



TBG DIAGNOSTICS LIMITED
ABN: 82 010 975 612

REISSUED FINANCIAL REPORT

FOR THE YEAR ENDED
31 DECEMBER 2020

DIRECTORS' REPORT

Your directors present their report on the consolidated entity consisting of TBG Diagnostics (referred to as 'TDL or 'the Company') ABN 82 010 975 612 and the entities it controlled (referred to as 'the Group') during the year ended 31 December 2020.

This reissued directors' report has been revised and reissued as a result of the re-issuance of the consolidated financial report as described in Note 1.

1. Directors

The names of the company's directors in office during the year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Mr Jitto Arulampalam	(Executive Chairman)
Dr Stanley Chang	(Non-Executive Director)
Ms Emily Lee	(Non-Executive Director)
Mr Hsi-Kai (C.K.) Wang	(Non-Executive Director), resigned 22 March 2021
Mr Bing-Cheng Liu	(Non-Executive Director), appointed 22 March 2021

2. Dividends

No dividends have been paid or declared during the period and the directors do not recommend the payment of a dividend for the year ended 31 December 2020 (31 December 2019: Nil).

3. Results and Review of Operations

Company Overview

The principal activities of TBG Diagnostics Limited during the period were focused on the research and development, manufacturing, sales and marketing and services of Molecular Diagnostics (MDx) products, including assays and instruments.

The Company's objective is to become one of the leading molecular diagnostics (MDx) companies in Asia and particularly in China. Due to its unparalleled performance in immune matching ability, molecular diagnostics is becoming an essential tool in helping the clinician with critical transplant decisions. TDL is continually pushing to the forefront of molecular testing for diagnostics. From the extraction of nucleic acids, amplification and detection of infectious diseases, genotyping and viral load testing, TDL is committed to expanding the applications of our core technology.

Operating and Financial Review

Operating Results for the Year

To be read in conjunction with the attached Financial Report.

The consolidated operating result for the period ended 31 December 2020 was a net loss of \$3,548,975, being a decrease of 672.3% over the 31 December 2019 net profit of \$620,137.

The significant decrease is due to prior year's gain on discontinued operations relating to the disposal of the China group, TBG Biotechnology (Xiamen) Inc and its subsidiaries ("TBG Xiamen"). This is in spite of the impairment loss recognised associated to the equity accounted investment.

Prior year's results also included income pertaining to the early settlement of the deferred consideration of PG500 assets that were sold in 2016.

Excluding discontinued operations and the associated impairment in prior year, decrease in net loss would have been \$784,363 from prior year.

3. Results and Review of Operations (cont'd)

Operating Results for the Year (cont'd)

The following table summarises the consolidated results:

		12 months ended	12 months ended
		31 Dec 2020	31 Dec 2019
	% Change	\$	\$
Revenue	37.7	4,605,983	3,345,592
Cost of Sales	136.9	(1,948,907)	(822,621)
Other income	267.3	590,858	160,863
Administrative and corporate expenses	54.0	(2,956,946)	(1,920,531)
Research and development expenses	17.3	(2,416,976)	(2,060,896)
Selling expenses	(18.0)	(564,846)	(688,417)
Share of net losses of associates	(72.7)	(641,952)	(2,347,328)
Impairment loss	(96.9)	(216,189)	(6,888,651)
Gain on discontinued operations	(100.0)	-	11,842,126
Net profit (loss)	(672.3)	(3,548,975)	620,137

Earnings/ (Loss) per Share and Net Tangible Assets per Share

		12 months ended	12 months ended
		31 Dec 2020	31 Dec 2019
	% Change	\$	\$
Basic and diluted earnings (loss) per share	(672.3)	(1.6)	0.3
Net tangible assets per share*	(54.2)	2.7	5.9

* Includes right-of-use assets

Management Discussion and Analysis

Revenue and Other Income

Total revenues earned during the year increased 37.7% to \$4,605,983 in 31 December 2020 (2019: \$3,345,592) due to increase in sales revenues from existing customers. Additionally, sales from COVID-19 test kits also contributed to the positive result consisting 29% of total revenues. Related party sales to the parent, Medigen Biotechnology Corp. amounted to \$1,775,066 (2019: \$448,616). Related party sales to the group's investee company, TBG Xiamen, amounted to \$689,114 (2019: \$866,436). Total related party sales composed 53.5% (2019: 39.3%) of total revenues.

Other income increased 267.3% to \$590,858 (2019: \$160,863) mainly due to recovery of accounts previously impaired. During 2020, the parent entity also received 2,500,000 Zucero ordinary shares as described in note 2, with an attributed fair value at \$153,695. Furthermore, the parent company in Australia received an income of \$54,960 relating to cash flow boost incentive that are granted by the Australian government to eligible businesses during the economic downturn associated with COVID-19.

		12 months ended	12 months ended
		31 Dec 2020	31 Dec 2019
	% Change	\$	\$
Revenue and other income			
Sales revenue	41.6%	4,341,730	3,066,839
Technical services revenue	(5.2%)	264,253	278,753
Interest and other income	267.3%	590,858	160,863
Total revenue and other income	48.2%	5,196,841	3,506,455

3. Results and Review of Operations (cont'd)

Management Discussion and Analysis (cont'd)

Research and Development (R&D) Expenses

Research and development expenditure increased 17.3% to \$2,416,976 (2019: \$2,060,896) during the year ended 31 December 2020.

During the year, the group incurred product development and registration costs in relation to its COVID-19 diagnostics products as a pro-active response to the increasing need to prevent the spread of coronavirus which was described by the World Health Organisation (WHO) as global pandemic. The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company has considered this as an opportunity and has taken significant steps to gain competitive advantage for the introduction of its Covid-19 test products.

During the year, the Group have obtained the following product certifications and approvals:

- (i) ChangYe Medical Laboratory Corp (“ChangYe”) approved as a designated testing lab for coronavirus, ChangYe is a subsidiary of TBG Xiamen. The Company has a 48.23% interest in TBG Xiamen.
- (ii) CE Mark approval of TBG Xiamen’s COVID-19 Virus Diagnostic Kit.
- (iii) TBG Biotechnology Corp. (“TBG Taiwan”) has received CE Mark approval of COVID-19 Nucleic Acid and Antibody Rapid Test Kits.
- (iv) TBG Taiwan has received US FDA Emergency Use Authorisation (EUA) for its COVID-19 nucleic acid test kits.
- (v) TBG Taiwan has received Taiwan Ministry of Health and Welfare Emergency Use Authorization (EUA) of the COVID-19 Nucleic Acid Test Kits.
- (vi) TBG Taiwan has received US FDA Emergency Use Authorisation (EUA) of its COVID-19 Antibody Rapid Test Kits.
- (vii) TBG Xiamen has received CE Mark approval for its SARS-CoV-2 Antigen Rapid Test.

In addition to HLA NGS products, the group is also currently developing immune function related genetic marker, Killer cell Inhibitor Receptor (KRI) to assess and monitor the efficacy of adoptive Natural Killer (NK) using multiple diagnostic platforms including SSP, real-time PCR, SBT and NGS.

TDL is continuously focused on the development of molecular diagnostics in Immunogenetics. Based on multiplex Polymerase Chain Reaction (PCR) technology, the Group is also developing products for infectious disease diagnostics.

The primary activities of the R&D division during the year pertained to the development of various detection kits for various diseases which are as follows:

Transplantation

Clinical studies have clearly shown that HLA gene matching between the donor and recipients of organs and stem cell transplants are key prognostic markers of the transplant success rate including immediate rejection as well as long term survival of the transplanted organ/cell. The applications of HLA genotyping not only includes the traditional donor matching against transplant recipients, but also to establish a global database of HLA typed donors from healthy blood donors or donated cord bloods, determine potential adverse drug reactions, and lastly, the diagnostic of specific autoimmune diseases. IVD products are currently provided for both LOW and HIGH resolutions.

Blood Safety

Once blood has been collected by the blood bank, every unit of blood must be screened for the presence of specific pathogenic microorganisms. While each blood centre across the globe has adopted different screening protocols, most of them will screen for Hepatitis B virus (HBV), Hepatitis C virus (HCV), and Human Immunodeficiency Virus (HIV).

Oncology

Molecular diagnostics in the field of oncology are now growing rapidly. Oncology tests can be used for many different indications, including screening to identify patients at risk of developing cancer, screening for early detection of cancer, determining prognosis, predicting response to therapy and monitoring patients both during and after treatment.

3. Results and Review of Operations (cont'd)

Management Discussion and Analysis (cont'd)

Research and Development (R&D) Expenses (cont'd)

Infectious Disease

Molecular diagnostics for infectious diseases have been widely used and it is currently the largest application for molecular diagnostics. The driving force behind future infectious IVD testing market expansion will be the detection of hospital acquired infection, sexually transmitted diseases and human papilloma virus (HPV).

Hereditary Genetics Testing

Genetic testing identifies specific inherited changes in a person's chromosomes, genes, or proteins. Genetic mutations can have harmful, beneficial, no effect, or cause uncertain effects on health. Genetic testing can confirm whether a condition is, indeed, the result of an inherited syndrome. Genetic testing is also performed to determine whether family members without obvious illness have inherited the same mutation as a family member who is known to carry a disease-associated mutation. TDL currently provide HLA B27 IVD products for Ankylosing Spondylitis as well as HLA-DQB IVD Products for Celiac and Narcolepsy.

A total solution

In order to provide a "sample to answer" workflow, TDL is also developing a fully integrated automation system based on Real Time PCR technology. Built upon this system, we aim to advance efficiency and accelerate results, ultimately improving the quality of products, reducing laboratory costs, and operator safety.

COVID-19 Pandemic

In December of 2019, a novel corona virus was first identified in Wuhan, China and later referred to as COVID-19. Within the first 3 months of 2020, COVID-19 has spread worldwide and caused a pandemic with over 1 million infected and 50,000 deaths. Without any vaccine or effective treatment, the only way to contain this pandemic is by viral screening and isolation. Countries that have successfully contained the virus have demonstrated that massive viral screening is the key to effective containment. The most common technology for massive viral screening is by RNA based real time PCR. In response, TDL had utilized its prior experience in viral IVD and produced RNA based testing kits against COVID-19. With TDL's supply chain in both China and Taiwan, TDL will be able to offer a stable supply of COVID-19 products globally.

Selling expenses

Selling expenses decreased 18% to \$564,846 (2019: \$688,417). During the year, promotional campaigns and related marketing travel plans were either put on hold or cancelled due to the impact of COVID-19.

Administrative and Corporate Expenses

Administrative and corporate expenses increased 54% to \$2,956,946 (2019: \$1,920,531) primarily due to increased audit, legal and management consultancy fees mainly incurred by the parent entity.

Gain / (Loss) on Discontinued Operations

There were no gains or losses on discontinued operations during the period.

In prior year, gain on discontinued operations of \$11,842,126 pertained to income of \$5,999,000 applicable to the full settlement of the deferred receivable relating to the PG500 assets that were sold in 2016. The prior year disposal of its subsidiary in China, TBG Xiamen, resulted to a gain of \$5,843,126.

Refer to *note 5* for details.

Impairment loss

At 31 December 2020, impairment loss of \$216,189 (2019: \$6,888,651) was recognised in relation to certain receivables and investment. In 2019 prior year, impairment loss pertained to the equity accounted investment in TBG Xiamen and related receivables as the recoverable amounts were determined to be significantly lower than their carrying amounts.

3. Results and Review of Operations (cont'd)

Liquidity and Cash Resources

The Group ended the financial year with cash and cash equivalents totalling \$3,777,188 compared with \$5,205,131 at 31 December 2019. Cash of \$3,391,511 was disbursed during the year to fund consolidated net operating activities, compared to \$2,323,704 in 2019. Bulk of expenditures pertained to oncology costs relating to current products and products under new development of the research and development activities in Taiwan including Covid-19 testing kits.

During the year, the Company disbursed \$11,112,601 to fund its normal operations whilst collected \$7,687,939 from its trade customers. The parent company in Australia received an income of \$54,960 relating to cash flow boost incentive that are granted by the Australian government to eligible businesses during the economic downturn associated with COVID-19.

In prior year, the Company received a total of \$1.9 million from Zucero Therapeutics Ltd as the full and final settlement of the receivable from the sale of PG500 assets (note 5 (ii)).

Cash outflows from investing activities amounted to \$287,391 (2019: \$729,875), of which \$212,391 was used for the purchase of testing and machinery equipment in Taiwan and \$75,000 was used for the acquisition of investment (note 14).

In prior year, the Group had cash outflows of \$327,534 resulting from the disposal of its subsidiary in China, TBG Xiamen. Following its disposal, the Group invested an additional \$2.1 million (US\$ 1.430 million) via participation of rights issue resulting to a change of its shareholding in TBG Xiamen to 48.23%.

Cash outflows from financing activities amounted to \$2,091,718 (2019: \$767,545), of which \$205,946 pertained to payment of office leases.

During the year, the Group obtained total short-term bank loans of \$4,852,050 to finance its operational activities in Taiwan of which \$2,554,386 has been paid. At 31 December 2020, total short-term and long-term bank borrowings amounted to \$3,221,864. These short-term loans are payable within six (6) to twelve (12) months whilst long-term loan is payable within three (3) years. These borrowings were made to finance operational needs of the subsidiaries.

Cash and cash equivalents at 31 December 2020 were represented by a mix of highly liquid interest-bearing investments with maturities of up to 90 days and deposits on call.

Funding Requirements

The Group expects to incur substantial future expenditure in light of its research and development programs, manufacturing facility expansion and sales growth plans.

At present, the Group is undertaking to continue product development and the manufacture of its wide range of molecular diagnostics products and an integrated automated clinical system. Prior to product commercialisation, the Group needs to secure clinical trials and obtain regulatory approvals of its developed products and continually build its competitive advantage to achieve its growth plans. Significant cash requirements are required to achieve these objectives.

Future cash requirements will depend on a number of factors, including the scope and results of nonclinical studies and clinical trials, continued progress of research and development programs, the company's out-licensing activities, the ability to generate positive cash flow from the molecular diagnostics (MDx) business, the ability to generate revenues from the commercialisation of drug development efforts and the availability of other funding.

The Company estimates that the current cash and cash equivalents are sufficient to fund its on-going operations for at least 22 months from the date of this report. This is based on the assumption of continued support from the Groups' financiers but excludes capital requirements outside of normal operating activities.

In light of the continuing merger and acquisition strategies, the Group is also looking further at various funding arrangements to finance any potential acquisition requirements, and to expand its cash reserves and capital resources.

4. Significant Changes in the State of Affairs

(a) Group's strategy in response to the impact of coronavirus pandemic

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. Because of the rapid increase in exposure globally, on 11 March 2020, the WHO classified the COVID-19 outbreak as a pandemic. The full impact of the COVID-19 outbreak continues to evolve at the date of this report. The Company is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020.

4. Significant Changes in the State of Affairs (cont'd)

(a) Group's strategy in response to the impact of coronavirus pandemic (cont'd)

However, the Group considered this situation as an opportunity and utilised its technology advantage and expertise in the production of RNA based testing kits against COVID-19. The Group has developed Nucleic Acid and Antibody Rapid Test Kits, ExProbe™ SARS-CoV-2 Testing Kit and SARS-CoV-2 IgG/IgM Rapid Test Kit, of which have received CE Mark, approvals and registrations in selected countries.

The following related events took place during year ended 31 December 2020.

(i) ChangYe approved as a designated testing lab for coronavirus

On 27 February 2020, the Group announced that Changsha ChangYe Medical Laboratory Corp. ("ChangYe"), a subsidiary of the Group's investee company TBG Xiamen, has been approved by the Health Competent Authority of the Province of Hunan (China) as a designated testing lab for COVID-19 among other labs. As a designated lab, currently considerable samples from all over Hunan Province have been sent to ChangYe Medical Laboratories for analysis service, mainly from hospitals and corporate clients whose employees have to be screened.

(ii) CE Mark approval of TBG Xiamen's COVID-19 Virus Diagnostic Kit

On 18 March 2020, the Group's investee company TBG Xiamen, a China based molecular diagnostics company, has received the CE Mark approval for its COVID-19 Nucleic Acid Diagnostics Kit. CE Mark certification indicates that the COVID-19 Nucleic Acid Diagnostics Kit meets the essential health, safety, and environmental protection requirements of the applicable European regulations to allow the sale of the kit throughout the European Economic Area. This RNA based diagnostic kit uses real time PCR technology platform with 3 colour labelling to detect distinctive segments within RDRP, N and E genes of the SARS-CoV-2 virus.

Subsequently on 6 April 2020, the Group has been advised that the Chinese Government has now banned the export of all COVID-19 diagnostics kits that have not obtained the required China medical device product registration certification. TBG Xiamen's COVID-19 Virus Diagnostic Kits do not currently have China medical device product registration certification required under the new export requirements as recently announced by the Chinese Government, therefore TBG Xiamen is currently unable to sell and export their COVID-19 Nucleic Acid Diagnostics Kits from China. Without the China medical device product registration certification, TBG Xiamen is also currently unable to sell their COVID-19 Nucleic Acid Diagnostics Kits within China. While TBG Xiamen has received interest from several buyers, in light of these new restrictions no COVID-19 Nucleic Acid Diagnostics Kits will be exported or sold while these restrictions remain in place or until TBG Xiamen receives the required certifications for sale and export. TBG Xiamen intends to apply for the relevant regulatory approvals to allow for the sale and distribution of the COVID-19 Nucleic Acid Diagnostics Kits to regions within Europe and Asia as well as the USA.

On 5 May 2020, the Group further received notification from TBG Xiamen that the Chinese Department of Commerce has lifted these bans restricting the exportation of TBG Xiamen's CE Marked COVID-19 Nucleic Acid Test Kits. Following the lift of the export ban the COVID-19 Nucleic Acid Test Kits are now able to be exported from China for sale throughout the European Economic Area subject to individual countries accepting import of the test kits.

(iii) TBG Biotechnology Corp ("TBG Taiwan") received CE Mark approval of COVID-19 Nucleic Acid and Antibody Rapid Test Kits

On 21 May 2020, the Group announced that its wholly owned subsidiary TBG Biotechnology Corp. ("TBG Taiwan") has received the CE Mark approval for its ExProbe™ SARS-CoV-2 Testing Kit and SARS-CoV-2 IgG / IgM Rapid Test Kit.

CE Mark certification indicates that the ExProbe™ SARS-CoV-2 Testing Kit and SARS-CoV-2 IgG / IgM Rapid Test Kit meet the essential health, safety, and environmental protection requirements of the applicable European regulations to allow the sale of the kit throughout the European Economic Area as well as any country that accepts CE-mark, subject to satisfying regulatory requirements and obtaining import permits for individual countries. Both tests are manufactured by TBG Biotechnology Corp. in Taiwan and will be exported from Taiwan subject to meeting the regulatory requirements of the destination country. The ExProbe™ SARS-CoV-2 Testing Kit is a RNA based diagnostic kit that uses real time PCR technology with multiplex design to detect distinctive segments within RdRP, N and E genes of the SARS-CoV-2 virus in a single reaction. It is commonly used to confirm active infection of the SARS-CoV-2 virus. The SARS-CoV-2 IgG / IgM Rapid Test Kit test is a lateral flow assay that is able to detect IgG and IgM antibodies against specific protein epitopes on the N and S proteins of the SARS-CoV-2. The Company expects the test to take 15 minutes to complete and detect the presence of SARS-CoV-2 specific IgM and IgG antibodies in the blood, serum and plasma. IgM and IgG antibodies usually generated in the body 7-10 days after SARS-CoV-2 infection and can last for weeks. This test is often used to confirm if a person has been infected with the COVID-19 virus. This rapid test uses droplet of blood, serum or plasma as testing sample.

4. Significant Changes in the State of Affairs (cont'd)

(a) Group's responses to the impact of coronavirus pandemic (cont'd)

Together, these two test products are expected to be able to confirm symptomatic individuals with an active SARS-CoV-2 viral infection and those who have been infected by SARS-CoV-2 and generated a specific antibody response.

(iv) TBG Taiwan receives US FDA Emergency Use Authorisation (EUA) for its COVID-19 nucleic acid test kits

On 12 June 2020, TBG Taiwan has received an Emergency Use Authorisation (EUA) from the United States Food and Drug Administration (FDA) for its ExProbe™ SARS-CoV-2 Testing Kit. The ExProbe™ SARS-CoV-2 Testing Kit is a RNA based diagnostic kit that uses real time PCR technology with multiplex design to detect distinctive segments within RdRP, N and E genes of the SARS-CoV-2 virus in a single reaction. It is commonly used to confirm active infection of the SARS-CoV-2 virus from a specified range of upper and lower respiratory samples. This test is manufactured by TBG Biotechnology Corp. in Taiwan and will be exported from Taiwan.

The United States FDA has made the Testing Kit available under an emergency access mechanism called an EUA. The EUA is supported by the Secretary of Health and Human Service's declaration that circumstances exist to justify the emergency use of in vitro diagnostics (IVDs) for the detection and/or diagnosis of the virus that causes COVID-19. Since the Testing Kit is made available under an EUA, it has not undergone the same type of review as an FDA-approved or cleared IVD.

The EUA for the Testing Kit is in effect for the duration of the COVID-19 declaration justifying emergency use of IVDs, unless terminated or revoked (after which the test may no longer be used).

Under the EUA, the ExProbe SARS-CoV-2 Testing Kit is only authorised for use in laboratories certified under the Clinical Laboratory Improvement Amendments of 1988 (CLIA), 42 U.S.C. §263a, to perform high complexity tests.

The FDA concluded that the Testing Kit met the criteria for issuance of the EUA which are listed in Section I on page 2 of the Letter of Authorisation. A full copy of the Letter of Authorisation from the FDA, which includes the conditions attached to the EUA, is available on the FDA website at <https://www.fda.gov/media/138819/download>.

The Fact Sheets for Healthcare Providers and Patients for the Testing Kit and the Instructions for Use are also available from the FDA website at <https://www.fda.gov/medical-devices/emergency-situations-medical-devices/emergency-use-authorizations#COVID19ivd>.

The Testing Kit is one of 100 in vitro diagnostics test kits for detection and/or diagnosis of the novel coronavirus which have received FDA EUAs to date.

(v) TBG Taiwan Received Taiwan Ministry of Health and Welfare Emergency Use Authorization (EUA) of the COVID-19 Nucleic Acid Test Kits

On 29 July 2020, TBG Taiwan received an Emergency Use Authorisation (EUA) from the Taiwan Ministry of Health and Welfare ("MOHW") for its ExProbe™ SARS-CoV-2 Testing Kit. The ExProbe™ SARS-CoV-2 Testing Kit ("Testing Kit") is an RNA based diagnostic kit that uses real time PCR technology with multiplex design to detect distinctive segments within RdRP, N and E genes of the SARS-CoV-2 virus in a single reaction. It is commonly used to confirm active infection of the SARS-CoV-2 virus from a specified range of upper and lower respiratory samples. This test is manufactured by TBG Biotechnology Corp. in Taiwan. The Taiwan MOHW has made the Testing Kit available under an emergency access mechanism called an EUA. The EUA is supported by the Taiwan MOHW that circumstances exist to justify the emergency use of in vitro diagnostics (IVDs) for the detection and/or diagnosis of the virus that causes COVID-19. Since the Testing Kit is made available under an EUA, it has not undergone the same type of review as an FDA-approved or cleared IVD. The EUA for the Testing Kit is in effect from 24 July 2020 until 31 December 2021.

The Testing Kit is one of 10 in vitro diagnostics nucleic acid test kits for detection and/or diagnosis of the novel coronavirus which have received Taiwan EUAs to date.

(vi) TBG Taiwan Received US FDA Emergency Use Authorisation (EUA) of the COVID-19 Antibody Rapid Test Kits

On 2 September 2020, the Company's wholly owned subsidiary, TBG Taiwan has received an Emergency Use Authorisation (EUA) from the United States Food and Drug Administration (FDA) for its TBG SARS-CoV-2 IgG / IgM Rapid Test Kit.

The United States FDA has made the Test Kit available under an emergency access mechanism called an EUA. The EUA is supported by the Secretary of Health and Human Service's declaration that circumstances exist to justify the emergency use of in vitro diagnostics (IVDs) for the detection and/or diagnosis of the virus that causes COVID-19. Since the Test Kit is made available under an EUA, it has not undergone the same type of review as an FDA-approved or cleared IVD.

4. Significant Changes in the State of Affairs (cont'd)

(a) Group's responses to the impact of coronavirus pandemic (cont'd)

The Testing Kit is one of 41 in vitro diagnostics test kits for detecting antibodies against the novel coronavirus and one of 13 that uses the lateral flow immunochromatography rapid test platform that have received FDA EUAs to date.

(vii) TBG Xiamen received CE Mark approval for its SARS-CoV-2 Antigen Rapid Test

On 30 October 2020, CE Mark approval was granted to TBG Xiamen and confirmation of this approval was subsequently received on 10 November 2020.

CE-Mark certification indicates that the SARS-CoV-2 Antigen Rapid Test meets the essential requirements of all the applicable European regulations and allows for its sale throughout the European Economic Area as well as any country that accepts CE-mark, subject to satisfying regulatory requirements and obtaining import permits for individuals countries. This antigen rapid test kit is manufactured by TBG Xiamen in China and will be exported from China.

SARS-CoV-2 Antigen Rapid Test is a lateral flow assay that is able to detect the presence of SARS-CoV-2 (COVID-19) virus in human throat swab and nasal swab samples.

The Group has been continuously producing and progressing its COVID-19 products towards approvals and registration in various countries to expand market where the Group's diagnostics products are recognised.

These measures are considered by the Group to mitigate any potential financial impact associated with business risks resulting from the coronavirus pandemic.

(b) TBG Taiwan has entered into Distribution Agreement with Medigen Biotechnology Corp. for the distribution of SARS-CoV-2 related diagnostic products globally (except Australia and New Zealand)

On 21 September 2020, the Company announced at the request of ASX that its wholly owned subsidiary, TBG Taiwan entered into a distribution agreement ("Distribution Agreement") with Medigen Biotechnology Corp. ("Medigen"), a major shareholder and parent company of TDL, on 15 February 2020, to distribute TBG Taiwan's SARS-CoV-2 related diagnostic products, including Rapid Test Kit (Colloidal Gold) and Nucleic Acid Test Kit (collectively, the "Test Kits").

The Distribution Agreement has expanded Medigen's existing exclusive distribution right granted under the distribution contract previously entered into between TBG Taiwan and Medigen in January 2015 to include the Test Kits. This provides an ability for expansion of the business of manufacturing and distributing the Test Kits through the distribution expertise and network of Medigen.

Medigen is the primary distributor for TBG Taiwan and has been distributing approximately 190 products for TBG Taiwan since 2015, and accordingly, the entry into the Distribution Agreement was undertaken in the ordinary course of TBG Taiwan's business. The key terms of the Distribution Agreement are as follows:

1. Medigen becomes the worldwide exclusive (except Australia and New Zealand) distributor of the Test Kits and TBG Taiwan is the manufacturer of the Test Kits to be distributed by Medigen.
2. Medigen is responsible for the registration, promotion, marketing and general customer service of the Test Kits and TBG Taiwan is responsible for the development and manufacturing of the Test Kits.
3. In consideration for the exclusive right to distribute the Test Kits, Medigen shall pay to TBG Taiwan an amount equal to 50% of the net profit generated by Medigen, in addition to the manufacturing costs, from each purchase order for the sales of the Test Kits. The "net profit" is defined in the Distribution Agreement as the sales price agreed between Medigen and its clients for each purchase order minus all manufacturing costs and marketing expenses of Medigen and TBG Taiwan (employee wages and related expenses are expressly excluded from the manufacturing and marketing expenses).
4. The term of the Distribution Agreement is 3 years commencing from 15 February 2020.

At 31 December 2020, revenues of \$1,316,043 have been generated by TBG Taiwan from the sales of the SARS-CoV-2 related Test Kits through Medigen under the Distribution Agreement. This revenue comprises the manufacturing cost payments, and the 50% net profit share payments, received from purchase orders for sales of the Test Kits.

4. Significant Changes in the State of Affairs (cont'd)

(b) TBG Taiwan has entered into Distribution Agreement with Medigen Biotechnology Corp. for the distribution of SARS-CoV-2 related diagnostic products globally (except Australia and New Zealand) (cont'd)

The Group also notes that to expand sales and distribution of the Test Kits into the North and South American markets, TBG Taiwan and Medigen entered into a distribution agreement with Canadian Securities Exchange-listed company Blackhawk Growth Group (CSE: BLR) and its local agent Boshic Advanced Materials Co., Ltd on 31 August 2020 ("Blackhawk Agreement"). The Blackhawk Agreement grants Blackhawk Growth Group the non-exclusive right to distribute the Test Kits in North and South America. The distribution right is exclusive for Canada, provided Canada Health Authority has approved the Test Kits and provided minimum order and sales levels are maintained by Blackhawk Growth Group.

(c) Investment in Zucero Therapeutics Limited ("Zucero")

On 3 May 2019, the Company announced that it has entered into a Deed of Settlement with Zucero for the full settlement of the \$5,999,000 deferred consideration payable by Zucero following the purchase of shares in the capital of Progen PG500 Series Pty Ltd from the Company under the Share Sale Agreement executed on 22 August 2016. Pursuant to the Deed of Settlement, the Company received \$1,999,000 cash and 10,000,000 preference shares in Zucero at an issue price of \$0.40 per share with a total value of \$4,000,000 as full settlement of the deferred consideration. Following the issuance of the preference shares, the Company holds 7.89% in the capital of Zucero.

On 30 November 2020, the Company and Zucero executed a Deed of Conversion Notice whereby the Company agreed that the Company's preference shares in Zucero will be converted to ordinary shares pursuant to the Preference Share Terms set out in the Deed of Settlement entered into by the Company on 1 May 2019, subject to Zucero satisfying a number of conditions with regards to Zucero's intended listing on the ASX in the first half of calendar year 2021 (including in particular Zucero being granted conditional approval to list on ASX).

Contemporaneously with the entry into the Deed of Conversion Notice, the Company, Zucero, Seabreeze Fire Pty Ltd ("Seabreeze") and Christopher Burrell also entered into a deed pursuant to which there were mutual releases and under which, in consideration of the Company entering into the Deed of Conversion Notice, Seabreeze agreed to transfer to the Company 2,500,000 fully paid ordinary shares in Zucero (in addition to the Preference Shares).

On 31 December 2020, the Company holds 10,000,000 preference shares and 2,500,000 ordinary shares in Zucero representing 9.6% in the issued share capital of Zucero.

(d) Australian Stock Exchange (ASX) Suspension

The Company's shares have remained suspended from trading on Australian Stock Exchange (ASX) since March 2020. ASX has issued further queries and has requested for information to the Group to which the Group have responded to. There were no further queries from ASX as at the date of this report.

5. Significant Events after the Reporting Date

1) Group restructure

During the 2021 first quarter, the Group undertook a corporate restructure involving an equity swap transaction between U-Gen Biotechnology Inc ('U-Gen') (formerly TBG Inc), previously wholly-owned subsidiary of the Company, and TBG Biotechnology (Xiamen) Inc. ('TBG Xiamen'), previously recorded as investment in associate of U-Gen with an ownership of 46.65%. The restructure resulted in the Company holding a 46.65% ownership of U-Gen at the date of the transaction, which was recognised as investment in associate, while U-Gen acquired 100% of TBG Xiamen.

In addition to the equity swap, a Loan and Restructuring Agreement was entered into with each of the other shareholders that owned 53.35% of TBG Xiamen where the other shareholders agreed to lend a total aggregate amount of \$11,837,142 (58,685,000 RMB) to U-Gen. The loans will be used as financial assistance to U-Gen in obtaining listing with the Hong Kong Stock Exchange (HKSE) before 31 December 2021. Under the terms of the agreement, the other shareholders will waive their rights to the loans subject to U-Gen obtaining listing with the HKSE before 31 December 2021. If U-Gen is unsuccessful in obtaining listing with the HKSE before 31 December 2021, the loans will become payable in full plus applicable annual interest rate of 8% to 11%. Further, TDL has the right to buy-back the 53.35% equity in U-Gen from the other shareholders at 1% of the original equity price.

The supposed Initial Public Offering (IPO) has been delayed to first Quarter 2022. Accordingly, the term of the loans obtained from the other shareholders will be extended in accordance with the timing of the IPO, subject to agreement with these shareholders.

5. Significant Events after the Reporting Date (cont'd)

a) Group restructure (cont'd)

In conjunction with the restructure of U-Gen, the Group transferred 100% of the net assets of TBG Taiwan and TBG Texas to TDL Holdings Co., a new offshore subsidiary formed under TDL, from U-Gen.

On 3 May 2021, the Company entered into an Agreement to sell 8,058,723 shares representing 5% equity in U-Gen to Dong Yuan Hua Xin (Beijing) Capital Management Limited Company (“Dong Yuan”) at a total of consideration of \$1,098,498 (RMB 5,500,000). This transaction, along with a number of other transactions that have occurred within the U-Gen group post the restructure has resulted in TDL holding a 38.46% of U-Gen at 30 June 2021.

b) Board Changes

On 23 March 2021, the Company announced the resignation of Mr. Hsi-Kai (C. K. Wang) as Non-executive director of the Company. Following his resignation, Mr Bing-Cheng Liu as was also appointed as Non-Executive Director of the Company. The resignation and appointment of each director took effect on 22 March 2021.

c) De-listing with the Australian Stock Exchange (ASX)

The Company has been de-listed with the ASX on 30 August 2021.

6. Likely Developments and Expected Results

The likely developments in the year ahead include:

- (i) Further development of immune function related genetic marker product, Natural Killer (NK) Cell Profile Gene Panel on multiple diagnostic platforms;
- (ii) Further development of HLA NGS products and related software and progress towards product registration;
- (iii) Further develop and sell the Group’s tailored Covid-19 Nucleic Acid and Antibody Rapid Test Kits in licensed territories, as one of the main product pipelines addressing the global need of testing kits that are expected contribute against the spread of coronavirus pandemic;
- (iv) Continue to look for opportunities for expansion of the Group’s core technology through merger and acquisition;
- (v) On-going provision of necessary assistance to associates in China in promoting TDL products; and
- (vi) Conduct a capital raising to ensure adequate resources are available to achieve growth objectives, product development and increase assets portfolio.

7. Directors – Qualifications, Experience and Special Responsibilities (held in the last three years)

Directors and company secretary in office at the date of this report

Mr Indrajit (Jitto) Solomon Arulampalam
Executive Chairman
Risk and Audit Committee Member

Mr. Arulampalam is a Melbourne based businessman with over 20 years of extensive experience in corporate restructuring, capital raising, listing and running of public companies on the ASX. Mr Arulampalam finished the degree of Bachelor in Business Administration at Curtin University in 1988. Having started his career in Accounting, he spent more than 8 years with Westpac Banking Corporation in several key operational and strategic Banking roles before joining boards of public companies.

In 2004, Mr. Arulampalam was head hunted by Newsnet Ltd as its CEO to assist in the restructuring of the company, and to position it for an IPO. Since this appointment he was responsible for guiding the company through a successful restructure and positioned Newsnet as a leading innovator in the messaging/telco space to be recognised by the 2006 Australian Financial Review MIS Magazine as one of the “Top 25 global rising stars”.

In 2010, Mr. Arulampalam co-founded ASX listed potash mining and exploration company Fortis Mining Ltd (ASX: FMJ). As the Executive Chairman, he was instrumental in the company's acquisition of world class potash assets in Kazakhstan, a monumental deal which ultimately led to the company being awarded “IPO of the Year 2011”.

Mr. Arulampalam was also previously the Chairman of ASX listed companies Great Western Exploration Ltd (ASX: GTE), Medicvision Limited (ASX: MVH), and Euro Petroleum Limited (ASX: ALD). He has also been the Non-executive Chairman of Lanka Graphite Limited, a company that has been delisted with the ASX.

7. Directors – Qualifications, Experience and Special Responsibilities (held in the last three years) (cont'd)

Directors and company secretary in office at the date of this report (cont'd)

Mr. Arulampalam is also currently the Chief Executive Officer of TAPP Group, an Australian financial services and technology company based in Melbourne.

Dr. Stanley Chang
Non-Executive Director
Remuneration and Nomination Committee Chair

Dr. Chang is the Chairman of Medigen Biotechnology Corp., with an M.D. degree from school of Medicine at National Taiwan University in Taiwan and a Ph.D. degree from National Medical Laser Centre at University College London in UK.

Dr. Chang was a Urological surgeon by training, formerly a professor in Urology, and the chairman of Faculty of Medicine at Tzu-Chi University, Taiwan. He changed the career track to biotech business in 2000, and became the Chairman and CEO of Medigen Biotechnology Corp. In 2012, he was also the Chairman of Medigen Vaccine Biologics Corp. (MVC). He is currently the Chairman of Winston Medical Supply Co. (WMS) as well.

Medigen is a publicly listed company in Taiwan, focusing on cell therapy, cancer drug developments, and molecular diagnostic kits/devices manufacturing and marketing. MVC on the other hand is a subsidiary of Medigen, devoted to cell based technology for vaccine production. MVC has built a vaccine manufacturing plant in Taiwan and obtained PIC/s certified from Taiwan FDA in 2019. Currently, MVC is working on COVID-19 vaccine development. WMS is also a subsidiary of Medigen that focuses on the manufacture and distribution of medical products. WMS produces sterile ophthalmic preparations, hormone preparations, external use preparations, nutrition supplements, and other products. WMS obtained certification of PIC/S GMP from Food and Drug Administration of Taiwan in Dec 2014 which granted WMS the permission to manufacture sterile and non-sterile pharmaceutical products throughout Taiwan.

Dr. Chang holds a total of 1,802,064 shares in Medigen, the ultimate parent of the Company. At the direction of the Taipei Stock Exchange, the shares are not tradeable from the Initial Public Offering (IPO) in November 2011 until regulatory approval is obtained for the product PI-88.

Ms Emily Lee
Non-Executive Director
Remuneration and Nomination Committee Member
Risk and Audit Committee Chair

Ms Emily Lee is a Melbourne based businesswoman with a substantial track record of success in cross border transactions within the corporate and government sectors in Australia and Asia. Ms. Lee has extensive experience in corporate restructuring, capital raising, listing and managing of public companies on the ASX.

Ms Lee is currently a Non-Executive Director of Lanka Graphite Limited. She has also served as Managing Director of Mercer Capital, a boutique private equity firm based in Melbourne. In May 2013, she was instrumental in leading a successful underwriting and capital raising exceeding \$5 million for Progen Pharmaceuticals Limited (ASX: PGL), now TBG Diagnostics Limited (ASX: TDL). In August 2015, she successfully raised \$3.8 million for Lanka Graphite Limited following the successful merger of Viculus Limited and Euro Petroleum.

Mercer Capital has been the lead strategic Corporate Advisor for Progen Pharmaceuticals Limited on managing and facilitating the corporate restructuring of the company and acquisition of TBG Inc.

Ms Lee previously held position as non-executive chairman for ASX listed company Australian Natural Proteins Limited (ASX: AYB).

Mr Hsi-Kai (C.K.) Wang
Non-Executive Director, resigned 22 March 2021
Risk and Audit Committee Member

Mr. C.K. Wang is the Team Leader of Biotechnical Material Technical Team at Eternal Materials Co., Ltd. ("Eternal"), a leading chemical material provider based in Taiwan. C.K. holds a Ph.D. degree in Applied Biological Chemistry from the University of Tokyo in Japan. Prior to joining Eternal, C.K. worked at Academia Sinica, the most preeminent academic institution in Taiwan, as a postdoctoral researcher.

7. Directors – Qualifications, Experience and Special Responsibilities (held in the last three years) (cont'd)

Directors and company secretary in office at the date of this report (cont'd)

Mr. Bing Cheng Liu

Non-Executive Director, appointed 22 March 2021

Mr. Liu is the Chief Financial Officer of Eternal Materials Co., Ltd. a leading chemical material provider based in Taiwan and a substantial shareholder of the Company. From 2013 to 2018 Mr. Liu was Chief Financial Officer of Taiwan listed company Star Comgistic Co. Ltd. Mr. Liu holds a MBA degree in Finance from National Taiwan University in Taiwan. He has over 15 years of experience in corporate finance, investment evaluation, and relative fields.

As Mr. Liu is an employee of a substantial shareholder, Eternal Materials Co., Ltd, he is not considered to be an independent director.

Mr Justyn Stedwell

Company Secretary

Mr. Stedwell is a professional Company Secretary consultant with over 12 years' experience as a Company Secretary of public listed companies. He has completed a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting from Deakin University, and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

8. Particulars on Directors' Interest in Shares and Options

As at the date of this report the directors' interests in shares and options of the Company as notified by the directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001 were:

Director	Shares	Options
Jitto Arulampalam	40,000	-
Stanley Chang	500,000	-
Emily Lee	91,207	-
Hsi-Kai (C.K.) Wang	-	-
Bing-Cheng Liu	-	-

9. Directors' Attendance at Board and Committee Meetings

The number of directors' meetings held during the year and the number of meetings attended by each director were as follows:

Name	Directors' meetings		Risk and audit committee meetings		Remuneration and nomination committee meetings	
	A	B	A	B	A	B
Jitto Arulampalam	7	7	3	3	-	-
Stanley Chang	7	7	3	3	-	-
Emily Lee	7	7	3	3	-	-
Hsi-Kai (C.K.) Wang	7	7	3	3	-	-

Key: A : Number of meetings attended

B : Number of meetings held during the time the director held office or was a member of the committee

10. Remuneration Report (audited)

This remuneration report outlines the director and executive remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* and its regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

10. Remuneration Report (audited) (cont'd)

Details of the key management personnel

(i) Directors

I.S. Arulampalam	Executive Chairman
S. Chang	Non-executive Director
E. Lee	Non-executive Director
C. K. Wang	Non-executive Director, resigned 22 March 2021
B. C. Liu	Non-executive Director, appointed 22 March 2021

(ii) Executives

J. Stedwell	Company Secretary
G. Hipona	General Manager - Finance

Except as above, there have been no other changes to the KMP after the reporting date and before the date the financial report was authorised for issue.

A. Principles used to determine the nature and amount of remuneration

Remuneration Philosophy

Remuneration levels are competitively set to attract the most qualified and experienced directors and executives. The remuneration structures outlined below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creating shareholder value.

The Board ensures that executive reward satisfies the following criteria for good reward corporate governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage/alignment of executive compensation;
- transparency; and
- capital management.

Remuneration packages may include a mix of fixed and variable remuneration including performance based bonuses and equity plans.

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Executive and Non-executive Director Remuneration

Executive and Non-executive directors' fees reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees are reviewed periodically by the Board and were last done so on 11 November 2015.

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of the non-executive directors shall be determined from time to time by a general meeting of shareholders. The current aggregate fee pool limit is \$500,000 per annum as approved by shareholders at the 2007 AGM.

As of 30 March 2021, fees being paid to non-executive directors has a total aggregate amount of \$40,000 per annum for each non-executive director, inclusive of board committee fees. The fees paid to the executive Chairman amounted to \$80,000, inclusive of board committee fees.

Generally, retirement allowances are not paid to non-executive directors. This is often discretionary.

The remuneration of executive and non-executive directors for the periods ended 31 December 2020 and 31 December 2019 is detailed in table 1 and 2 of this report.

Executive Remuneration

The executive pay and reward framework has two components:

- fixed remuneration including base pay and benefits; and
- variable remuneration including performance related bonuses and equity plans.

10. Remuneration Report (audited) (cont'd)

Executive Remuneration (cont'd)

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration consists of base remuneration, as well as employer contributions to superannuation funds. Executives are given the opportunity to receive their fixed base remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue additional cost for the Company.

Fixed remuneration is generally reviewed annually by the remuneration committee. This process consists of a review of individual performance and overall performance of the Company. The Committee has access to external advice independent of management.

The Company does not pay retirement benefits to any senior executives other than contributing superannuation to the senior executives' fund of choice. Pension benefits are also paid for executives of the overseas subsidiaries in accordance with a defined contribution plan. This benefit forms part of the senior executives' base remuneration.

The fixed remuneration component of executives is detailed in table 2.

Performance related bonuses

At 31 December 2020, there were no performance related bonuses granted and paid to eligible executives (2019: \$13,745 (TWD 295,000)).

Retention Bonus

No retention bonuses were paid or granted throughout the year ended 31 December 2020 (2019: nil).

Retirement benefits

The company meets its obligations under the Superannuation Guarantee Legislation.

Equity plans

The company is able to issue share options under the TDL Directors and Employees Option Incentive Plan. The objective of the equity plan is to reward executives in a manner that aligns remuneration with the creation of shareholder wealth.

Information on all options vested during the year is detailed in table 5 and further detail of the plan is in note 17.

10. Remuneration Report (audited) (cont'd)

Group Performance

In considering the consequences of the Company's performance on shareholder wealth the Board are focused on total shareholder returns. In the Company's case this consists of the movement in the Company's share price rather than the payment of dividends. Given the current stage of the Company's development, it has never paid a dividend and does not expect to in the near future.

The consolidated operating result during the year ended 31 December 2020 was a net loss of \$3,548,975 (2019: \$620,137 profit).

The following table shows the change in the Company's share price and market capitalisation as compared to the total remuneration (including the fair value of options granted) during the current financial year and the previous four financial years:

	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2020	2019	2018	2017	2016
Share price at end of year	\$0.27 ¹	\$0.03	\$0.06	\$0.06	\$0.18
Change in share price	\$0.24	(\$0.03)	nil	(\$0.12)	(\$0.02)
Market capitalisation at end of year ¹	\$58,748,568	\$6,962,793	\$12,402,475	\$13,055,237	\$39,165,712
Change in market capitalisation	\$51,785,775	(\$5,439,682)	(\$652,762)	(\$26,110,475)	(\$4,351,746)
Total Key Management Personnel remuneration	\$419,460	\$430,946	\$544,683	\$476,600	\$293,705

¹ This has been the share price from 19 March 2020 up to 31 December 2020. The Company has been suspended from trading with the Australian Stock Exchange (ASX) from 19 March 2020 and up to the date of this report.

There were no expenses in relation to options issued to key management personnel of the group during the period 31 December 2020 financial year (2019: \$nil) - See Table 2.

The Directors believe that the base remuneration of the Board and executives reflects market compensation for these roles. There were no Short-Term Incentives paid to Directors and Key Management during the year ended 31 December 2020 (2019: \$13,745 (TWD 295,000)).

10. Remuneration Report (audited) (cont'd)

B. Details of remuneration of key management personnel of TBG Diagnostics Limited (legal parent)

Table 1: Directors' remuneration for the year ended 31 December 2020.

Directors		Short term			Long term benefits	Share-based payment	Total	Options
		Salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Long service leave \$	Options \$		Remuneration %
Indrajit (Jitto) Arulampalam	31 Dec 2020	80,000	-	-	-	-	80,000	-
	31 Dec 2019	80,000	-	-	-	-	80,000	-
Stanley Chang	31 Dec 2020	40,000	-	-	-	-	40,000	-
	31 Dec 2019	40,000	-	-	-	-	40,000	-
Eugene Cheng ¹	31 Dec 2020	-	-	-	-	-	-	-
	31 Dec 2019	29,421	13,745 ²	539	-	-	43,705	-
Emily Lee	31 Dec 2020	40,000	-	-	-	-	40,000	-
	31 Dec 2019	40,000	-	-	-	-	40,000	-
Hsi-Kai Wang	31 Dec 2020	40,000	-	-	-	-	40,000	-
	31 Dec 2019	40,000	-	-	-	-	40,000	-
Total – Executive and Non-Executive Directors	31 Dec 2020	200,000	-	-	-	-	200,000	-
	31 Dec 2019	229,421	13,745	539	-	-	243,705	-

¹ Resigned as Executive Director on 1 February 2019 and resigned as Non-Executive Director on 28 May 2019

² This is a discretionary bonus paid to the executive upon resignation.

10. Remuneration Report (audited) (cont'd)

Table 2: Remuneration for the other key management personnel for the year ended 31 December 2020.

Other key management personnel		Short term			Post-employment	Long term benefits	Share-based payment	Termination payments	Total	Options
		Salary and fees ¹	Cash bonus	Non-monetary benefits	Super-annuation	Long service leave ²	Options			Remuneration %
		\$	\$	\$	\$	\$	\$	\$	\$	%
Generosa Hipona	31 Dec 2020	149,947	-	-	14,659	5,454	-	-	170,060	-
	31 Dec 2019	130,691	-	-	13,145	4,705	-	-	148,541	-
Justyn Stedwell	31 Dec 2020	49,400	-	-	-	-	-	-	49,400	-
	31 Dec 2019	38,700	-	-	-	-	-	-	38,700	-
Total - Other key management personnel	31 Dec 2020	199,347	-	-	14,659	5,454	-	-	219,460	-
	31 Dec 2019	169,391	-	-	13,145	4,705	-	-	187,241	-

¹ Includes changes in accrual for annual leave

² This pertains to the movements in long service leave provision

C. Service Agreements

The Company's policy is to enter into service contracts with executive directors and senior executives on appointment that are unlimited in term but capable of termination on specified notice periods; and that the Company has the right to terminate the contract immediately by making payment equal to the specified notice period as pay in lieu of notice other than for misconduct when termination is immediate. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave.

The service contract outlines the components of remuneration paid to the executive directors and key management personnel but does not prescribe how remuneration levels are modified year to year.

The current base remuneration, short-term incentive arrangements and termination notice periods included in the service agreements with key management personnel are detailed below:

J Stedwell, *Company Secretary*

- Term of consultancy agreement – variable depending on completion of projects
- Fixed consulting fees paid on a monthly rate of \$3,300 with annual increase ranging between 5% to 10%
- Non-regular variable fees paid on as needed basis, \$9,500 was paid at 31 December 2020
- Termination payments – one month notice within the first 2 years of service; two to five months' notice between 3 to 6 years of service; and six months' notice after 6 years of continued service

G Hipona, *General Manager - Finance*

- Term of agreement – unlimited, capable of termination on notice of 4 weeks. There are no termination benefits stipulated in the contract/service agreement.
- Base salary, inclusive of superannuation, of \$170,060 last reviewed on 30 September 2020

I.S Arulampalam, *Executive Chairman – TBG Diagnostics Ltd*

- Term of consultancy agreement – there are no termination benefits stipulated in the contract/service agreement
- Base director's fee of \$80,000 last reviewed on 26 February 2019

10. Remuneration Report (audited) (cont'd)

D. Share-Based Payments

During the year ended 31 December 2020 there were no options vested and outstanding with directors and key management personnel of the Group under the terms of The TDL Directors and Employee Option Incentive Plan.

There was nil value of options granted and exercised during the year ended 31 December 2020 to directors and key management personnel.

E. Key Management Personnel Equity Holdings

(i) Table 3: Option holdings of key management personnel

	Balance at beginning of period 1 Jan 2020	Granted as remuneration	Options forfeited	Options Lapsed ³	Balance at end of period 31 Dec 2020	At 31 December 2020 Total Vested	Total Non-Vested
Directors							
I.S.Arulampalam	-	-	-	-	-	-	-
S. Chang	-	-	-	-	-	-	-
E. Lee	-	-	-	-	-	-	-
H. Wang	-	-	-	-	-	-	-
Executives							
G. Hipona	-	-	-	-	-	-	-
J. Stedwell	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

(ii) Table 4: Shareholdings of key management personnel

Ordinary shares held in TBG Diagnostics Limited	Balance 1 Jan 20	On exercise of options	Net change other	Balance 31 Dec 20
Directors				
I.S.Arulampalam	40,000	-	-	40,000
S. Chang	500,000	-	-	500,000
E. Lee	91,207	-	-	91,207
H. Wang	-	-	-	-
Executives				
G. Hipona	-	-	-	-
J. Stedwell	-	-	-	-
Total	631,207	-	-	631,207

11. Loans to Directors and Executives

No loans have been paid to Company directors, executives or their related parties during the year.

12. Other transactions with key management personnel

The Company incurred some management consultancy fees rendered by a director during the year. There was no outstanding balance relating to this at 31 December 2020.

13. Remuneration Consultant

No remuneration consultants were engaged during the year ended 31 December 2020.

End of Remuneration Report (audited)

14. Environmental Regulations

The Company complies with all environmental regulations applicable to its operations and there have been no significant known breaches.

15. Rounding

For the year ended 31 December 2020, amounts contained in this report and in the financial report have been rounded to the nearest dollar in accordance with *ASIC Corporations (Rounding In Financial/Directors' Reports) Instrument 2016/191*.

16. Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify directors and officers in respect of certain liabilities incurred while acting as a director of any group company. During the financial year, the company paid a premium in respect of a contract insuring the directors of the company, the company secretary, and all executive officers of the company against a liability incurred as a director, company secretary or executive officer to the extent permitted by the *Corporations Act 2001*. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium. No other insurance premiums have been paid or indemnities given, during or since the end of the year, for any person who is or has been an officer or auditor of the Company.

17. Auditor Independence and Non-audit Services

The Auditors' Independence Declaration on page 22 forms part of the Directors' Report.

Non-audit services

The following non-audit services were provided by the entity's auditor, BDO Audit Pty Ltd and its associated firms. The directors are satisfied that the provision of non-audit services is compatible with the general audit standards of independence for auditors imposed by the *Corporations Act 2001*.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

During the year the following fees were paid or payable for non-audit services provided by the auditor of the parent entity and its related practices:

	\$
BDO Services Pty Ltd – Tax consulting services	24,839

18. Proceedings on behalf of the company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

19. Shares under option

Unissued ordinary shares of TBG Diagnostics Limited under option at the date of this report are as follows:

Table 5: Shares under option

Grant date	Expiry Date	Exercise Price	Number of Options
13 May 2016	13 May 2022	\$0.30	750,000
13 May 2016	13 May 2022	\$0.30	375,000
13 May 2016	13 May 2022	\$0.40	375,000
Total			1,500,000

There were no options granted as remuneration to key management personnel during the period. Details of options granted to key management personnel are disclosed in section 10E of the Remuneration report. There are no Officers in the Company who are not also identified as key management personnel.

No option holder has any right under the options to participate in any other share issue of the company or any other entity.

No shares were issued on exercise of options during the year.

Signed in accordance with a resolution of the board of directors.



Jitto Arulampalam
Executive Chairman
Date: 13 October 2021

TBG Diagnostics Limited

Auditors Independence Declaration

For the year ended 31 December 2020



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DECLARATION OF INDEPENDENCE BY M CUTRI TO THE DIRECTORS OF TBG DIAGNOSTICS LIMITED

As lead auditor of TBG Diagnostics Limited for the year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TBG Diagnostics Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'M Cutri', written in a cursive style.

M Cutri

Director

BDO Audit Pty Ltd

Brisbane, 13 October 2021

TBG Diagnostics Limited
Statement of Profit or Loss
For the year ended 31 December 2020

	Note	Consolidated	
		12 months ended 31 Dec 2020 \$	12 months ended 31 Dec 2019 \$
REVENUE FROM CONTINUING OPERATIONS	4 (a)	4,605,983	3,345,592
Cost of Sales		<u>1,948,907</u>	822,621
GROSS PROFIT		2,657,076	2,522,971
Other income	4 (b)	590,858	160,863
EXPENSES			
Research and development expenses		(2,416,976)	(2,060,896)
Administrative and corporate expenses		(2,956,946)	(1,920,531)
Selling expenses		(564,846)	(688,417)
Impairment loss	4 (g)	(216,189)	(6,888,651)
		<u>(6,154,957)</u>	<u>(11,558,495)</u>
LOSS BEFORE INCOME TAX		(2,907,023)	(8,874,661)
Share of net losses of associates accounted for under the equity method	28 (c)	<u>(641,952)</u>	<u>(2,347,328)</u>
LOSS FROM CONTINUING OPERATIONS BEFORE TAX		(3,548,975)	(11,221,989)
Income tax expense	7	<u>-</u>	-
LOSS FROM CONTINUING OPERATIONS		(3,548,975)	(11,221,989)
Gain from discontinued operations	5	<u>-</u>	<u>11,842,126</u>
NET PROFIT (LOSS) FOR THE YEAR		<u>(3,548,975)</u>	<u>620,137</u>

The above statement of profit or loss should be read in conjunction with the accompanying notes.

TBG Diagnostics Limited
Statement of Other Comprehensive Income
For the year ended 31 December 2020

		Consolidated	
	Note	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
NET PROFIT (LOSS) FOR THE YEAR		(3,548,975)	620,137
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation		(415,904)	712,812
<i>Items that will not be reclassified to profit or loss</i>			
Fair value decrement of financial asset at fair value through other Comprehensive income		(3,101,453)	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		(3,517,357)	712,812
TOTAL COMPREHENSIVE INCOME (LOSS)		(7,066,332)	1,332,949
Net profit (loss) attributable to:			
- Equity holders of the Company	8	(7,066,332)	764,939
- Non-controlling interest		-	(144,802)
Total comprehensive income (loss) attributable to:			
- Equity holders of the Company		(7,066,332)	1,471,279
- Non-controlling interest		-	(138,330)
Total comprehensive income (loss) for the year attributable to owners of TBG Diagnostics Limited arises from			
- Continuing operations		(7,066,332)	(10,380,483)
- Discontinued operations		-	11,851,762
Basic and diluted loss per share – continuing operations attributable to equity holders of the Company (cents per share)	8	(1.6)	(5.2)
Basic and diluted earnings (loss) per share (cents per share)	8	(1.6)	0.3

The above statement of other comprehensive income should be read in conjunction with the accompanying notes.

TBG Diagnostics Limited
Statement of Financial Position
As at 31 December 2020

	Note	Consolidated	
		31 Dec 2020	31 Dec 2019
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	10	3,777,188	5,205,131
Trade and other receivables	11	773,598	227,332
Inventories	12	5,035,408	848,180
Prepayment and other current assets	13	446,715	127,264
Total Current Assets		10,032,909	6,407,907
Non-current Assets			
Other non-current assets	13	99,241	206,329
Plant and equipment	15	671,116	1,094,241
Right-of-use assets	16	1,090,123	187,697
Financial asset at fair value through other comprehensive income	14	1,052,242	4,000,000
Investment in associates accounted for under the equity method	28(c)	1,939,022	3,143,236
Total Non-current Assets		4,851,744	8,631,503
TOTAL ASSETS		14,884,653	15,039,410
LIABILITIES			
Current Liabilities			
Trade and other payables	18	4,712,924	990,190
Short term borrowings	19	2,772,600	952,140
Provisions		62,276	49,922
Lease liabilities - current		195,057	190,798
Total Current Liabilities		7,742,857	2,183,050
Non-current Liabilities			
Long term borrowing	19	449,264	-
Lease liabilities – non - current		895,255	-
Total Non-current Liabilities		1,344,519	-
TOTAL LIABILITIES		9,087,376	2,183,050
NET ASSETS		5,797,277	12,856,360
EQUITY			
Contributed equity	20	36,211,120	36,211,120
Reserves	21	572,092	4,264,334
Accumulated losses	21	(30,985,935)	(27,619,094)
TOTAL EQUITY		5,797,277	12,856,360

The above statement of financial position should be read in conjunction with the accompanying notes.

TBG Diagnostics Limited
Statement of Changes in Equity
For the year ended 31 December 2020

Consolidated	Attributable to owners of TBG Diagnostics Limited							Total equity \$
	Contributed Equity \$	Accumulated losses \$	Fair value gains (losses) on financial asset at FVTOCI	Other reserves \$	Foreign currency translation reserve \$	Total \$	Non- controlling interests \$	
At 1 January 2019	36,211,120	(28,479,908)	-	321,740	3,221,853	11,274,805	574,337	11,849,142
Profit / (loss) for the year	-	764,939	-	-	-	764,939	(144,802)	620,137
Other Comprehensive Income, net of tax	-	-	-	-	706,340	706,340	6,472	712,812
Total Comprehensive Income for the year	-	764,939	-	-	706,340	1,471,279	(138,330)	1,332,949
Transactions with owners in their capacity as owners:								
Expired options	-	95,875	-	(95,875)	-	-	-	-
Cost of share-based payments	-	-	-	110,276	-	110,276	-	110,276
Disposal of subsidiary – note 5	-	-	-	-	-	-	(436,007)	(436,007)
At 31 December 2019	36,211,120	(27,619,094)	-	336,141	3,928,193	12,856,360	-	12,856,360
At 1 January 2020	36,211,120	(27,619,094)		336,141	3,928,193	12,856,360	-	12,856,360
Loss for the year	-	(3,548,975)	-	-	-	(3,548,975)	-	(3,548,975)
Other Comprehensive Income, net of tax	-		(3,101,453)		(415,904)	(3,517,357)	-	(3,517,357)
Total Comprehensive Income for the year	-	(3,548,975)	(3,101,453)		(415,904)	(7,066,332)	-	(7,066,332)
Transactions with owners in their capacity as owners:								
Expired options	-	182,134	-	(182,134)	-	-	-	-
Cost of share-based payments	-	-	-	7,249		7,249	-	7,249
At 31 December 2020	36,211,120	(30,985,935)	(3,101,453)	161,256	3,512,289	5,797,277	-	5,797,277

The above statement of changes in equity should be read in conjunction with the accompanying notes.

TBG Diagnostics Limited
Statement of Cash Flows
For the year ended 31 December 2020

	Note	Consolidated 12 months ended 31 Dec 2020 \$	12 months ended 31 Dec 2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		7,687,939	2,713,335
Payments to suppliers, employees and others		(11,112,601)	(5,122,848)
Government grants received		54,960	-
Interest received		31,154	106,804
Finance costs		(52,963)	(20,995)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	10	(3,391,511)	(2,323,704)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	15	(130,202)	(271,157)
Payments of development costs	13	(82,189)	-
Payments for acquisition of investment	14	(75,000)	-
Receipts of settlement of deferred receivables	5 (ii)		1,999,000
Payment for additional investment in TBG Xiamen	28 (c)	-	(2,130,184)
Payments for sale of TBG Xiamen	5 (i)	-	(327,534)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(287,391)	(729,875)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from bank borrowings	19	4,852,050	952,140
Repayment of bank borrowings	19	(2,554,386)	-
Principal elements of lease payments		(205,946)	(184,595)
NET CASH INFLOW FROM FINANCING ACTIVITIES		2,091,718	767,545
NET (DECREASE) IN CASH HELD		(1,587,184)	(2,286,034)
Net foreign exchange differences		159,241	756,374
Cash and cash equivalents at beginning of period		5,205,131	6,734,791
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	3,777,188	5,205,131

The above statement of cash flows should be read in conjunction with the accompanying notes.

1. CORPORATE INFORMATION

The consolidated financial report of TBG Diagnostics Limited (the 'Group') for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 13 October 2021.

Reissued consolidated financial report

The previously issued consolidated financial report of TBG Diagnostics Limited (the 'Group') for the year ended 31 December 2020 dated 30 March 2021 has been withdrawn and is replaced by this consolidated financial report. The revision was necessary as a result of material subsequent events relating to the group's restructure that occurred prior to 30 March 2021 but were not identified when the consolidated financial report was initially released. The subsequent events, as described in note 25 (a), do not have material financial impact in the group's consolidated accounts at 31 December 2020 but are expected to have material financial impact in the group's consolidated accounts and equity accounted investment in future periods.

TBG Diagnostics Limited (the 'parent' or 'Company') is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and the United States OTCQB Market. The nature of the operations and principal activities of the Group are described in Note 3. Medigen Biotechnology Corporation ('Medigen') holds 51.8% equity interest in the Company and is the group's ultimate parent company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

For the year ended 31 December 2020 amounts contained in this report and in the financial report have been rounded to the nearest dollar in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Going Concern

The Group had consolidated net loss of \$3,548,975 for the year ended 31 December 2020 (2020: Profit of \$620,137). As at 31 December 2020, the Group has cash reserves of \$3,777,188 (2020: \$5,205,131), net current assets of \$2,290,052 (2020: \$4,224,857) and net assets of \$5,797,277 (2020: \$12,856,360). Net operating cash outflows for the year ended 31 December 2020 were \$3,391,511 (2020: \$2,323,704).

On 31 January 2020, the World Health Organisation (WHO) announced a global health emergency because of a new strain of coronavirus (COVID-19) and the risks to the international community as the virus spreads globally. Because of the rapid increase in exposure globally, the WHO classified the COVID-19 outbreak as a pandemic. These events are having a significant negative impact on world stock markets, currencies and general business activities which could negatively impact the Group in a material adverse manner.

The Group have been continuously finding ways and have been mitigating the impacts of the COVID-19 pandemic. The Group has introduced its COVID-19 products at the inception of the pandemic which has been positively contributing to positive results in the Group's overall performance. Management believes that the pandemic will have no significant adverse impact to the group's continued operations.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- The ability of the Group to meet its revenue and cash flow forecasts;
- the continued support from the group's financiers; and
- the continued support from the group's ultimate parent.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- Management is closely monitoring its cash flow requirements against budget and expects to meet the current forecasts;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Going Concern (cont'd)

- The Group engaged in group restructuring activities during the period that resulted in its former subsidiary, U-Gen, converting into an equity investment in order to facilitate future capital raising plans of U-Gen which is expected to occur until first quarter 2022. If U-Gen becomes successful, management expects improved performance of the 38.46% investment in U-Gen to deliver future benefits to TDL, an improved liquidity of the investee entities, including TBG Xiamen, and the probability of collection of all the trade and other receivables that have remained outstanding as at report date;
- On 7 October 2021, the Company's major shareholder and ultimate parent, Medigen Biotechnology Corp. signed a letter of support to provide financial assistance to the Group in case of financial difficulties subject to the Company's application for this purpose and, if necessary, invest additional funds essential to ensure that TBG Diagnostics Limited will continue as a going concern; and
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

The accounting policies and methods of computation applied in this interim financial report are consistent with those applied in the previous financial year and the corresponding interim reporting period. The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period.

Statement of compliance

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

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

New, revised or amending Accounting Standards and Interpretations adopted

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2020 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the legal parent entity (TBG Diagnostics Limited) is disclosed in Note 6.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss, Statement of other comprehensive income, statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries held by the Group are accounted for at cost in the separate financial statements of the parent entity.

Business combinations and asset acquisitions

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of profit or loss, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of entities that do not meet the definition of a business contained in AASB 3 *Business Combinations* (IFRS 3) are not accounted for as business combinations. In such cases the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in AASB 138 *Intangible Assets* (IAS 38) and liabilities assumed. The cost of the group of net assets is then allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Investment in Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Recognition, derecognition and measurement

An investment is accounted for using the equity method from the date on which it becomes an associate or a joint venture. On acquisition of the investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

- a) Goodwill relating to an associate or a joint venture is included in the carrying amount of the investment. Amortisation of that goodwill is not permitted.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investment in Associates (cont'd)

- b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date. Similarly, appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made for impairment losses such as for goodwill or property, plant and equipment.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Impairment of investment in associates

The carrying amount of equity-accounted investments is tested for impairment where there is objective evidence that the investment in associate has been impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Refer to *note 28* for details of investments accounted for under the equity method.

Fair Value Measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

The fair values of the Group's financial assets and liabilities approximate their carrying value. No financial assets or liabilities are readily traded on organised markets in standardised form.

Refer to *note 14* for details of fair value measurements.

Significant accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities are:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. These events may have significant impacts in the groups' consolidated financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

AASB 9 Financial Instruments

Fair value adjustments on financial assets measured at FVTOCI

As detailed in *note 14*, on initial recognition, the Group had made an irrevocable election to recognise its investment in Zucero Therapeutics Ltd at fair value through other comprehensive income (FVTOCI) as it is an investment in equity instrument. In determining the fair market value of the Group's investment in Zucero Therapeutics Ltd at FVTOCI, the Group adopted the Available Prices Methodology as the method consistently adopted from initial recognition of the financial asset based on readily observable capital raising transactions.

The estimated fair value loss pertaining to the Group's financial asset measured at FVTOCI was determined based on the capital raising transactions of Zucero Therapeutics Ltd during the year, which resulted to a fair value loss on financial asset at FVTOCI of \$3,101,453 in other comprehensive income applicable to the 10,000,000 preference shares.

On 9 December 2020, an off-market share transfer of 2,500,000 ordinary shares in Zucero was made by Seabreeze to TBG in accordance with a deed dated 30 November 2020. Per the deed, the Company agreed that the Company's preference shares in Zucero will be converted to ordinary shares pursuant to the Preference Share Terms set out in the Deed of Settlement entered into by the Company on 1 May 2019, subject to Zucero satisfying a number of conditions with regards to Zucero's intended listing on the ASX in the first half of calendar year 2021 (including in particular Zucero being granted conditional approval to list on ASX).

Based on the valuation report at 31 December 2020 by an independent expert commissioned by the Company, the 10,000,000 preference shares and the 2,500,000 ordinary shares in Zucero have been determined to have a total fair value of \$1,052,242 using the Available Prices Methodology. The 2,500,000 ordinary shares were acquired during the year under a deed of settlement dated 30 November 2020 and were recorded as other income totalling \$153,695, representing the fair value of the shares as at the date of settlement. There was no change in the fair value of the ordinary shares from the settlement date to reporting date.

The Group considered the fair value of its investment in Zucero Therapeutics Ltd as at 31 December 2020 as implied by the capital raising completed during the year. In determining the fair value of the financial instruments of this nature, the key required inputs were as follows:

- The discount rate adopted in the bond formula (which is generally higher than the rate of interest payable on the bond) applicable to the convertible note;
- The volatility adopted in the Black Scholes formula (which is generally determined with reference to the volatility of comparable companies) applicable to the embedded derivative and options; and
- The share price adopted in the Black Scholes formula applicable to the embedded derivative and options.

It has been determined that the inputs required for a fair value assessment involved significant estimates and assumptions and required a high degree of judgements and complexities, having regard to the terms of the capital raising completed by Zucero Therapeutics Ltd during the year and other information available to the Group (*see Note 14*).

The Group assessed these methods as the most appropriate methodology under the existing circumstances at 31 December 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

AASB 10 Consolidated Financial Statements

(i) Loss of control, joint control, and significant influence

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Loss of control

On the loss of control, the parent-subsidiary relationship ceases to exist. The Group no longer controls the subsidiary's individual assets and liabilities. Therefore, the Group shall derecognise the carrying value of individual assets, liabilities and equity related to the former subsidiary including any goodwill recognised. Equity includes any non-controlling interests as well as amounts previously recognised in other comprehensive income in relation to, for example, foreign currency translation.

Any investment the Group has in the former subsidiary after control is lost is measured at fair value at the date that control is lost and that any resulting gain or loss is recognised in profit or loss. The Group currently holds 48.23% ownership interest of its former subsidiary, TBG Xiamen.

Significant influence

If the Group holds, directly or indirectly (eg through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the Group has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Group holds, directly or indirectly (eg through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the Group does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Group from having significant influence.

The existence of significant influence by the Group over TBG Xiamen can be demonstrated in one or more of the following ways: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the entity and its investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

(ii) Provision for impairment of receivables

The loss allowances for receivables are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 22.

(iii) Impairment of investments in associates

The estimated impairment loss in prior year pertaining to the Group's 48.23% investment in TBG Xiamen accounted for under the equity method is derived as the difference between the investment's carrying amount and its fair value amount at 31 December 2019.

The inputs required for a fair value assessment involved significant estimates and assumptions and required a high degree of judgements and complexities. The Group carried out an internal valuation for the current financial year consistent with prior year's methodology, which adopted the Discounted Cash Flow ("DCF") method in determining the fair market value of the equity accounted investment in TBG Xiamen. The DCF method derives the enterprise value of an entity by discounting forecast cash flows by an appropriate discount rate to its present value, which required inputs such as:

- 1) expected future net cash flows of the TBG Xiamen Group for the next five (5) years;
 - 2) an appropriate discount rate which is the rate of return which an investor could expect to obtain by investing in other investments with comparable risk, otherwise known as the weighted average cost of capital ("WACC");
- and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant accounting judgements, estimates and assumptions (cont'd)

(iii) Impairment of investments in associates (cont'd)

- 3) terminal value defined as the value of the entity at the end of a cash flow forecast period, which, in turn reflects the net present value of the cash flows accruing beyond that period.

There was no impairment recognised at 31 December 2020 as a result of the internal valuation.

Possible impact of changes in key assumptions

If the forecast cash flows adopted in the DCF reduced by 20%, this would not result in any impairment, assuming all other factors have been kept constant.

AASB 15 Revenue from Contracts with Customers

On 15 February 2020, the Company's wholly-owned subsidiary, TBG Taiwan, entered into a Distribution Agreement with Medigen Biotechnology Corp. ("Medigen"), a major shareholder and ultimate parent company of the Company, to distribute TBG Taiwan's SARS-CoV-2 related diagnostic products, including Rapid Test Kit (Colloidal Gold) and Nucleic Acid Test Kit (collectively, the "Test Kits").

In consideration for the exclusive right to distribute the Test Kits, Medigen shall pay to TBG Taiwan an amount equal to 50% of the net profit generated by Medigen, in addition to the manufacturing costs, from each purchase order for the sales of the Test Kits. The "net profit" is defined in the Distribution Agreement as the sales price agreed between Medigen and its clients for each purchase order minus all manufacturing costs and marketing expenses of Medigen and TBG Taiwan (employee wages and related expenses are expressly excluded from the manufacturing and marketing expenses).

Under the agreement, the final sales price that the Group will recognise is dependent on the selling price negotiated between Medigen and the end customer. In accordance with AASB 15, the Group only recognises some or all of an amount of variable consideration to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

When recognising revenue in relation to the sale of goods to Medigen under this agreement, the key performance obligation of the group is considered to be the point of delivery of the goods to Medigen as this is deemed to be the time that they obtain control of the promised goods and therefore the benefits of unimpeded access.

Determination of variable consideration

Judgement is exercised in estimating variable consideration which is determined having regard to the negotiated sales price between Medigen and the end customer where such sales price is not within the control of the Group, or where goods or services have a variable component. Revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised under the contract will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, the Group has considered both the likelihood and the magnitude of the revenue reversal. The factors included the following:

- the amount of consideration is highly susceptible to factors outside the group's influence, as the variable consideration is dependent on the sale price Medigen determines with the end customer;
- the uncertainty about the amount of consideration is not expected to be resolved for a long period of time, as it is unknown when the sale will be made to the end customer once sold to Medigen;
- limited experience with such type of contract as this was a new distribution contract signed in the current financial year, thus there is limited predictive value; and
- sales recognised under this distribution contract has a broad range of possible consideration amounts due to different variable prices taken into account when determining the final sale price to be recognised.

As such, this is deemed a variable constraint and no variable consideration in relation to sales made under this contract has been recognised in this financial year for those sales where Medigen has purchased the goods from the Group and have yet to sell to an outside customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 16 Leases

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that the group can continue to lease the premises outside of the current lease term of 2 years. While the lease does not include extension or termination options, it is highly likely that the group would continue to lease the premises outside the current lease term based on:

- the continued growth of the operations and increasing transitions with entities in the same location and
- it would be uneconomical to remove the assets located in the leased premises, due to the continued growth of the operations, which are expected to derive a benefit beyond the contractual lease term

On the above basis, the lease term of 6 years was deemed reasonable when ascertaining the periods to be included in the right of use asset and lease liability calculation.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

AASB 16 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of twelve months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- Lease payments made at or before commencement of the lease;
 - Initial direct costs incurred; and
- The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The amortisation periods for the right-of-use assets are as follows:

- right of use of the office building 6 years
- right of use of warehouse facility 2 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 15 Revenue from Contracts with Customers – refer notes 3 and 4

(i) Sale of goods

The Group manufactures and sells molecular diagnostics. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

The molecular diagnostics products are sometimes sold with retrospective volume discounts based on aggregate sales over a fixed period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Contract Liability - refer note 18

Where consideration has been paid prior to transfer of goods or provision of services, a contract liability is recognised until such a time when the performance obligations have been satisfied.

(iii) Technical service revenue

The Group provides technical services of HLA (Human Leukocyte Antigen) typing. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iv) Financing components

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money.

Interest income

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

Government grants

Government grants are recognised as revenue when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When grants are received prior to being earned, they are recognised as a liability in the statement of financial position.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the costs that correspond to the income received are prior year costs, the grant received is immediately recognised in the profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 15 Revenue from Contracts with Customers – refer notes 3 and 4 (cont'd)

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Cash and cash equivalents – refer note 10

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Trade and other receivables – refer note 11 and 13

Trade receivables, which generally have 30-90 day terms, are recognised and accrued at original invoice amount less an allowance any impairment.

Trade receivables and contract assets

The group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

Expected credit losses

The expected loss rates are based on the probability of default and the loss given default. The probability of default is based on historical default rates experienced within the period with consideration to forward looking economic indicators.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Loans Receivable

Loans receivable are measured at amortised cost, less any allowance for expected credit losses.

AASB 9 Financial Instruments

Investments and other financial assets – refer notes 11 and 14

Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments and other financial assets – refer notes 11 and 14 (cont'd)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments – refer note 11

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised except for investments in equity instruments irreversibly designated at FVOCI, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of other comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in Australian dollars, which is TBG Diagnostics Limited's presentation currency. TBG Inc.'s functional currency is in Taiwanese dollars converted to Australian dollars to conform to the group's presentation currency.

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

(iii) Translation of Group Companies functional currency to presentation currency

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation (cont'd)

(iii) Translation of Group Companies functional currency to presentation currency (cont'd)

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Monetary assets and liabilities are translated at the spot rate of exchange at reporting date.
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

- Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.
- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing or the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax – refer note 7

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing or the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax – refer note 7 (cont'd)

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

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes

Value Added Taxes (Including Goods and Services Tax)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT), except where the amount of VAT is not recoverable from the relevant tax authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of the item as expense. Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The VAT components of the cash flows arising from investing and financing activities which are recoverable from, or payable to, the relevant tax authority are classified as operating cash flows.

Revenues, expenses and assets are recognised net of the amount of VAT except:

- when the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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

Inventories - refer note 12

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. Net realisable value is estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

Non-current assets (or disposal groups) held for sale and discontinued operations - refer note 5

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-current assets (or disposal groups) held for sale and discontinued operations - refer note 5 (cont'd)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

Plant and equipment – refer note 15

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Machinery & office equipment	3 to 15 years
Leasehold improvements	Shorter of rental period and useful life
Motor vehicles	4 to 5 years
Testing equipment	3 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangibles

Research and development costs

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project on a straight-line basis.

Patents

Patents acquired as part of a business combination are recognised separately from goodwill. The patents are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the patent expiry dates on a straight-line basis.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from business combination in which goodwill arose, identified according to operating segments or components of operating assets. The amounts of cash-generating units (CGU's) have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on current cost of capital and growth rates of the estimated future cash flows.

Trade and other payables – refer note 18

Trade payables and other payables are carried at amortised cost and their fair value approximates their carrying value due to their short term nature. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Borrowings – refer to note 19

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowings – refer to note 19

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Employee leave benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. Annual leave accrued and expected to be settled within 12 months of the reporting date is recognised in current provisions. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions – refer note 17

(i) Equity-settled transactions:

The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or other appropriate model, further details of which are given in note 17. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects

- (i) the extent to which the vesting period has expired; and
- (ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payment transactions – refer note 17 (cont'd)

(i) Equity-settled transactions (cont'd):

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Contributed equity – refer note 20

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

Earnings per share – refer note 8

Basic earnings per share is calculated as net profit attributable to members of the Group, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the Group, adjusted for:

- costs of servicing equity;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Operating segments – refer note 3

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief executive officer.

3. OPERATING SEGMENTS

The Company operates in the biotechnology industry. The Company's activities comprise the research, development, and manufacture of biopharmaceuticals. The operating segments are identified by executive management (chief operating decision makers) based on the nature of the activity.

Accordingly, management currently identifies the Company as having one reportable segment, the InVitro Diagnostics segment which is engaged with the research and development of biological drugs, including Covid-19 testing kits, and the retail and wholesale of veterinary drugs with operations mainly in Taiwan. All revenue derived from continuing operations is from the InVitro Diagnostics segment and this is what has been reported in the financial statements.

Segment revenues are allocated based on the country in which the customer is located.

The legal parent is domiciled in Australia. The amount of its revenues from external customers in Australia is \$nil (2019: \$nil). The Group's operating subsidiary, TBG Taiwan, derived revenues from external customers of \$4,605,983 (2019: \$3,345,592), broken down by location as follows:

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Revenues from external customers		
Taiwan	2,941,282	1,639,100
China	703,344	866,436
UAE	417,334	151,154
Italy	99,587	50,355
Hong Kong	98,707	-
USA	27,408	140,737
Turkey	-	103,467
Other Countries	318,321	394,343
	4,605,983	3,345,592

Revenues of \$1,775,066 (2019: \$448,616) was derived from a single external customer and this relates to the related party in Taiwan.

Revenues of \$689,114 (2019: \$866,436) was derived from a single external customer and this relates to the related party in China.

Total sales with related parties in Taiwan and in China are \$2,464,180 (2019: \$1,315,053). This revenue is attributable to the InVitro Diagnostics segment, including Covid-19 revenues. Inter-entity transactions of \$116,674 (2019: \$222,273) were eliminated pertaining to revenues and costs within the group.

Non-current assets located in Australia is \$5,852 (2019: \$905) and non-current assets located overseas is \$3,694,409 (2019: \$4,424,268) Segment assets are allocated to countries based on where the assets are located.

4. REVENUE AND EXPENSES

	Consolidated	
	12 months ended 31 Dec 2020 \$	12 months ended 31 Dec 2019 \$
(a) Revenue from contracts with customers		
Sales revenue ¹	4,341,730	3,066,839
Technical services revenue	264,253	278,753
Total revenue from continuing operations	<u>4,605,983</u>	<u>3,345,592</u>
Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period		
Sales revenue	213,820	38,927
(b) Other income		
Reversal of loss allowance ²	353,207	-
Fair value of Zucero ordinary shares received ³	153,695	-
Government grant income	54,960	-
Interest and other	28,996	97,763
Foreign exchange gain	-	63,100
Total other income	<u>590,858</u>	<u>160,863</u>
(c) Depreciation		
Depreciation – continuing operations	556,467	552,778
Depreciation – discontinued operations	-	252,270
Depreciation – right-of-use assets	216,904	183,695
	<u>773,371</u>	<u>988,743</u>
(d) Minimum lease payments		
Low value/short term leases	122,253	127,180
(e) Employee benefit expenses		
Wages and salaries	1,587,411	1,651,465
Annual and long service leave provision	12,354	8,507
Share-based payment expense	7,249	110,276
(f) Finance costs		
Bank charges	11,827	9,372
Interest on borrowings	36,928	4,672
Interest and finance charges paid for lease liabilities	4,208	9,436
(g) Impairment		
Impairment – equity investment	75,000 ⁴	5,027,440 ⁵
Impairment – receivables ⁶	141,189	1,861,211
	<u>216,189</u>	<u>6,888,651</u>

4. REVENUE AND EXPENSES (cont'd)

¹ Includes COVID-19 revenues of \$1,316,043 recognised under the terms of the Distribution Agreement with Medigen as described in note 2.

² During the year, the Group collected these total receivables that were impaired in prior year due to expected cash flow difficulties by the Group's investee company in China, TBG Xiamen at 31 December 2019.

³ *Significant estimate – Unlisted equity investment in Zucero*

Fair value attributable to Zucero ordinary shares of \$153,695 pertained to the 2,500,000 ordinary shares transferred by Seabreeze on 9 December 2020. As described in note 2, the Group obtained an external valuation of the unlisted equity investments in Zucero using the Available Price Methodology that adopted a mid-range share price of \$0.07214. Due to conservative nature of the valuation, the Group adopted the low-range of \$0.08418 applicable to the investments for a total fair value of \$1,052,252 resulting to an implied fair value of \$153,695 applicable to the ordinary shares. The key assumptions used in the valuation are as follows:

- Discount rate adopted in the bond formula of 40%;
- Net present value of the debt component of the credit notes;
- The volatility adopted in the Black Scholes formula applicable to the embedded derivative and options of 91.5%; and
- The implied share price adopted in the Black Scholes formula applicable to the embedded derivative and options which is determined to be in the range of \$0.08418, \$0.07214 and \$0.06675

⁴ The investment in Lanka Graphite Limited has been impaired as LGR has been delisted with Australian Stock Exchange (ASX) on 4 August 2020.

⁵ *Significant estimate – Impairment – equity investment*

The impairment charge of \$5,027,440 at 31 December 2019 arose on the Group's investment in TBG Xiamen (refer Note 28 (c)). The impairment was a result of performance below expectations in the period since the Group's loss of control. The Group obtained an external valuation using a discounted cash flow approach that resulted in an adopted value of \$3,143,236. The key assumptions used in the valuation are as follows:

- Forecast cash flows over a 5 year period;
- Discount rate, based on a Weighted Average Cost of Capital (WACC) in the range of 13.73% to 15.73% with a mid-point of 14.73%; and
- Capital expenditure of CNY\$2m over 5 years.

⁶ The impairment of receivables is determined based on aging of accounts receivable with applicable rates ranging from 2% to 100%. Calculation of expected credit losses is in accordance with bad debts policy adopted during the year which are determined by country and circumstances specific to customers. Refer to note 22.

5. DISCONTINUED OPERATIONS

(i) Disposal of TBG Biotechnology Co. (Xiamen) Inc.

On 3 May 2019, the Group announced that it has completed the acquisition of Changsha ChangYe Medical Laboratory Corp. ("ChangYe") through its subsidiary TBG Biotechnology Xiamen ("TBG Xiamen") in accordance with the terms announced to ASX on 17 December 2018.

After completion of the transactions, the Company currently holds 46.65% of the equity in TBG Xiamen and TBG Xiamen holds 100% of the equity in ChangYe, such that the Company indirectly holds an interest of 46.65% in ChangYe.

The disposal resulted to a gain of \$5,843,126 which formed part of the discontinued operations and net cash outflow of \$327,534 in prior year. Following the disposal of TBG Xiamen, the 46.65% retained investment in TBG Xiamen has been accounted for as investment in equity accounted for under the equity method as required by the *Australian Accounting Standards Board (AASB) 128 Investment in Associates and Joint Ventures*.

The Groups' shareholding interest in TBG Xiamen has been changed to 48.23% from 46.65% following its rights issue participation in August 2019.

Refer to *note 28* for further details of the investment in associates accounted for under the equity method.

(ii) Disposal of Progen PG500 Series Pty Ltd

On 3 May 2019, the Company announced that it has entered into a Deed of Settlement with Zucero on 1 May 2019 for the full settlement of the \$5,999,000 deferred consideration payable by Zucero following the purchase of shares in the capital of Progen PG500 Series Pty Ltd from the Company under the Share Sale Agreement executed on 22 August 2016. Pursuant to the Deed of Settlement, the Company received \$1,999,000 cash and 10,000,000 preference shares in Zucero at an issue price of \$0.40 per share with a total value of \$4,000,000 as full settlement of the deferred consideration. Following the issuance of the preference shares, the Company holds 7.89% in the capital of Zucero.

Interest and other income from impairment reversal and gain on early settlement of \$5,999,000 deferred consideration was recognised as part of discontinued operations in prior year.

5. DISCONTINUED OPERATIONS (cont'd)

(ii) Disposal of Progen PG500 Series Pty Ltd (cont'd)

On 30 November 2020, the Company and Zucero executed a Deed of Conversion Notice whereby the Company agreed that the Company's preference shares in Zucero will be converted to ordinary shares pursuant to the Preference Share Terms set out in the Deed of Settlement entered into by the Company on 1 May 2019, subject to Zucero satisfying a number of conditions with regards to Zucero's intended listing on the ASX in the first half of calendar year 2021 (including in particular Zucero being granted conditional approval to list on ASX).

Contemporaneously with the entry into the Deed of Conversion Notice, the Company, Zucero, Seabreeze Fire Pty Ltd ("Seabreeze") and Christopher Burrell also entered into a deed pursuant to which there were mutual releases and under which, in consideration of the Company entering into the Deed of Conversion Notice, Seabreeze agreed to transfer to the Company 2,500,000 fully paid ordinary shares in Zucero (in addition to the Preference Shares).

On 31 December 2020, the Company holds 10,000,000 preference shares and 2,500,000 ordinary shares in Zucero representing 9.6% in the capital of Zucero.

Refer to *note 14* for details of financial assets measured at fair value through other comprehensive income.

6. PARENT ENTITY DISCLOSURE

Parent entity information required to be disclosed in accordance with the *Corporations Act 2001*. The legal parent entity of the group is TBG Diagnostics Ltd and the results shown below are for the year ended 31 December 2020 and 2019:

	Legal Parent	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Current assets	1,201,165	3,155,284
Total assets	6,270,016	13,142,927
Current liabilities	472,739	286,567
Total liabilities	472,739	286,567
Shareholders' equity		
Contributed equity	170,938,803	170,938,803
Reserves	(2,923,634)	352,703
Accumulated losses	(162,217,892)	(158,435,146)
	5,797,277	12,856,360
Net income (loss) for the year	(3,782,746)	2,276,480
Total comprehensive income (loss)	(6,884,199)	2,276,480

The legal parent entity has no contingent assets, contingent liabilities or contractual commitments relating to the purchase of property, plant or equipment.

7. INCOME TAX

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
The prima facie tax, using tax rates applicable in the country of operation, on loss before income tax differs from the income tax provided in the financial statements as follows:		
Prima facie tax on profit / (loss) before income tax @ 30%	(1,064,692)	186,041
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Prior year R&D tax refund	-	(1,776)
Non-assessable items/Deductible items	79,360	(1,810,815)
Non-deductible items/Assessable items	(21,338)	26,914
Foreign tax rate adjustment	538,705	(136,071)
Tax losses not previously recognised	(1,497,274)	-
Under/ over provision	(331,098)	(1,750,461)
Deferred tax assets not recognised	2,296,337	3,486,168
Income tax benefit	-	-

Deferred income tax

Deferred income tax at 31 December relates to the following:

Deferred tax liabilities

Prepayment and other asset	(435)	(517)
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Deferred tax assets

Bad debts provision	208,497	-
Unearned revenue	553,697	36,105
Sundry creditors and accruals	113,629	68,272
Depreciation	86	372
Employee entitlements	18,683	14,977
Share issue costs, legal and management consulting fees	2,720	28,989
Patent costs	78,699	87,288
Unrealised foreign exchange loss	50	(5,890)
Shares at fair value	930,436	-
Losses available for offset against future taxable income	5,606,815	5,825,155
Deferred tax asset	7,512,877	6,054,751
Net deferred tax asset not recognised	(7,512,877)	(6,054,751)
Net deferred income tax assets	-	-

The benefit of the deferred tax asset will only be obtained if:

- (i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;
- (ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (iii) no changes in tax legislation adversely affect the Group in realising the benefit.

The Group has 1) revenue tax losses arising in Australia of \$9,964,681 (2019: \$7,962,663) and capital losses of \$5,281,328 (2019: \$5,275,144); and 2) revenue tax losses arising in Taiwan of TW\$ 54,991,710 (2019: TW\$ 88,184,450); that are available indefinitely and/or a certain period for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

7. INCOME TAX (Cont'd)

The Group's US subsidiary, Texas Biogene Inc, has US federal and state net operating loss carry-forwards of US\$685,539 (2019: US\$681,878) which have a carry forward period between 2017 – 2036 and are available for a maximum of 20 years, subject to continuity of ownership test.

8. EARNINGS/(LOSS) PER SHARE

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Earnings used to calculate basic and diluted EPS	(3,548,975)	620,137
Earnings used to calculate basic and diluted EPS – continuing	(3,548,975)	(11,221,989)
Weighted average number of shares and options	Number of	Number of
	shares	shares
Weighted average number of ordinary shares outstanding during the period, used in calculating basic earnings per share	217,587,289	217,587,289
Weighted average number of dilutive options outstanding during the period	-	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted earnings per share	217,587,289	217,587,289

Basic loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

At 31 December 2020, there are 1,500,000 (2019: 2,925,000) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

9. DIVIDENDS PAID AND PROPOSED

The entity has not declared or paid dividends and does not anticipate declaring or paying any dividends in the immediate term.

10. CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprises the following:

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Cash and cash equivalents		
Cash at bank and on hand ¹	2,775,032	2,152,071
Short-term and call deposits	1,002,156	3,053,060
Cash and cash equivalents	3,777,188	5,205,131

10. CASH AND CASH EQUIVALENTS (cont'd)

¹ Includes restricted cash of \$762,676 (2019: \$190,465) held in four (4) banks to serve as bank guarantees applicable to short-term and long-term borrowings on the same banks. See *note 19*.

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one month to one year, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
(b) Reconciliation of net profit (loss) after tax to net cash flows from operations		
Net profit / (loss)	(3,548,975)	620,137
Adjustments for:		
Depreciation	556,467	805,048
Depreciation of ROU assets	216,904	183,695
Impairment loss	216,189	6,888,651
Options expense	7,249	110,276
Share of net losses of associates	641,952	2,347,328
Fair value of Zucero ordinary shares received	(153,695)	-
Reversal of impairment loss	(353,207)	(5,064,314)
Interest amortisation using the effective interest rate method	-	(445,565)
Gain on full settlement of deferred receivables	-	(489,121)
Gain on disposal of subsidiary	-	(6,755,635)
Net exchange differences	(16,024)	(63,100)
Changes in operating assets and liabilities		
Increase in trade and other receivables	(297,732)	(1,114,966)
Increase in inventories	(4,187,227)	(30,859)
Increase in prepayments and other current assets	(1,114,893)	(118,489)
Increase in other non-current assets	(134,611)	(296,723)
Increase in trade and other payables	4,763,738	1,091,426
Increase in provisions	12,354	8,507
Net cash used in operating activities	<u>(3,391,511)</u>	<u>(2,323,704)</u>

(c) Non-cash investing and financing activities

There were no non-cash investing or financing activities in the year ended 31 December 2020 (2019: \$nil)

11. TRADE AND OTHER RECEIVABLES (NET)

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Current		
Trade receivables ¹	1,696,480	1,640,228
Loan receivable ²	423,972	447,164
Other receivables	300,549	41,698
Impaired trade and other receivables	(1,647,403)	(1,901,758)
Total current trade and other receivables (net)	<u>773,598</u>	<u>227,332</u>

11. TRADE AND OTHER RECEIVABLES (NET) (cont'd)

¹ Trade receivables are non-interest bearing and are generally on 30-90 day terms.

² This is a loan of \$300,000 USD to the Group's investee company, TBG Xiamen, with an annual interest rate of 1% from 18 March 2020 to 17 March 2021. This was impaired at 31 December 2020 but was subsequently collected on 9 March 2021. Refer note 25 for further information relating to related party transactions.

(a) Impaired trade and other receivables

Impaired current trade and other receivables at 31 December 2020 amounted to \$1,647,403 (2019: \$1,901,758). These amounts are mainly receivables from the Group's investee in China, TBG Xiamen.

	Trade receivables 2020 \$	Loan receivables 2020 \$	Other receivables 2020 \$	Total 2020 \$
Balance at 1 January 2020	1,448,394	447,164	6,200	1,901,758
Increase in loss allowance during the year – note 4 (g)	137,829	-	3,360	141,189
Reversal of loss allowance recognised as other income – note 4 (b)	(347,189)	-	(6,018)	(353,207)
Foreign exchange difference	(18,963)	(23,192)	(182)	(42,337)
Balance at 31 December 2020	<u>1,220,071</u>	<u>423,972</u>	<u>3,360</u>	<u>1,647,403</u>

	Trade receivables 2019 \$	Loan receivable 2019 \$	Other receivables 2019 \$	Total 2019 \$
Balance at 1 January 2019	-	-	-	-
Increase in loss allowance during the year – note 4 (g)	1,417,512	437,630	6,069	1,861,211
Reversal of loss allowance recognised as other income	-	-	-	-
Foreign exchange difference	30,882	9,534	131	40,547
Balance at 31 December 2019	<u>1,448,394</u>	<u>447,164</u>	<u>6,200</u>	<u>1,901,758</u>

(b) Concentration of credit risk

The Group's concentration of credit risk relates to its receivable from its related party of \$1,950,084 (2019: \$1,874,170) of which \$1,613,700 was impaired at 31 December 2020 (2019: \$1,874,170).

12. INVENTORIES

	Consolidated	
	31 Dec 2020 \$	31 Dec 2019
Current		
Products and finished goods	72,709	130,853
Raw materials	2,824,483	419,839
Work in process and semi-finished good	2,138,216	297,488
Total inventories ¹	<u>5,035,408</u>	<u>848,180</u>

¹ Total inventories recognised in cost of sales amounted to \$1,709,496 (2019: \$510,036) whilst \$140,453 (2019: \$53,963) was recognised in operating expenses.

13. OTHER CURRENT AND NON-CURRENT ASSETS	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Other Current Assets		
Prepayments and tax credits	261,875	127,264
Restricted asset ¹	184,840	-
	446,715	127,264
Other Non-Current Assets		
Restricted asset ¹	-	190,428
Prepaid development costs	82,189	-
Other non-current assets	17,052	15,901
	99,241	206,329
Total other current and non-current assets	545,956	333,593

¹ This pertains to a bank guarantee held for the purposes of a vendor agreement for outsourced production services in Taiwan. The restricted asset has an expiry date of 15 April 2021.

14. FAIR VALUE MEASUREMENTS

Fair value measurements at 31 December 2020	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets measured at fair value through other comprehensive income				
- Ordinary shares – exploration sector ¹	-	-	-	-
- Preference and ordinary shares – biotechnology sector ²	-	1,052,242	-	1,052,242
Fair value measurements at 31 December 2019	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets measured at fair value through other comprehensive income				
- Preference shares – biotechnology sector	-	4,000,000	-	4,000,000

¹ On 28 February 2020, the Group acquired 3.2% investment in the equity capital of Lanka Graphite Limited (LGR) consisting of 3,750,000 shares at \$0.02 per share for a total of \$75,000 via its participation in LGR's initial placement as part of a proposed acquisition of an Australian unlisted biopharmaceutical company by LGR. The acquisition did not proceed. As disclosed in the Heads of Agreement dated 31 January 2020, the parties in the agreement have acknowledged that the trading of the ordinary shares in LGR on the official list of ASX has been suspended from 4 August 2018.

Lanka Graphite Limited is an Australian-based Graphite Exploration Company focused on exploring high purity vein graphite in Sri Lanka of which has been ceased during the period. It currently holds seven exploration licences and one exploration licence application.

LGR has been actively and currently exploring acquisition opportunities across other sectors outside mining and exploration business. LGR is a related party of the Company.

On 4 August 2020, LGR has been delisted on the Australian Stock Exchange (ASX). On this basis, the investment in LGR has been impaired at 31 December 2020.

²The fair value amount applicable to the 10,000,000 preference shares is determined based on an implied share price in Zucero's capital raising transactions during the year which resulted to a fair value loss on financial asset at FVTOCI of \$3,101,453. This resulted in the value of the preferences shares in Zucero to be valued at \$898,547.

Under a Deed of Settlement dated 30 November 2020 as described in note 2, an off-market share transfer of 2,500,000 ordinary shares in Zucero was made by Seebreeze to TBG on 9 December 2020. The total fair value of the investment in Zucero as at 31 December 2020 was \$1,052,242. The fair value attributed to the 2,500,000 shares of \$153,695 has been recognised as other income in the statement of profit or loss.

14. FAIR VALUE MEASUREMENTS (cont'd)

On 11 December 2020 Zucero issued 2,265,000 notes at a face value of \$1 with a variable conversion mechanism linked to Initial Public Offering ("IPO") or Exit Event. The maturity date of the Convertible Notes is 18 months from the issue date and falls on 10 June 2022. The maturity date may be extended by 6 months if Zucero has made substantial progress towards an IPO. Notes accrue interest at 8% per annum. Interest is compounded every six months and is paid on the maturity date, on redemption date or any other dates required under the Deed Poll. Convertible Notes will convert into fully paid ordinary shares in Zucero, and the conversion price will be dependent on the following occurrences:

- On the happening of an IPO Convertible Notes will be automatically converted into shares at 80% of the IPO Price; or
- On the happening of an Exit Event Convertible Notes will be automatically converted into shares at 80% of the Exit Event valuation.

It was determined that the transaction did not have a material financial impact in the Group's unlisted equity investments in Zucero at 31 December 2020.

On 31 December 2020, TBG holds 10,000,000 preference shares and 2,500,000 ordinary shares in Zucero valued at \$898,547 and \$153,695 respectively.

Adopting the Available Price Methodology, the factors contributing to the significant adjustments in the implied fair value of the financial asset from 31 December 2019 include:

- The assumptions made to determine the implied share price of the financial asset with respect to convertible notes, call options and embedded derivative as issued under Zucero's capital raising transactions during the year, as described in note 2;
- The additional capital required to progress Zucero's medical research activities in relation to its lead product, Pixatimod and COVID19; and
- The current market conditions to raise capital is challenging due to uncertainty relating to COVID-19. It is always challenging to raise capital for high risk-reward investment opportunities and an investment in Zucero's business is considered high risk-reward. Therefore, high yield and/or substantial discounts are required to entice potential investors to invest in Zucero.

The Group has classified its financial instruments into the three levels prescribed under the Australian Accounting Standards. An explanation of each hierarchy and the valuation techniques used to determine their fair values are as follows:

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments determined using valuation techniques which maximises the use of observable market data and with little reliance on entity-specific estimates.

The fair value of the Group's financial asset is determined using the Available Market Prices valuation methodology and is classified as Level 2. The selection of this method was assessed by the Group as the most appropriate valuation methodology based on readily observable market transactions.

Financial assets at fair value through other comprehensive income comprise equity securities which are not held for trading, and which the group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the group considers this classification to be more relevant. Refer to *note 5 (ii)* for details of the financial asset measured at fair value through other comprehensive income.

On disposal of the equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Level 3

Level 3 inputs are based on unobservable market data for the asset or liability.

15. NON-CURRENT ASSETS - PLANT & EQUIPMENT

	Consolidated	
	31 Dec 2020 \$	31 Dec 2019 \$
Machinery & equipment at cost	1,383,890	1,329,631
Accumulated depreciation	(1,067,018)	(919,851)
	316,872	409,780
Testing equipment at cost	2,532,762	2,567,913
Accumulated depreciation	(2,178,518)	(1,883,452)
	354,244	684,461
	671,116	1,094,241

Movements in carrying amounts

	Machinery & office equipment \$	Testing equipment \$	Motor vehicles \$	Leasehold improvements \$	Total \$
Consolidated					
At 1 January 2019	599,213	845,866	-	-	1,445,079
Exchange differences	22,728	14,559	76	13,380	50,743
Additions - external	67,014	174,279	-	29,864	271,157
Depreciation – note 4 (c)	(291,614)	(350,243)	-	(163,191)	(805,048)
Assets classified as held for sale and other disposals - note 5 (i)	12,439	-	(76)	119,947	132,310
At 31 December 2019	409,780	684,461	-	-	1,094,241
At 1 January 2020	409,780	684,461	-	-	1,094,241
Exchange differences	(542)	3,682	-	-	3,140
Additions - external	89,999	40,203	-	-	130,202
Depreciation – note 4 (c)	(182,365)	(374,102)	-	-	(556,467)
At 31 December 2020	316,872	354,244	-	-	671,116

16. RIGHT-OF-USE ASSETS

	Office Building	Warehouse Facility	Total
	\$	\$	\$
Consolidated			
At 1 January 2019	-	-	-
Additions	375,393	-	375,393
Depreciation – note 4 (c)	(183,695)	-	(183,695)
Exchange differences	(4,001)	-	(4,001)
At 31 December 2019	187,697	-	187,697
At 1 January 2020	187,697	-	187,697
Lease modification	1,065,381	-	1,065,381
Lease addition	-	45,677	45,677
Depreciation – note 4 (c)	(194,548)	(22,356)	(216,904)
Exchange differences	6,851	1,421	8,272
At 31 December 2020	1,065,381	24,742	1,090,123

The weighted average incremental borrowing rate applied to measure lease liabilities is 2.05% for both the office lease and warehouse facility.

17. SHARE BASED PAYMENTS

(a) Employee option plan

The TDL Directors and Employee Option Incentive Plan (“the Employee Plan”) was last approved by shareholders at the 2010 annual general meeting.

Options granted to Company employees are issued under the Employee Plan. Options are granted under the Employee Plan for no consideration and once capable of exercise entitle the holder to subscribe for one fully-paid ordinary share upon exercise at the exercise price. The exercise price is determined in reference to the current market price at which the Group’s shares traded on the Australian Securities Exchange during the five trading days immediately before they are granted plus a certain premium.

Options granted under the Employee Plan that have not vested at the time an option holder becomes ineligible (i.e. no longer an employee), are forfeited and not capable of exercise. When an option holder becomes ineligible and the options have already vested then the option holder has 3 months to exercise or they expire. Options must be exercised by the expiry dates or they lapse. There were no options granted during the year ended 31 December 2020.

At 31 December 2020 there were 1,500,000 employee options outstanding (2019: 2,925,000).

The following table summarises information about options outstanding at 31 December 2020:

31 December 2020									
Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of period	Granted during the period	Forfeited during the period⁵	Lapsed during the period⁴	Balance at end of period	Vested and exercisable at end of period
1	13 May 2016	13 May 2022	\$0.30	1,200,000	-	-	(450,000)	750,000	750,000 ¹
2	13 May 2016	13 May 2022	\$0.30	600,000	-	-	(225,000)	375,000	375,000 ²
3	13 May 2016	13 May 2022	\$0.40	525,000	-	-	(150,000)	375,000	375,000 ³
4	13 May 2016	13 May 2022	\$0.30	600,000	-	(400,000)	(200,000)	-	-
				2,925,000	-	(400,000)	(1,025,000)	1,500,000	1,500,000
Weighted average exercise price				0.32	-	0.30	0.31	0.33	0.33
Weighted average share price at date of exercise				-	-	-	-	-	-

TBG Diagnostics Limited
Notes to the Financial Statements
For the year ended 31 December 2020

17. SHARE BASED PAYMENTS (cont'd)

- ¹ Vested 13 May 2018 (2 years vesting period)
² Vested 13 May 2019 (3 years vesting period)
³ Vested 13 May 2020 (4 years vesting period)
⁴ Vested options of resigned employees that lapsed due to non-exercise
⁵ Options forfeited due to unmet Key Performance Indicators (KPI's)

31 December 2019

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of period	Granted during the period	Forfeited during the period	Lapsed during the period	Balance at end of period	Vested and exercisable at end of period
1	13 May 2016	13 May 2022	\$0.30	1,350,000	-	-	(150,000)	1,200,000	1,200,000 ¹
2	13 May 2016	13 May 2022	\$0.30	637,500	-	(37,500)	-	600,000	600,000 ²
3	13 May 2016	13 May 2022	\$0.40	637,500	-	(112,500)	-	525,000 ³	-
4	13 May 2016	13 May 2022	\$0.30	600,000	-	-	-	600,000	600,000 ⁴
				3,225,000	-	(150,000)	(150,000)	2,925,000	2,400,000
Weighted average exercise price				0.32	-	0.38	0.30	0.32	0.30
Weighted average share price at date of exercise				-	-	-	-	-	-

- ¹ Vested 13 May 2018 (2 years vesting period)
² Vested 13 May 2019 (3 years vesting period)
³ Vesting 13 May 2020 (4 years vesting period)
⁴ Vested 30 April 2019 upon remaining in service at the happening of certain Key Performance Indicators (KPI's)

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.36 years (2019: 2.37 years).

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period is \$7,249 (2019: \$110,276)

18. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Trade creditors ¹	790,051	172,040
Contract Liabilities ²	3,257,043	212,380
Other creditors ³	665,830	605,770
	4,712,924	990,190

Australian dollar equivalents

Australian dollar equivalent of amounts payable in foreign currencies (US\$) – 471,472 (2019: \$128,312).

Terms and conditions

Terms and conditions relating to the above financial instruments:

- ¹ Trade creditors are non-interest bearing and are normally settled between 30 to 90 days
² Contract liabilities relate to deposits received in advance from customers for goods to be sold
- Significant increase is due to advance payments from Medigen pertaining to COVID-19 diagnostic products as required by them in accordance with the payment terms of the Distribution Agreement
 - The Group expects to deliver the full contract liabilities amount at 31 December 2020 within 2021. COVID-19 revenues relating to contract liabilities with Medigen are recognised in accordance with the Distribution Agreement described in note 2.
- ³ Other creditors are non-interest bearing and have a term between 30 to 90 days

19. BORROWINGS

	31 Dec 2020	Consolidated 31 Dec 2019
	\$	\$
Short-term bank borrowing ¹	2,772,600	952,140
Long term borrowing ²	449,264	-

¹ The total short-term bank borrowings of \$2,772,600 (TWS\$ 50 million) bears an interest rate ranging from 1.75% to 1.9% per annum and are payable within six (6) months to one (1) year. Total bank guarantees of \$670,251 representing 20%, 25%, and 30% of the principal amounts have been recognised and are included in cash and cash equivalents – restricted.

² The long-term bank borrowing of \$449,264 (TWS\$ 9.7 million) bears an interest rate of 2.5% per annum with a term of three (3) years payable in thirty-six (36) equal monthly instalment payments. Bank guarantee of \$92,425 representing 20% of the principal amount plus interest is included in cash and cash equivalents - restricted.

Movements during the year

	Short-term borrowings	Long-term borrowings	Total
	\$	\$	\$
Consolidated			
At 1 January 2019	-	-	-
Exchange differences	-	-	-
Proceeds from bank borrowings	952,140	-	952,140
Repayment of borrowings	-	-	-
At 31 December 2019	952,140	-	952,140
At 1 January 2020	952,140	-	952,140
Exchange differences	(27,940)	-	(27,940)
Proceeds from bank borrowings	4,389,950	462,100	4,852,050
Repayment of borrowings	(2,541,550)	(12,836)	(2,554,386)
At 31 December 2020	2,772,600	449,264	3,221,864

(i) Assets pledged as security and bank guarantee

The short-term bank borrowings are secured by restricted bank deposits in the range of 20%, 25% and 30% of loan principal amounts. The restricted cash of \$670,251 is included in cash and cash equivalents – note 10.

The long-term bank borrowing is secured by restricted by bank deposit of 20% of loan principal amount of \$92,425. This restricted cash is included in cash and cash equivalents – note 10.

Other covenants applicable to a bank loan facility requires that trade receivable collections must be remitted with the bank with an average monthly deposit not lower than \$92,000 (TWD 2,000,000)

(ii) Compliance with covenants applicable to the loan facilities

The Group has complied with the financial covenants of its borrowing facilities in Taiwan during the year ended 31 December 2020.

20. CONTRIBUTED EQUITY

Consolidated	
31 Dec	31 Dec
2020	2019
\$	\$

a) Issued and paid up capital	36,211,120	36,211,120
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Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

b) Movements in shares on issue

	31 December 2020		31 December 2019	
	Number of shares	Amount \$	Number of Shares	Amount \$
Beginning of the financial period	217,587,289	36,211,120	217,587,289	36,211,120
<i>Transactions during the period:</i>	-	-	-	-
End of the financial period	217,587,289	36,211,120	217,587,289	36,211,120

c) Share options

At 31 December 2020 there were a total of 1,500,000 (2019: 2,925,000) unissued ordinary shares in respect of which options were outstanding.

Refer to *note 17* for more details on unlisted options.

d) Capital risk management

The Group's objectives when managing capital as stated in the statement of financial position, are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

21. ACCUMULATED LOSSES AND RESERVES

Accumulated losses

Movement in accumulated losses were as follows:

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Beginning balance	(27,619,094)	(28,479,908)
Net profit (loss)	(3,548,975)	764,939
Expired options	182,134	95,875
Ending balance	(30,985,935)	(27,619,094)

21. ACCUMULATED LOSSES AND RESERVES (cont'd)

Reserves

Share based payment reserve

The share based payment reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

	Consolidated	
	31 Dec 2020	31 Dec 2019
Share based payment reserve	\$	\$
Beginning balance	336,141	321,740
Cost of share based payments	7,249	110,276
Expired options	(182,134)	(95,875)
Ending balance	161,256	336,141

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	Consolidated	
	31 Dec 2020	31 Dec 2019
Foreign currency translation reserve	\$	\$
Beginning balance	3,928,193	3,221,853
Foreign currency translation	(415,904)	706,340
Ending balance	3,512,289	3,928,193

Fair value loss on financial asset at fair value through other comprehensive income

The fair value loss on financial asset at fair value through other comprehensive income is used to record subsequent changes in the fair value of the unlisted investment in Zucero recognised at fair value through other comprehensive income.

	Consolidated	
	31 Dec 2020	31 Dec 2019
Fair value loss on financial asset at fair value through other comprehensive income	\$	\$
Beginning balance	-	-
Fair value loss on financial asset at FVTOCI	(3,101,453)	-
Ending balance	(3,101,453)	-
Total Reserves	572,092	4,264,334

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables.

The Group manages its exposure to key financial risks, including market risk (interest rate and currency risk) credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Depending on cash flow, the Group may simply procure the required amount of foreign currency to mitigate the risk of future obligations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange rates and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses is undertaken to manage credit risk.

The Board reviews and agrees policies for managing each of these risks which are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Fair Values

The fair values of financial assets and liabilities approximate their carrying value due to the short term nature. No financial assets or liabilities are readily traded on organised markets in standardised form. Refer to *note 2* for fair value measurements.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL), and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Group. It arises from exposure to customers as well as through deposits with financial institutions.

The Group trades only with recognised, creditworthy third parties. Refer *note 11* for further details on trade and other receivables.

The Group recognises impairment provision on its trade, loan and other receivables in accordance with the following policy:

Age of receivables	Probability of Default
up to 90 days	0%
91 to 120 days	2%
121 to 180 days	10%
181 to 365 days	50%
> 365 days	100%

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

At 31 December 2020, the exposure to credit risk for trade receivables and contract assets by country were as follows.

	Consolidated		Consolidated	
	31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019
	Gross Carrying Amount	Loss Allowance	Gross Carrying Amount	Loss Allowance
	\$	\$	\$	\$
Taiwan ¹	159,139	32,149	209,037	34,518
China ¹	1,511,605	1,187,922	1,413,876	1,413,876
Others	25,736	-	17,315	-
	1,696,480	1,220,071	1,640,228	1,448,394

¹ Expected credit loss assessment for related parties in Taiwan and China

At 31 December 2020, exposures with each credit risk are determined by country and circumstances specific to customers. An expected credit loss (ECL) rate is calculated for each customer based on the probability of default and the loss given default. Probability of default considers the country the customer is based in, and the receivable aging policy adopted during the year as well as forward looking economic indicators (such as annual Gross Domestic Product (GDP) forecasts applicable for each country to reflect existing economic conditions).

At 31 December 2019, expected credit loss was determined to be the full receivable amount from the Group's investee company in China, TBG Xiamen. This was due to cash flow difficulties and specific circumstances that existed within the associate in prior year. Expected credit loss in Taiwan was based on specific receivable of which impairment was recognised in full.

The Group mitigates its exposure to credit risk by requiring advance payments from established customers for goods or services to be sold, which is generally the full invoice amount but may vary with customer's specific circumstances. There are no applicable terms and conditions other than the advance payments and delivery of goods or services sold to customers.

Maximum exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. Cash balances include \$762,676 restricted assets held as security for bank loan borrowings at 31 December 2020. Credit risk is reviewed regularly by the Board.

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Cash and cash equivalents	3,777,188	5,205,131
Trade receivables	476,410	191,835
Other receivables	297,188	35,497
	4,550,786	5,432,463

The Group does not have any material credit risk exposure to any single counterparty, except for its holdings of cash which is held with Westpac, Taiwan Cooperative Bank, First Bank, Shanghai Commercial Bank, ChangHwa Bank, and JP Morgan Chase Bank. Although there is a significant concentration of risk with these banks, the banks have strong credit ratings.

Market risk

Foreign currency risk

The Group is primarily exposed to changes in AUD/USD exchange rates. The Group's exposure to other foreign exchange movements is not material.

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

At 31 December 2020, the Group held US\$ 688,103 (2019: US\$ 293,581) in cash deposits. The Group had the following exposure to USD currency shown in AUD:

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Financial assets		
Cash and cash equivalents	906,287	419,004
Trade and other receivables	1,968,040¹	1,874,779 ²
	2,874,327	2,293,783
Financial liabilities		
Trade and other payables	650,586	28,312
Net exposure	2,223,741	2,265,471

¹ Of this amount, \$1,186,368 was impaired at 31 December 2020.

² This amount was impaired at 31 December 2019.

At 31 December 2020, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss (Higher)/Lower		Equity Higher/(Lower)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$	\$	\$	\$
Consolidated				
AUD/USD + 20% (2019: + 5%)	(311,457)	(79,429)	(311,457)	(79,429)
AUD/USD – 10% (2019: - 5%)	155,729	79,429	155,729	79,429

The sensitivity analysis for the foreign currency exposure was determined based on historical movements over the past two years.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits. These deposits are held to fund the Group's ongoing and future development activities. Cash at bank of \$2,775,032 earns interest at floating rates based on daily and "at call" bank deposit rates. Short term deposits of \$1,002,156 are made for varying periods of between one month to six months, depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Refer to Note 10 for details on the Group's cash and cash equivalents at 31 December 2020.

The following sensitivity analysis is based on the weighted average interest rates applicable to the Group's cash and short-term deposits in existence at the reporting date.

At 31 December 2020, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss (Higher)/Lower		Equity Higher/(Lower)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$	\$	\$	\$
Consolidated				
+ 0.5% / 50 basis points (2019: + 2.5%)	18,886	130,128	18,886	130,128
- 0.5% / 50 basis points (2019: - 1.0%)	(18,886)	(52,051)	(18,886)	(52,051)

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Interest rate risk (cont'd)

The sensitivity in interest rates were determined based on historical movements over the past two years and management expectations of reasonable movements.

Price risk

The group's exposure to equity securities price risk arises from its equity investments in Zucero Therapeutics Ltd. and is classified in the statement of financial position at fair value through other comprehensive income (FVOCI).

The Group's equity investment in Zucero is not held for trading which is a strategic investment held for long term purpose. This investment was classified as Financial assets at fair value through other comprehensive income (FVOCI) where performance is actively monitored and managed at fair value basis.

At 31 December 2020, had Zucero's implied share prices increased or decreased by 10%, as illustrated in the table below, with all other variables held constant, post-tax comprehensive loss and equity would have been affected as follows:

	Post-tax comprehensive loss (Higher)/Lower		Equity Higher/(Lower)	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
	\$	\$	\$	\$
Consolidated				
+ 10% (2019: + 25%)	105,225	1,000,000	105,225	1,000,000
- 10% (2019: - 25%)	(105,225)	(1,000,000)	(105,225)	(1,000,000)

Liquidity risk

The Group's objective is to maintain a balance between continuity of project research utilising an optimal combination of equity funding and available credit lines. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

The table below reflects all financial liabilities as of 31 December 2020. Financial liabilities are presented at their undiscounted cash flows. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 31 December 2020. The Group had no derivative financial instruments at 31 December 2020.

Investments

Investments are made in accordance with a Board approved Investment Policy. Investments are typically in bank bills and held to maturity investments. Policy stipulates the type of investment able to be made. The objective of the policy is to maximise interest income within agreed upon creditworthiness criteria.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

Financial instruments 31 December 2020

	6 months or less	6 to 12 months	More than 12 months	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
Contractual maturities of financial liabilities					
Consolidated financial liabilities					
Trade and other payables	4,712,924	-	-	4,712,924	4,712,924
Borrowings	1,486,881	1,471,724	302,598	3,261,203	3,221,864
Lease liabilities	105,913	105,913	944,625	1,156,451	1,090,312
	6,305,718	1,577,637	1,247,223	9,130,578	9,025,100

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Financial instruments 31 December 2019

Contractual maturities of financial liabilities	6 months or less	6 to 12 months	More than 12 months	Total contractual cash flows	Carrying amount
	\$	\$		\$	\$
Consolidated financial liabilities					
Trade and other payables	990,190	-	-	990,190	990,190
Borrowings	961,111	-	-	961,111	952,140
Lease liabilities	97,118	97,118	-	194,236	190,798
	2,048,419	97,118	-	2,145,537	2,133,128

Undrawn borrowing facilities

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
The Company has the following undrawn borrowing facilities ¹ of:	12,836	476,270

¹ There are four (4) bank facilities of which three (3) of them have been fully drawn. The undrawn facility ends 5 October 2023. The loan facilities have varying interest rates ranging from 1.75% to 2.5% adjusted at regular intervals. The 31 December 2020 amount pertain to the balance available from the total borrowing facilities of \$3,234,700 (TW\$ 70 mil). Refer to *note 19*.

Prior year's loan facility had varying interest rates ranging from 1.09% to 2.0% adjusted at regular intervals. The 31 December 2019 amount pertain to the balance available from the total borrowing facility of \$1,428,210 (TW\$ 30 mil). Refer to *note 19*.

23. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries and on-costs	163,005	177,289
Provisions (current)	62,276	49,922
Provisions (non-current)	-	-
	225,281	227,211

Superannuation

The parent makes no superannuation contributions other than the statutory superannuation guarantee levy.

The Group contributed \$21,656 on behalf of employees to superannuation funds (considered a related party) during the year ended 31 December 2020 (2019: \$20,075).

Pension

On 1 July 2005, the subsidiaries of TBG Inc. established a defined contribution pension plan (the 'New Plan') under the Labor Pension Act (the 'Act'), covering all regular employees with Republic of China nationality. Under the New Plan, TBG Inc. and its subsidiaries make a contribution equal to 6% of the employee's monthly gross salaries to the employee's individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

The Group contributed \$60,801 on behalf of employees to the pension fund (considered a related party) for the year ended 31 December 2020 (2019: \$86,013).

24. COMMITMENTS, CONTINGENT LIABILITIES AND ASSETS

The Group had the following commitments at 31 December 2020 and 2019.

	Consolidated	
	31 Dec	31 Dec
	2020	2019
	\$	\$
Rental payments ¹	8,370	25,111

¹ The rental payments commitments pertain to three (3) months lease applicable to the office located in Brisbane, Australia (2019: nine (9) months).

There are no contingent liabilities or contingent assets at 31 December 2020 that require disclosure in the financial report.

25. SIGNIFICANT EVENTS AFTER THE REPORTING DATE

a) Group restructure

During the 2021 first quarter, the Group undertook a corporate restructure involving an equity swap transaction between U-Gen Biotechnology Inc ('U-Gen') (formerly TBG Inc), previously wholly-owned subsidiary of the Company, and TBG Biotechnology (Xiamen) Inc. ('TBG Xiamen'), previously recorded as investment in associate of U-Gen with an ownership of 46.65%. The restructure resulted in the Company holding a 46.65% ownership of U-Gen at the date of the transaction, which was recognised as investment in associate, while U-Gen acquired 100% of TBG Xiamen.

In addition to the equity swap, a Loan and Restructuring Agreement was entered into with each of the other shareholders that owned 53.35% of TBG Xiamen where the other shareholders agreed to lend a total aggregate amount of \$11,837,142 (58,685,000 RMB) to U-Gen. The loans will be used as financial assistance to U-Gen in obtaining listing with the Hong Kong Stock Exchange (HKSE) before 31 December 2021. Under the terms of the agreement, the other shareholders will waive their rights to the loans subject to U-Gen obtaining listing with the HKSE before 31 December 2021. If U-Gen is unsuccessful in obtaining listing with the HKSE before 31 December 2021, the loans will become payable in full plus applicable annual interest rate of 8% to 11%. Further, TDL has the right to buy-back the 53.35% equity in U-Gen from the other shareholders at 1% of the original equity price.

The supposed Initial Public Offering (IPO) has been delayed to first Quarter 2022. Accordingly, the term of the loans obtained from the other shareholders will be extended in accordance with the timing of the IPO, subject to agreement with these shareholders.

In conjunction with the restructure of U-Gen, the Group transferred 100% of the net assets of TBG Taiwan and TBG Texas to TDL Holdings Co., a new offshore subsidiary formed under TDL, from U-Gen.

On 3 May 2021, the Company entered into an Agreement to sell 8,058,723 shares representing 5% equity in U-Gen to Dong Yuan Hua Xin (Beijing) Capital Management Limited Company ("Dong Yuan") at a total of consideration of \$1,098,498 (RMB 5,500,000). This transaction, along with a number of other transactions that have occurred within the U-Gen group post the restructure has resulted in TDL holding a 38.46% of U-Gen at 30 June 2021.

b) Board Changes

On 23 March 2021, the Company announced the resignation of Mr. Hsi-Kai (C. K. Wang) as Non-executive director of the Company. Following his resignation, Mr Bing-Cheng Liu as was also appointed as Non-Executive Director of the Company. The resignation and appointment of each director took effect on 22 March 2021.

c) De-listing with the Australian Stock Exchange (ASX)

The Company has been de-listed with the ASX on 30 August 2021.

26. AUDITORS' REMUNERATION

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
<i>(a) Audit services – BDO Audit Pty Ltd</i>		
Audit and review of the Group's financial reports	325,200	260,507
<i>(b) Non-audit services – BDO Services Pty Ltd</i>		
Other non-audit services in relation to the entity ¹	24,839	15,839
Total fees paid/payable to BDO	350,039	276,346
<i>(c) Other Audit services – PwC Taiwan</i>		
Audit and review of TBG Inc.'s financial reports ²	13,863	14,282

¹ Non-audit services received from BDO for tax consulting services.

² Pertains to audit services in relation to the financials of the accounting parent for TWD 300,000 (2019: TWD 300,000).

27. DIRECTOR AND EXECUTIVE AND RELATED PARTY DISCLOSURES

(a) Remuneration of directors and other key management personnel

	31 Dec 2020	31 Dec 2019
	\$	\$
Short term benefits	399,347	412,557
Other long term benefits	5,454	4,705
Post-employment benefits	14,659	13,684
Share-based payments	-	-
Termination payments	-	-
Total key management personnel compensation	419,460	430,946

27. DIRECTOR AND EXECUTIVE AND RELATED PARTY DISCLOSURES (cont'd)

(b) Related party transactions to parent and associates¹

31 Dec 2020	Parent ² \$	Associate ³ \$	Other \$
Revenues			
- Sale of goods/services	1,775,066 ⁴	689,114 ⁵	-
- Utilities	28,437	-	-
Other Payments			
- Rental payments ⁸	201,327	-	-
- Management consultancy fees	-	-	72,000 ¹⁰
Purchase of goods			
- Inventories ⁹	-	1,736,878	-
- Equipment	-	63,903	-
Receivables from related party			
- Trade receivables	-	1,511,605 ⁶	-
- Loan receivable	-	423,972 ⁶	-
- Other receivables	2,389	14,506 ⁶	-
- Notes receivable	226,595	-	-
- Advance payments/deposits	-	62,998	-
Payables to related party			
- Trade payables	-	648,800	-
- Contract liabilities	3,214,684 ⁷	-	-
Financial asset			
- Lanka Graphite Limited	-	-	75,000 ¹¹

¹ There are no commitments or guarantees relating to these related party transactions.

² The parent entity is Medigen Biotechnology Corp, a company based in Taiwan.

³ The associate is TBG Biotechnology (Xiamen) Inc., a company based in China.

⁴ Of the total amount, \$1,316,043 pertained to sales revenues from SARS-CoV-2 under the Distribution Agreement with Medigen (note 2). Majority of the remaining sales amount pertained to HLA sales revenues made under the same Distribution Agreement that commenced in 2015.

⁵ Majority of the sales made to the associate is per the 2017 Distribution Agreement with TBG Taiwan with a term commencing from 1 January 2017 to 31 December 2022. These sales have terms of (90) days from date of invoice.

⁶ Of the total amount, \$1,613,700 was impaired at 31 December 2020 (2019: \$1,861,040).

⁷ Goods or services are generally delivered within one month to six months, on varying cases, from receipt of deposits from customers. There are no other applicable terms and conditions apart from the delivery of goods or services and receipt of advance payments.

⁸ This relates to rental payments of lease liabilities and amortisation of right of use of assets recognised under AASB 16.

⁹ This mainly pertain to purchase of raw materials and related consumables for the production of COVID-19 products and research & development purposes.

¹⁰ Management consultancy fees paid to a Non-executive director.

¹¹ This has been impaired at 31 December 2020. Refer to *note 14* for details.

27. DIRECTOR AND EXECUTIVE AND RELATED PARTY DISCLOSURES (cont'd)

(b) Related party transactions to parent and associates (cont'd)¹

31 Dec 2019	Parent²	Associate³	Other
	\$	\$	\$
Revenues			
- Sale of goods	448,616 ⁷	866,436 ⁸	-
Expenses			
- Rental payments ⁶	190,095	-	-
- Utilities	35,288	-	-
- Management consultancy fees	-	-	24,000
Receivables from related party			
- Trade receivables	40,656 ⁴	1,413,876 ⁵	-
- Loan receivable	-	447,164 ⁵	-
- Other receivables	6,200	-	-

¹ There are no commitments or guarantees relating to these related party transactions.

² The parent entity is Medigen Biotechnology Corp, a company based in Taiwan.

³ The associate is TBG Biotechnology (Xiamen) Inc., a company based in China.

⁴ Of the total amount, \$34,517 was impaired at 31 December 2019 (2018: \$nil).

⁵ These amounts were impaired at 31 December 2019.

⁶ This relates to rental expenses applicable to right-of-use assets and lease liabilities recognised under AASB16.

⁷ Majority of the remaining sales amount pertained to HLA sales revenues made under the Distribution Agreement that commenced in 2015.

⁸ Majority of the sales made to the associate is per the 2017 Distribution Agreement with TBG Taiwan with a term commencing from 1 January 2017 to 31 December 2022. These sales have terms of ninety (90) days from date of invoice.

(c) Subsidiaries and associates

The consolidated financial statements include the financial statements of TBG Diagnostics Limited and the subsidiaries (and associates) which are listed in the following table:

Name	Country of Incorporation	% Equity Interest	
		31 Dec 2020	31 Dec 2019
TBG Inc.	Cayman Islands	100	100
TBG Biotechnology Corp.	Taiwan	100	100
Texas Biogene Inc.	United States	100	100
TBG Biotechnology Corp. (Xiamen)	China	48.23	48.23

28. INVESTMENT IN ASSOCIATES ACCOUNTED FOR UNDER THE EQUITY METHOD

Investment in associates are accounted for under the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

(a) Details of associates and joint venture entities

Name	Country of Incorporation	Group's % Equity Interest	
		31 Dec 2020	31 Dec 2019
TBG Biotechnology Corp. (Xiamen) Group	China	48.23	48.23
- Xia De (Xiamen) Biotechnology Co., Ltd	China	48.23	48.23
- TBG Biotechnology (Hunan)	China	42.87	42.87
- Changsha TBG Digital Cloud	China	48.23	48.23
- Changsha ChangYe Medical Laboratory Corp.	China	48.23	48.23
- Changsha ChangYe Medical Inspection Institute	China	47.75	47.75
- Changsha ChangYe Medical Technology	China	48.23	48.23
- Beijing ChangYe Medical Laboratory Ltd	China	48.23	-

(b) Financial statements of associate

Summarised Statement of Financial Position

	31 Dec 2020	31 Dec 2019
	\$	\$
Current assets	7,342,927	3,530,023
Current liabilities	7,693,791	3,312,825
Current net assets	(350,864)	217,198
Non-current assets	9,833,226	11,406,099
Non-current liabilities	-	943,272
Non-current net assets	9,833,226	10,462,827
Net assets	9,482,362	10,680,025
Accumulated NCI	42,570	45,734

28. INVESTMENT IN ASSOCIATES ACCOUNTED FOR UNDER THE EQUITY METHOD (cont'd)

(b) Financial statements of associate (cont'd)

	2020	2019
	\$	\$
Statement of Comprehensive Income		
Revenue	11,470,356	2,669,797
Cost of sales	(7,294,460)	(928,321)
Gross profit	4,175,896	1,741,476
Expenses	(5,041,673)	(5,581,951)
Results from operating activities	(865,777)	(3,840,475)
Income tax	-	-
Loss after income tax	(865,777)	(3,840,475)
Other comprehensive income	(331,886)	(1,049,763)
Total comprehensive income (loss)	(1,197,663)	(4,890,238)
Net loss attributable to non-controlling interest	(3,164)	(45,913)

(c) Reconciliation to investment in associates accounted for under the equity method

	31 Dec	31 Dec
	2020	2019
	\$	\$
Opening balance, 1 January	3,143,236	-
Foreign exchange difference	(403,719)	-
Fair value at initial recognition ¹	-	8,806,877
Additional cash investment from rights issue	-	2,130,184
Share of net loss of associates – (b)	(641,952)²	(2,347,328) ³
Share of other reserves	(158,543)	(419,057)
Impairment loss – note 4 (g)	-	(5,027,440)
Closing balance, 31 December	1,939,022	3,143,236

¹ The fair value of the Group's unlisted equity investment is determined using a risk adjusted discounted cash flow model which includes inputs based on public information of comparable companies with similar scale and products. Information on the use of fair values can be found in *note 2*.

² Share of net loss of associates at 31 December 2020 was calculated at 48.23% of associates' net losses including the eliminations of the Groups' share in unrealised gross profit on downstream and upstream sales, and amortisation of intangibles amounting to \$225,913

³ Share of net loss of associates at 31 December 2019 was calculated at 48.23% of associates' net losses including the eliminations of the Groups' share in unrealised gross profit on downstream and upstream sales, amortisation of intangibles, and goodwill written-off amounting to \$517,211

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss, statement of other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the period ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in paragraphs pages 13 to 19 of the directors' report (as part of audited Remuneration Report), for the year ended 31 December 2020, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

On behalf of the directors



Jitto Arulampalam
Executive Chairman
Date: 13 October 2021

INDEPENDENT AUDITOR'S REPORT

To the members of TBG Diagnostics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of TBG Diagnostics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Emphasis of matter - reissued financial statements

We draw attention to Note 1 in the financial report which details the reason for reissuance of financial statements. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

Key audit matter	How the matter was addressed in our audit
<p>The Group disclosures about revenue recognition are included in Note 2 of the financial report.</p> <p>Revenue recognition was considered a key audit matter due to:</p> <ul style="list-style-type: none"> Revenue had increased significantly from the prior year; and The Company’s wholly-owned subsidiary, TBG Biotechnology Corp. in Taiwan (“TBG Taiwan”) entered into a Distribution Agreement with a major shareholder and the ultimate parent of the Company, Medigen Biotechnology Crop (Medigen), to distribute TBG Taiwan’s SARS-CoV-2 related diagnostic products, including Rapid Test Kits and Nucleic Acid Test Kits. Significant judgement was required in determining how the contractual arrangements were to be accounted for under AASB 15 Revenue from Contracts with Customers (AASB 15). 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> Understanding and documenting the processes and controls used by the group in recording revenue Consultation with BDO technical support teams to ensure revenue recognition per the Distribution agreement between TBG Taiwan and Medigen was in line with AASB 15 Assessing a sample of significant contracts and identifying key information including key terms of the contract, deliverables and contract values to ensure contracts has been recognised in accordance with the AASB 15 Performing analytical procedures to understand movements and trends in revenue for comparisons against expectations Tracing a sample of revenue transactions to supporting documentation Performing cut-off testing to ensure revenue transactions has been recorded in the correct reporting period Reviewing sales made under the Distribution agreement with the ultimate parent to ensure profit has been recognised appropriately against the Distribution agreement Assess adequacy of the Group’s disclosure in respect of the accounting policies on revenue recognition.

Valuation of Investment in Zucero Therapeutics Limited (“Zucero”)

Key audit matter	How the matter was addressed in our audit
<p>In the prior year, the Group received shares in Zucero as settlement for the full outstanding amount related to the disposal of Progen PG500 Series Pty Ltd.</p> <p>Disclosure of this transaction is included in Note 5 to the financial statements.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> Evaluating management’s assessment of the fair value of the investment in Zucero including: <ul style="list-style-type: none"> Obtaining management’s external valuation of the investment in Zucero as at 31 December 2020 Assessing the professional competence and objectivity of the valuer

Key audit matter	How the matter was addressed in our audit
<p>During the year, additional shares were received in the form of a settlement as a result of a legal matter which arose with Zucero.</p> <p>Disclosure of this transaction is included in Note 2 and 14 of the financial report.</p> <p>The accounting and recognition for these shares in the 31 December 2020 financial statements was considered a key audit matter due to:</p> <ul style="list-style-type: none"> • There is significant judgement involved with the valuation of the Zucero shares; • A valuation of the Zucero shares at the end of the reporting period required the use of management’s external expert; and • The value of the shares are material to the statement of financial position of the group. 	<ul style="list-style-type: none"> ○ Evaluating the appropriateness of the methods and assumptions used ○ Challenging management in relation to the inputs and assumptions used by the valuer ○ Using internal experts to review the external valuation to assess the reasonableness of the approach and assumptions used <ul style="list-style-type: none"> • Confirming the Group’s shareholding in Zucero as at 31 December 2020 • Assessing management’s classification of the investment and the accounting treatment as at the date of the transaction and as at 31 December 2020 • Assessing the disclosures related to the transaction by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Carrying value of investment in associates - Impairment assessment of TBG Xiamen

Key audit matter	How the matter was addressed in our audit
<p>The Group’s disclosures about its equity accounted investment in the TBG Xiamen Group are included in Note 28.</p> <p>Due to losses incurred during the period, it was assessed that there were indicators of impairment present. As a result, an impairment assessment was required to be carried out.</p> <p>The impairment assessment as at 31 December 2020 was considered a key audit matter due to:</p> <ul style="list-style-type: none"> • The carrying value of the investment is material to the financial statements; and • Management’s assessment process is complex and highly judgmental. This is based on assumptions, specifically forecast future cash flows, growth rates and discount rate, which are affected by expected future market or economic conditions. 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining management’s valuation of the TBG Xiamen group and: <ul style="list-style-type: none"> ○ Evaluate management’s inputs used in the value in use calculation, including growth rates, discount rate and underlying cash flows ○ Providing managements valuation to the internal experts to assess the reasonableness of the approach and assumptions used • Assessing the disclosure related to the impairment assessment by comparing these disclosures to our understanding of the matter and the applicable accounting standards

Related party Transactions

Key audit matter	How the matter was addressed in our audit
<p>The Group’s disclosures about related parties are included in Note 27.</p> <p>This was considered a key audit matter due to:</p> <ul style="list-style-type: none"> • There was an increase in related party transactions during the year; • There was an increase in the variety of transactions with related parties during the year; and • There is a risk that these transactions are not disclosed in line with Australian Accounting standards; 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Enquiry of management as to their processes for identifying related parties and recording transactions undertaken with related parties • Obtaining confirmations from related party entities as to the transactions which have occurred with them during the year and the outstanding balances at year end • Obtaining confirmations from all key management personnel as to their declaration of interest in any related party relationships and assessed their responses to the related party information provided to us by management • Performed company searches including those of the associate to identify any other unidentified related parties • Assessing the disclosures related to the transaction by comparing these disclosures to our understanding of the matter and the applicable accounting standards.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 31 December 2020, but does not include the financial report and the auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 19 of the directors' report for the year ended 31 December 2020.

In our opinion, the Remuneration Report of TBG Disgnostics Limited, for the year ended 31 December 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd



M Cutri

Director

Brisbane, 13 October 2021