivables	6	391,474	391,813
Current tax assets		-	-
Total current assets		6,457,004	8,221,772
Non-Current Assets			
Property, plant and equipment	7	739,541	164,849
Right-of-use assets	8	519,961	218,821
Intangible assets	9	3,225,302	3,252,777
Other assets		51,306	51,165
Total non-current assets		4,536,110	3,687,612
Total Assets		10,993,114	11,909,384
Liabilities			
Current Liabilities			
Trade and other payables		72,148	21,598
Payables to related parties	12	-	26,730
Lease liabilities	8	209,995	229,373
Current tax liabilities		6,394	86,657
Convertible notes – liability	13	725,795	2,857,835
Other current liabilities	14	478,132	345,982
Total current liabilities		1,492,464	3,568,175
Non-Current Liabilities			
Lease liabilities	8	343,992	34,260
Other non-current liabilities		-	-
Total non-current liabilities		343,992	34,260
Total Liabilities		1,836,456	3,602,435
Net Assets		9,156,658	8,306,949
Equity			
Issued capital	15	30,786,002	30,766,002
Convertible notes – equity	16	3,010,038	-
Reserves		1,672,875	(274,879)
Retained earnings		(26,717,199)	(23,204,283)
Equity attributable to equity holders of the parent entity		8,751,716	7,836,598
Non-controlling interests		404,942	470,351
Total Equity		9,156,658	8,306,949

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent								
	Issued Capital	Surplus reserve	Revaluation reserve	Share options reserve	Convertible Notes - Equity	Foreign currency translation reserve	Retained earnings	Non- controlling interests	Total
	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD	AUD
Consolidated 2022									
Balance as at 1 January 2022	30,766,002	16,885	(2,431,515)	1,362,735	-	1,326,774	(23,204,283)	470,351	8,306,949
Comprehensive income/(loss) for the period:									
Net loss for the period							(3,512,916)	(99,693)	(3,612,609)
Other comprehensive loss for the period						(87,924)		(1,366)	(89,290)
Total comprehensive loss for the period						(87,924)	(3,512,916)	(101,059)	(3,701,899)
Transactions with owners in their capacity as owners, net of transaction cost									
Ordinary shares issued to directors and employees	20,000								20,000
Investment of new subsidiary								35,650	35,650
Convertible notes – equity component									
Reclassification of convertible notes					3,010,038				3,010,038
Share-based payments				1,485,920					1,485,920
Balance as at 30 June 2022	30,786,002	16,885	(2,431,515)	2,848,655	3,010,038	1,238,850	(26,717,199)	404,942	9,156,658

INTERIM 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	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	
Reclassification of convertible notes from equity to liability (see Note 5)				(2,706,423)		217,774		(2,488,649)	
Restated balance as at 1 January 2021	26,973,167	16,885	(1,128,508)	1,172,835	387,797	(20,540,981)	690,000	7,571,195	
Comprehensive income/(loss) for the period:									
Net loss for the period	-	-	-	-	-	(1,723,908)	(127,218)	(1,851,126)	
Other comprehensive income for the period	-	-	-	-	683,310	-	-	683,310	
Total comprehensive loss for the period	-	-	-	-	683,310	(1,723,908)	(127,218)	(1,167,816)	
Transactions with owners in their capacity as owners, net of transaction cost									
Convertible bond – equity component	-	-	-	2,600,000	-	-	-	2,600,000	
Restated balance as at 30 June 2021	26,973,167	16,885	(1,128,508)	3,772,835	1,071,107	(22,264,889)	562,782	9,003,379	

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

Notes	Consolidated Half-year Ended 30.06.2022 AUD	Consolidated Half-year Ended 30.06.2021 AUD
Cash flows from operating activities:		
Receipts from customers	398,149	591,310
Payments to suppliers and employees	(1,751,984)	(2,332,161)
Interest paid	(15,516)	(18,118)
Income and other taxes paid	(102,050)	(122,767)
Net cash used in operating activities	(1,471,401)	(1,881,736)
Cash flows from financing activities:		
Gross proceeds from issue of convertible notes of the Company	686,512	2,991,692
Transaction costs related to issue of convertible notes		-
Payables to related parties	(34,443)	(6,793)
Principal elements of lease payments	(124,435)	(102,721)
Net cash generated from financing activities	527,634	2,882,178
Cash flows from investing activities:		
Purchase of property, plant and equipment	(672,680)	(1,559)
Investments in other entities		-
Interest received	250	157
Payments for intangible assets	(8,674)	(9,554)
Net cash used in investing activities	(681,104)	(10,956)
Net increase / (decrease) in cash and cash equivalents	(1,624,871)	989,486
Cash and cash equivalents at beginning of the period	5,744,956	4,768,763
Exchange (loss) / gain on cash and cash equivalents	(46,941)	65,482
Cash and cash equivalents at end of the period	4,073,144	5,823,731

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

Notes to the Interim Consolidated 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 2022. The financial statements are presented in Australian dollars, which is the Company’s presentation currency, with all values rounded to the nearest dollar unless otherwise stated.

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

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

Registered office	Principal place of business
Level 16 175 Pitt Street Sydney NSW 2000 Australia	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 12 September 2022.

Note 2. Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 30 June 2022 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 2021 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

New, revised or amended Accounting Standards and Interpretations adopted

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

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

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	
	HY2022 AUD	HY2021 AUD	HY2022 AUD	HY2021 AUD Restated *
Nicobloc	51,716	16,010	21,839	8,593
Health supplements	25,893	297,851	16,913	246,866
Water filters		-		-
Cosmetic products	604	184,989	240	166,873
Viral diagnostic kits		-		-
All others	163,199	32,287	109,839	40,526
Total for all segments	241,412	531,137	148,831	462,858
Other income			159,432	178,286
Unallocated selling and distribution expenses			(155,510)	(136,654)
General and administrative expenses			(3,641,693)	(2,235,184)
Net finance costs			(20,656)	(21,278)
Unrealised foreign exchange gain/(loss)			(166,548)	(66,355)
Realised foreign exchange gain/(loss)			63,535	7,960
Loss before income tax			3,612,609	(1,810,367)

* The Group has restated the comparative information to rectify a previous year error. See Note 5.

Note 3. Segment reporting (continued)

Other segment information

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current half year (HY2021: 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

	HY2022 AUD	HY2021 AUD
China	241,412	531,137

Major customers

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

	HY2022 AUD	HY2021 AUD
China Business Belloni (Tianjin) Technology Co., Ltd	227,447	486,965
Tmall.com Flagship Store	-	44,172
	227,447	531,137

Note 4. Expenses

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

	Consolidated 30 June 2022 AUD	Consolidated 30 June 2021 AUD Restated *
Listing expenses	19,858	85,083
Consultancy fees	72,742	364,894
Wages and salaries	470,273	310,154
Rent expenses	34,304	33,848
R&D expenses	447,760	224,192
Legal fee	31,823	73,541
Share-based payment compensation ¹	1,485,920	-
Depreciation and amortisation	229,598	393,155
Directors' fees	279,822	264,307
Accounting and audit fees	103,281	138,570
Expected credit losses / (reversals) on trade and other receivables ²	272,769	(507,753)
All other expenses	349,053	484,094
	3,797,203	2,371,838

¹ Share-based compensation relates to the share options granted to the directors and employees in July 2021. As the share options were granted in July 2021, the cost of the share options were only reflected in the second half of 2021.

² Being increase in expected credit losses based on trade receivables aging as at 30 June 2022. See Note 6.

* The Group has restated the comparative information to rectify a previous year error. See Note 5.

Note 5. Correction of Prior Year Error

During 2021, the Group discovered that convertible notes had been erroneously classified in equity instead of liabilities in the 2020 financial statements. As a consequence, the related liabilities and issuance expenses have been understated. Convertible notes amounting to \$2,488,649 were incorrectly classified in equity instead of liability in the 2020 financial statements. These convertible notes have been reclassified as part of liability and the related issuance costs of \$217,774 which were previously offset against equity were charged to the profit and loss.

Note 6. Trade and other receivables

	Consolidated 30 June 2022 AUD	Consolidated 31 December 2021 AUD
Amounts due from customers	3,311,005	3,164,760
Less: Provision for expected credit loss ¹	(2,153,438)	(1,873,674)
Trade receivables	<u>1,157,567</u>	<u>1,291,086</u>
Receivable from Youtokukai Fund ²	1,224,868	1,224,868
Less: Provision for expected credit loss	(1,224,868)	(1,224,868)
Net receivable from Youtokukai Fund	<u>-</u>	<u>-</u>
Other receivables	680,089	679,786
Less: Provision for expected credit loss	(288,615)	(287,973)
Other receivables	<u>391,474</u>	<u>391,813</u>

¹ Being increase in expected credit losses based on trade receivables aging at 30 June 2022.

² On 18 June 2018, the Company invested JPY100 million (A\$1.22 million) into a capital fund, the Youtokukai Fund which was set up to fund the establishment and development of the Tokyo Ginza International Medical Clinic to be operated by Youtokukai, a medical group based in Japan specialising in regenerative medicine technology such as gene therapy, immune cell therapy, and stem cell therapy. The Medical Clinic is wholly owned by Youtokukai. For this investment, Beroni Group was to receive a monthly dividend from January 2019 onwards based on the operating surplus of the business and its share of the total investment in this joint venture. The investment can be fully redeemed after 30 June 2021. However, due to the investment terms not being met by Youtokukai Fund, Beroni has decided to withdraw from this investment and is now seeking a refund for the full payment. But in view of the uncertainty of recovery and market condition in Japan, Beroni has decided to make a 100% credit loss provision against the debt. Any subsequent repayments received from Youtokukai will be taken as a reversal of expected credit loss provision.

Note 7. Property, plant & equipment

	Consolidated 30 June 2022 AUD	Consolidated 31 December 2021 AUD
Property, plant & equipment ¹	739,541	164,849

¹ Included in property, plant & equipment in this financial period is the construction work in progress cost of \$620,612 relating to the renovation of the new R&D office in Zhuhai, China. The renovation is expected to be completed by end of 2022. See Note 10.

Note 8. 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 AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at the date of adoption of AASB 16 or the commencement date of the lease, whichever is earlier. The group's incremental borrowing rates for its existing leases as determined at lease inception was 8% for China, 6% for Japan and 9% for USA.

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

Included in this financial period is the new lease entered into by the new subsidiary, Beroni Pharmaceuticals (Guangdong) Co., Ltd with the local government entity, Huafa Industrial Park for the new R&D centre. The lease commenced on 1 May 2022 with a total leased area of 1,880 square metres. The first 2 years are rent free, the third year is 50% discounted with monthly rental of RMB 39,480 (approximately A\$8,600), and the last 2 years is 10% discounted with monthly rental of RMB71,064 (approximately A\$15,500).

Lease liabilities recognized as at 30 June 2021	Consolidated 30 June 2022 AUD	Consolidated 31 December 2021 AUD
Current lease liabilities	209,995	229,373
Non-current lease liabilities	343,992	34,260
	553,987	263,633

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 the date when the lease liability was initially recognised. 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 2022 AUD	Consolidated 31 December 2021 AUD
Cost	1,275,336	808,556
Accumulated depreciation	(755,375)	(589,735)
Carrying amount	519,961	218,821

Amounts recognised in profit and loss	Consolidated 30 June 2022 AUD	Consolidated 30 June 2021 AUD
Depreciation expense on right-of-use assets	128,785	222,833
Interest expense on lease liabilities	12,550	33,011
	141,335	255,894

Note 9. Intangible assets

	Consolidated 30 June 2022	Consolidated 31 December 2021
	AUD	AUD
PENAO patent ¹	1,993,226	1,993,226
Capitalised development cost ²	1,116,682	1,148,602
Patents	115,027	110,580
Software	368	368
	3,225,303	3,252,776

¹ 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. During 2021, the Group finalised its measurement period adjustments allowed under AASB 3. The net result of these adjustments was to transfer the recognised goodwill in full to other intangible assets. As this asset is not yet ready for use, no amortisation was noted as of 30 June 2022. The recoverable amount of the patents owned by the PENAO company was based on the fair value of the commercialisation of the cancer drug upon successful completion of the clinical trials, estimated using discounted cash flows. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used. The Group has engaged an independent business valuation expert, Leadenhall, to determine the fair value of the PENAO patents.

² 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.

Note 10. Acquisition of subsidiary

BERONI PHARMACEUTICALS (GUANGDONG) CO., LTD.

In January 2022, Beroni signed a contract to build a new Research & Development (“R&D”) centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni aspires to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant. The new R&D centre will help the Company develop new drugs and medicines to cater for the vast needs of the Chinese market.

A new company, Beroni Pharmaceuticals (Guangdong) Co., Ltd (Beroni Guangdong), was established for this new venture with Beroni owning 80% of the entity’s shares and a local investor owning the other 20% shares. The Company will bring professional staff, scientists, technicians, and support teams together into a state-of-the-art hub for innovation and development of the company’s future products and services.

The issued share capital of the Chinese company is RMB791,513 or \$169,808. The assets and liabilities recognized as a result of the acquisition are as follows:

	AUD
Cash	135,847
Receivables	33,961
Total net assets	169,808
Non-controlling interest in 20% of Beroni Guangdong	(33,961)
Net assets acquired	135,847
	AUD
Purchase consideration:	
Cash paid by Beroni Group	135,847
Total purchase consideration	135,847

Beroni Guangdong contributed \$18,215 loss to the Group’s profit or loss for the year between the date of acquisition and the reporting date. The loss is due to administrative and set-up expenses incurred by the new subsidiary company.

Note 11. Share-based compensation benefits

	HY2022 AUD	HY2021 AUD
Share-based compensation benefits recognised during the financial period		
Options issued to directors and employees (see ESOP note below)	1,485,920	-*

* The new options issued to directors and employees in 2021 were only completed in July 2021, after the end of the previous half year reporting.

Employee share options plan (ESOP)

The Beroni Group Limited's ESOP was approved on 1 July 2021. The ESOP provides flexibility to the Board to grant options to Directors and Employees. The definition of employee under the Plan Rules includes any full time or permanent part time employee or officer or director of the Company or any related body corporate of the Company.

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

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

Note 12. Related party transactions

Balances with related parties

	Consolidated 30 June 2022 AUD	Consolidated 31 December 2021 AUD
Amounts due to related parties		
Mr. Boqing Zhang (Director) ¹	-	26,730

¹. This represents the loan to Beroni HK by Mr. Boqing Zhang for payment of general & administration expenses before Beroni Hong Kong Limited was able to open its bank accounts. The loan was repaid to Mr Zhang in this financial period.

Note 13. Convertible notes - liability

	Consolidated 30 June 2022 AUD	Consolidated 31 December 2021 AUD
Balance at beginning of the period	2,857,835	2,488,649
Issue of new convertible notes ¹	711,450	-
Unwinding of amortised transaction costs relating to issue of convertible notes	-	202,884
Exchange (gain) / loss on translation of USD denominated convertible notes	166,548	166,302
Recognition of equity component on variation of convertible notes ²	(3,010,038)	-
Balance at end of the period	725,795	2,857,835

Note 13. Convertible notes – liability (continued)

¹ On 31 January 2022, 5,000 0% USD denominated convertible notes were issued by the Company to a Chinese investor at an issue price of \$100 per note. Each note entitles the holder to convert to a fixed number of shares by dividing the face value of the note by the conversion price of US\$7 per share. Conversion may occur at any time between the date of issue and the maturity date. The maturity date is one year and upon maturity, the Company must convert all convertible notes which are not yet converted to shares. The conversion price for the convertible notes has a price protection that if, upon the listing of the Company on the Nasdaq Stock Market or the New York Stock Exchange, the initial public offering price is lower than the US\$7 conversion price, then the Company must issue such number of additional shares to the investor that would have been issued if the convertible notes were issued at the initial public offering price instead of the conversion price.

² See Note 16.

Note 14. Other current liabilities

	Consolidated 30 June 2022	Consolidated 31 December 2021
	AUD	AUD
Payroll and employee benefits payables	81,740	63,791
Accruals	83,413	110,617
Other liabilities	312,979	171,574
	478,132	345,982

Note 15. Share capital

	30 June 2022		31 December 2021	
	Number of shares	AUD	Number of shares	AUD
Total ordinary shares fully paid				
At the beginning of the period	76,618,372	30,766,002	75,722,348	26,973,167
Conversion of convertible notes	-	-	746,024	3,642,835
Share placements	-	-	-	-
Shares issued to directors and employees	-	-	-	-
Shares issued to service providers	20,000	20,000	150,000	150,000
Shares issued to financial advisor	-	-	-	-
Total ordinary shares fully paid	76,638,372	30,786,002	76,618,372	30,766,002

Note 16. Convertible notes – equity

	Consolidated 30 June 2022	Consolidated 31 December 2021
	AUD	AUD
Balance at beginning of the period	-	-
Recognition of equity on change of redemption term of existing convertible notes ¹	3,010,038	-
Balance at end of the period	3,010,038	-

¹ In May 2020, 20,736 0% USD denominated convertible notes were issued by the Company to an investor at an issue price of \$100 per note. Each note entitles the holder to convert to a fixed number of shares by dividing the face value of the note by the conversion price of US\$1.728 per share. Conversion may occur at any time between the date of issue and the maturity date. The maturity date was initially set at May 2021 but was later extended to May 2022. The net proceeds received from the issue of these convertible notes were initially recognised in liability in the previous financial period as the investor could redeem the convertible notes upon maturity.

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

This is in accordance with AASB 132 Financial Instruments whereby a convertible note can be classified as equity if the noteholder does not have the right to redeem in cash and must convert to a fixed number of shares upon maturity.

Note 17. Key Management Personnel

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

Director	Consolidated 30 June 2022	Consolidated 30 June 2021
	AUD	AUD
Boqing ZHANG	90,000	90,000
Hai HUANG	40,000	40,000
Peter Yap Ting WONG	60,000	60,000
Libing GUO	20,000	20,000
Zhinan YIN	20,000	20,000
Richard BUCHTA	18,000	18,000
Nicholas ONG (Company Secretary) ¹	18,000	12,000
John CHIPLIN ²	12,855	-

¹ Appointed as non-executive director on 1 March 2021

² Appointed as non-executive director on 1 April 2022 with a salary of US\$3,000 per month

In July 2021, the Company issued stock options to directors and senior management. Please see further information in Note 11. The number of stock options currently held by the directors are as follows.

Director	No. of Stock Options Held 30 June 2022	No. of Stock Options Held 31 December 2021
	Boqing ZHANG	6,000,000
Hai HUANG	1,500,000	1,500,000
Peter Yap Ting WONG	3,000,000	3,000,000
Libing GUO	950,000	950,000
Zhinan YIN	600,000	600,000
Nicholas ONG	600,000	600,000
Richard BUCHTA	600,000	600,000
John CHIPLIN	-	-

Note 18. Contingencies and commitments

The Group has no contingent liabilities or commitments as at 30 June 2022. (31 December 2021: \$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. In December 2020, Beroni and NSI agreed to vary the original shareholding agreement whereby through the issuance of shares and convertible notes, Beroni and NSI owns 60% and 40% respectively of the share capital of PENAO Pty Ltd. Under the shareholding variation agreement, when new shares are issued to Beroni and NSI upon additional payments from the former, convertible notes will also be issued to NSI which will automatically be converted to shares upon the occurrence of key milestone events.

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. 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 the following and at NSI's sole discretion:

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

Note 18. Contingencies and commitments (continued)

- (b) In June 2018, Beroni entered into a binding agreement to acquire 100% of Medicine Plus Co., Ltd (“Medicine Plus”), a pharmaceutical company based in Osaka, Japan for JPY1.178 billion (about A\$14.37 million) via a combination of cash and shares. In October 2018, Beroni issued 2,067,900 shares at \$1.75 to the owners of Medicine Plus as partial settlement for the acquisition of the latter company. The original settlement price of \$14.37 million agreed in June 2018 was increased by 10% to approximately \$15.81 million in October 2018 as a result of the owners of Medicine Plus agreeing to extend the settlement date to April 2019. However, the cash portion of the settlement has yet to be completed and Beroni management still intends to raise cash from the capital markets to complete this acquisition. Due to the long delay in the settlement, the cost of the shares issued to the owners of Medicine Plus has been recognised as an expense in the income statement in the 2019 financial year. In the event that the acquisition can be completed, the shares expense will be reversed accordingly. Beroni has no other financial commitments in respect of this acquisition.
- (c) In January 2022, Beroni signed a contract to build a new Research & Development (“R&D”) centre in the Zhuhai National High-Tech Industrial Development Zone in China. Beroni plans to build a state-of-the-art facility with new preclinical research labs, manufacturing process development labs, and a GMP pilot manufacturing plant. The Company signed a renovation contract for RMB5.2 million (A\$1.13 million) with a local builder to renovate the whole R&D office. The renovation is expected to be completed at the end of 2022. As at 30 June 2022, the Company has paid 60% payment of RMB3.12 million (60%) to the builder, with another 20% payment of RMB1.04 million due in October 2022 and the remaining 20% of RMB1.04 million to be settled 3 months upon completion.

Note 19. Events after the Balance Sheet date

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 retrial was held on 2 June 2022 and later on 4 July 2022, the Chinese court issued a judgement rejecting the claim again and ruling in favour of the Chinese subsidiary. The claimant may nevertheless file a subsequent appeal.

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

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

Note 19. Dividends

There was no dividend paid nor declared during the period.

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard *AASB 134 'Interim Financial Reporting'*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2022 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

12 September 2022

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of Beroni Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Beroni Group Limited ("the company") and its subsidiaries ("the Group"), which comprises the consolidated statement of financial position as at 30 June 2022, 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 2022 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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.

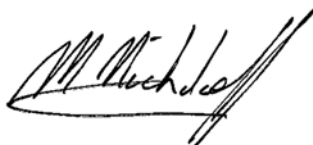
Auditor's Responsibility

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 2022 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*.

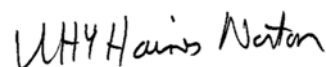


Mark Nicholaeff

Partner

Sydney

Date: 12 September 2022



UHY Haines Norton

Chartered Accountants