TBG Diagnostics Ltd

ABN 82 010 975 612

Annual Report - 31 December 2021

TBG Diagnostics Ltd
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of TBG Diagnostics Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 31 December 2021.

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

Principal activities

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.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the Group after providing for income tax amounted to $1,647,113 (31 December 2020: $3,548,975).

Management Discussion and Analysis

Revenue and Other Income

Total revenues earned during the year increased 18.7% to $5,469,523 in 31 December 2021 (2020: $4,605,983) due to increase in sales revenues, particularly, SARS-CoV2 test kits, which significantly contributed to the positive result. Related party sales to the parent, Medigen Biotechnology Corp. amounted to $2,216,998 (2020: $1,803,503). Related party sales to the group's investee company, TBG Xiamen, amounted to $1,252,309 (2020: $689,114). Total related party sales composed 63.4% (2020: 53.5%) of total revenues.

During the 2021 second quarter, the Company undertook a corporate restructure involving an equity swap transaction that resulted in TBG Inc, previously wholly-owned subsidiary of the Company, converting into an equity investment of which the Company maintained an ownership interest of 46.65% at the transaction date in exchange of U-Gen Biotechnology Inc (formerly TBG Inc) acquiring back TBG Xiamen, previously an investee company, as its wholly-owned subsidiary. Refer to note 3 for further details on the restructure.

As a result of the corporate restructure, the total amount of $360,025 was recognised as an impairment expense on the investment in U-Gen in the statement of profit or loss.

Total other income significantly increased to $1,052,719 (2020: $237,651). The Company recognised an income of $1,029,899 resulting from the sale of 8,058,723 shares representing 5% interest in U-Gen to Dong Yuan Hua Xin (Beijing) Capital Management Ltd. Co.

Research and Development (R&D) Expenses
Research and development expenditure decreased (15.8%) to $1,695,703 (2020: $2,014,580) during the year ended 31 December 2021.

In prior year, the group incurred costs relating to product registrations and approvals of its COVID-19 diagnostics kits namely:
1) CE mark approval of COVID-19 Nucleic Acid Test kits and Anti-body Rapid Test kits from the European Regulations applicable to European economic area and any other country that accepts CE mark; and
2) Emergency Use Authorisation (EUA) from the United States Food and Drug Administration (FDA) of its COVID-19 Nucleic Acid Test kits.

The group is also currently developing immune function related genetic marker, Killer cell Inhibitor Receptor (KIR) 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.

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 Spongyditis 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 increased 28.1% to $584,107 (2020: $455,873). During the year, promotional campaigns and related marketing travel plans were increased, comparing to 2020 due to the impact of COVID-19.

Administrative and Corporate Expenses

Administrative and corporate expenses decreased 41.8% to $1,563,143 (2020: $2,684,117) of which included material expenditures such as audit and other professional fees and loss provisions pertaining to receivables and slow-moving inventories.

Impairment loss

At 31 December 2021, impairment loss of $519,235 (2020: $216,189) was recognised in relation to receivables as the recoverable amounts were determined to be significantly lower than their carrying amounts. $360,025 (2020: $ nil) of impairment expenses was recognised on the Group's investee company, U-Gen. A total of $1,556,675 (2020: $353,207) which was written off in prior periods was recognised as a negative expense as they were subsequently received during the year. Refer to note 8 for further details.

Investment in Zucero Therapeutics Limited

As at 31 December 2021 the directors resolved to write-down to nil the fair value of the investment in Zucero Therapeutics Limited (Zucero), notwithstanding that the Group continues to hold 10,000,000 preference shares and 2,500,000 ordinary shares in Zucero. The fair value loss was recorded in other comprehensive income. Refer to note 12 for further details.

Significant changes in the state of affairs

Group restructure

As described in note 3, the Company undertook a corporate restructure that converted U-Gen Biotechnology Inc into an investment equity of the Company following an equity swap transaction with TBG Xiamen. In conjunction with this restructure, the Group transferred 100% of the net assets of TBG Taiwan and TBG Texas to TDL Holding Co., a new offshore subsidiary formed under TDL, from U-Gen.

The restructure of U-Gen was associated to future Initial Public Offering (IPO) capital raising plans of the former subsidiary on international stock exchanges which may have further significant impact on the Company's shareholding interest in U-Gen.

The group restructuring events that have impacted the Company's equity investment in U-Gen involved the following events and transactions that have occurred during the period:

a) In an equity swap transaction**,** the Company gave up 53.35% interest in U-Gen in exchange of U-Gen's acquiring back 53.35% interest of TBG Xiamen. As part of this transaction, TBG Xiamen disposed of its wholly-owned subsidiary, ChangSha ChangYe Medical Laboratory ("ChangYe"), via its new wholly-foreign owned subsidiary in China, TBG Corporate Management ("TBG Management").

After this transaction, TBG Xiamen became a wholly-owned subsidiary of U-Gen while U-Gen became an investee of the Company who retained 46.65% interest in U-Gen at the date of this transaction; and

b) The Company sold 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).

The Group's corresponding share of net profits (losses) in the investee companies in respect of the above events of each period have been recognised in the statement of profit or loss and statement of other comprehensive income.

As a result of these restructuring entities, the Group retains a 37.36% interest in its Chinese investment through the Cayman-incorporated holding entity U-Gen Biotechnology Inc and accounts for this investment as an associate in the financial statements.

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.

De-listing with the Australian Stock Exchange (ASX)

The Company's shares have remained suspended from trading on Australian Stock Exchange (ASX) since March 2020. The Company has responded to various queries from ASX during the suspension period. The Company has been de-listed with the ASX on 30 August 2021.

There were no other significant changes in the state of affairs of the Group during the financial year.

Likely developments and expected results of operations

The likely developments in the year ahead include:

- Further development of immune function related genetic marker product, Natural Killer (NK) Cell Profile Gene Panel on multiple diagnostic platforms;
- Further development of HLA NGS products and related software and progress towards product registration;
- 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;
- Continue to look for opportunities for expansion of the Group's core technology through merger and acquisition;
- On-going provision of necessary assistance to associates in China in promoting TDL products; and
- Conduct a capital raising to ensure adequate resources are available to achieve growth objectives, product development and increase assets portfolio.

Information on directors

Name: *Mr Indrajit (Jitto) Solomon Arulampalam*

Title: *Executive Chairman*
Risk and Audit Committee Member

Experience and expertise:

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.

Name: *Dr. Stanley Chang*

Title: Non-Executive Director

Experience and expertise:

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.

Name:	*Ms Emily Lee*
Title:	*Non-Executive Director* *Risk and Audit Committee Chair*
Experience and expertise:	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).
Name:	*Mr Hsi-Kai (C.K.) Wang*
Title:	*Non-Executive Director, resigned 22 March 2021* *Risk and Audit Committee Member*
Experience and expertise:	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.
Name:	*Mr. Bing Cheng Liu*
Title:	*Non-ExecutiveDirector, appointed 22 March 2021*
Experience and expertise:	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.

Company secretary

Mr Justyn Stedwell (resigned 4 February 2022)

Ms Nova Taylor (appointed 4 February 2022)

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2021, and the number of meetings attended by each director were:

	Directors' meetings		Risk and Audit committee meetings	
	A	B	A	B
Jitto Arulampalam	9	9	2	2
Stanley Chang	9	9	2	2
Emily Lee	9	9	2	2
Hsi-Kai (C.K.) Wang	1	1	-	-
Benson (Bing Cheng) Liu	8	8	2	2

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

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

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
			1,500,000

There were no options granted as remuneration to key management personnel during the period.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

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

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor
William Buck (VIC) Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

TBG Diagnostics Ltd
Directors' report
31 December 2021

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

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30 April 2022

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF TBG DIAGNOSTICS LTD

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2021 there have been:

— no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

— no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N.S. Benbow
Director

Melbourne, 30th April, 2022

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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General information

The financial statements cover TBG Diagnostics Ltd as a Group consisting of TBG Diagnostics Ltd and the entities it controlled at the end of, or during, the year. The consolidated financial statements are presented in Australian dollars, which is TBG Diagnostics Limited's presentation currency. TBG Taiwan's functional currency is in Taiwanese dollars converted to Australian dollars to conform to the group's presentation currency.

TBG Diagnostics Ltd is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	Principal place of business
Level 18, 101 Collins St., Melbourne VIC, 3000	13F., No.237, Sec. 1, Datong Rd, Xizhi Dist., New Taipei City, 221 Taiwan

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 April 2022. The directors have the power to amend and reissue the financial statements.

TBG Diagnostics Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 December 2021

	Note	Consolidated 2021 $	Consolidated Restated 2020 $
Revenue			
Sales revenue	6	5,469,523	4,605,983
Cost of sales		(2,951,783)	(1,948,907)
Gross profit		2,517,740	2,657,076
Share of losses of associates accounted for using the equity method	26	(1,510,400)	(641,952)
Other income	7	1,052,719	237,651
Expenses			
Depreciation and amortisation expense		(456,178)	(731,235)
Research and development expenses		(1,695,703)	(2,014,580)
Reversal of impairment / (impairment charge)	8	677,415	137,018
Selling expenses		(584,107)	(455,873)
Administration and corporate		(1,563,143)	(2,684,117)
Finance costs		(85,456)	(52,963)
Loss before income tax expense		(1,647,113)	(3,548,975)
Income tax expense		-	-
Loss after income tax expense for the year attributable to the owners of TBG Diagnostics Ltd		(1,647,113)	(3,548,975)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		221,870	(415,904)
Fair value decrement of financial asset at fair value through other comprehensive income		(1,052,242)	(3,101,453)
Other comprehensive income for the year, net of tax		(830,372)	(3,517,357)
Total comprehensive income for the year attributable to the owners of TBG Diagnostics Ltd		(2,477,485)	(7,066,332)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

TBG Diagnostics Ltd
Statement of financial position
As at 31 December 2021

	Note	Consolidated 2021 $	Consolidated Restated 2020 $
Assets			
Current assets			
Cash and cash equivalents		2,248,884	3,014,512
Trade and other receivables	9	1,003,903	773,598
Inventories	10	3,147,652	5,035,410
Prepayments and other assets		429,745	244,333
Total current assets		6,830,184	9,067,853
Non-current assets			
Investments accounted for using the equity method	11	-	1,939,022
Investment in Zucero Therapeutics Limited	12	-	1,052,242
Property, plant and equipment	13	462,759	671,116
Right-of-use assets	14	958,857	1,090,123
Prepayments and deposits	15	1,211,827	1,064,297
Total non-current assets		2,633,443	5,816,800
Total assets		9,463,627	14,884,653
Liabilities			
Current liabilities			
Trade and other payables	16	621,610	1,455,881
Contract liabilities	17	1,223,290	3,257,043
Borrowings	19	3,154,051	2,772,600
Lease liabilities		248,106	195,057
Employee provisions		25,805	62,276
Total current liabilities		5,272,862	7,742,857
Non-current liabilities			
Borrowings	19	152,169	449,264
Lease liabilities		718,804	895,255
Total non-current liabilities		870,973	1,344,519
Total liabilities		6,143,835	9,087,376
Net assets		3,319,792	5,797,277
Equity			
Issued capital	18	36,211,120	36,211,120
Reserves		(258,280)	572,092
Accumulated losses		(32,633,048)	(30,985,935)
Total equity		3,319,792	5,797,277

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

TBG Diagnostics Ltd
Statement of changes in equity
For the year ended 31 December 2021

Consolidated	**Issued capital** **$**	**Fair value losses on investment in Zucero Therapeutics Limited** (note 12) **$**	**Foreign currency translation reserves** **$**	**Share-based payments reserves** **$**	**Accumulated losses** **$**	**Total equity** **$**
Balance at 1 January 2020	36,211,120	-	3,928,193	336,141	(27,619,094)	12,856,360
Loss after income tax expense for the year	-	-	-	-	(3,548,975)	(3,548,975)
Other comprehensive income for the year, net of tax	-	(3,101,453)	(415,904)	-	-	(3,517,357)
Total comprehensive income for the year	-	(3,101,453)	(415,904)	-	(3,548,975)	(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
Balance at 31 December 2020	36,211,120	(3,101,453)	3,512,289	161,256	(30,985,935)	5,797,277

Consolidated	**Issued capital** **$**	**Fair value losses on investment in Zucero Therapeutics Limited** (note 12) **$**	**Foreign currency translation reserves** **$**	**Share-based payments reserves** **$**	**Accumulated losses** **$**	**Total equity** **$**
Balance at 1 January 2021	36,211,120	(3,101,453)	3,512,289	161,256	(30,985,935)	5,797,277
Loss after income tax expense for the year	-	-	-	-	(1,647,113)	(1,647,113)
Other comprehensive income for the year, net of tax	-	(1,052,242)	221,870	-	-	(830,372)
Total comprehensive income for the year	-	(1,052,242)	221,870	-	(1,647,113)	(2,477,485)
Balance at 31 December 2021	36,211,120	(4,153,695)	3,734,159	161,256	(32,633,048)	3,319,792

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

TBG Diagnostics Ltd
Statement of cash flows
For the year ended 31 December 2021

	Note	Consolidated 2021 $	Consolidated Restated 2020 $
Cash flows from operating activities			
Receipts from customers		4,448,300	7,687,939
Payments to suppliers, employees and others		(6,400,340)	(11,112,601)
Government grants received		-	54,960
Interest received		15,340	31,154
Finance costs		(85,457)	(52,963)
Net cash used in operating activities	28	(2,022,157)	(3,391,511)
Cash flows from investing activities			
Payments for property, plant and equipment		(35,367)	(130,202)
Payments for prepayments and deposits		(59,506)	(762,676)
Payments of development costs		-	(82,189)
Payments for acquisition of investment		-	(75,000)
Proceeds from partial sale from investment in Associate		1,098,498	-
Net cash from/(used in) investing activities		1,003,625	(1,050,067)
Cash flows from financing activities			
Proceeds from borrowings		84,356	2,297,664
Principal elements of lease payments		(198,736)	(205,946)
Net cash from/(used in) financing activities		(114,380)	2,091,718
Net decrease in cash and cash equivalents		(1,132,912)	(2,349,860)
Cash and cash equivalents at the beginning of the financial year		3,014,512	5,205,131
Effects of exchange rate changes on cash and cash equivalents		367,284	159,241
Cash and cash equivalents at the end of the financial year		2,248,884	3,014,512

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Going concern

The Group had consolidated net loss of $1,647,113 for the year ended 31 December 2021. As at 31 December 2021, the Group has cash reserves of $2,248,884, net current assets of $1,557,322 and net assets of $3,319,792. Net operating cash outflows for the year ended 31 December 2021 were $2,022,157.

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 the 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.

- Management is closely monitoring its cash flow requirements against budget and expects to meet the current forecasts;
- 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. If U-Gen becomes successful, management expects improved performance of the 37.36% 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.

Note 1. Significant accounting policies (continued)

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 ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets at fair value through profit or loss or through other comprehensive income.

Critical accounting estimates
The preparation of the 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 25.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TBG Diagnostics Ltd ('company' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries for the year then ended. TBG Diagnostics Ltd and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those 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 de-consolidated from the date that control ceases.

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

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

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

Foreign currency translation
The financial statements are presented in Australian dollars, which is TBG Diagnostics Ltd's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Note 1. Significant accounting policies (continued)

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The Group recognises revenue as follows:

Revenue under the Medigen distribution agreement
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. Under the agreement Medigen distributes TBG Taiwan's SARS-CoV-2 related diagnostic products, including its 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 the 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.

Note 1. Significant accounting policies (continued)

Sale of molecular diagnostic testing kits, vials and solutions
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.

These sales are not subject to any discounts or rebates. The group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision to the extent that the Group has a present obligation (legal or constructive) as a result ot a sale under the standard warranty terms that has probable outflow of resources and can be reliably estimated.

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.

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.

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

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

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or 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 nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 1. Significant accounting policies (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

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

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

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

Deferred tax assets and liabilities are always classified as non-current.

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

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

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Inventories
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Associates
Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

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

Note 1. Significant accounting policies (continued)

The Group discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Group intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Testing equipment	3-5 years
Machinery and equipment	3-15 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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

Note 1. Significant accounting policies (continued)

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

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

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

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

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

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

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 1. Significant accounting policies (continued)

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

Issued capital
Ordinary shares are classified as equity.

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

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2021. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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 Group 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 Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the 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.

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Write-down of the investment in Zucero Therapeutics Limited
As at 31 December 2021 the directors resolved to write-down to nil the fair value of the investment in Zucero Therapeutics Limited (Zucero), notwithstanding that the Group continues to hold 10,000,000 preference shares and 2,500,000 ordinary shares in Zucero. The fair value loss was recorded in other comprehensive income. In making their determination the directors considered the following:

a) Zucero was intended to be listed on the Australian Securities Exchange in 2020, however this listing process has stalled; and
b) It has been more than 12 months since the date of the last capital raise by Zucero which would provide an appropriate and reliable pricing point for recognizing the Zucero investment.

Accordingly, the directors have considered that the most appropriate (Level 3) valuation is the share represented in the net assets of Zucero as at 31 December 2021. Based upon the latest financial information and representations provided by Zucero's representatives, it is currently in a net deficiency of assets position (owing to the length of time since its last issue of equity) and therefore this represents a nil fair value.

Accounting for the investment in U-Gen Biotechnology Inc
The Group has a 37.36% investment in its Chinese operations, which are held through a holding company incorporated in the Cayman Islands (U-Gen Biotechnology Inc "U-Gen"). This investment is accounted for as an associate on the basis that the Group continues to retain a significant influence over the Associate. In determining that significant influence exists the directors considered both the Company's overall shareholding interest in U-Gen and through this the ability to influence the managerial and governance decision making of the U-Gen group of companies, notwithstanding that this is not a controlling interest over U-Gen.

As at 31 December 2021 the directors evaluated the recoverable amount of the investment for impairment. Having regard to the continued operating losses in the entity, as disclosed in note 11 , which are not expected to reverse in the foreseeable future, the investment was impaired to nil and an impairment charge of $360,024 was recorded in the financial statements.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and carry-forward tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Group restructuring

During the year, 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, 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. Accordingly, the term of the loans obtained from the other shareholders have been extended to 31 December 2022.

Following the group restructure, the former subsidiary, U-Gen, became an associate of the Company whilst TBG Xiamen became a subsidiary of U-Gen. This group restructure has resulted to a transfer of TDL's interest in TBG Xiamen to U-Gen; and thus, the disclosures of the investment in associate incorporates TBG Xiamen results up until the date of the restructure, and subsequently, the results of U-Gen has been taken up with TBG Xiamen incorporated under it as it is now 100% owned by U-Gen.

At 31 December 2021, the Company's shareholding interest in U-Gen Biotechnology Inc. was reduced to 37.36% resulting from other restructuring transactions during the period.

Note 4. Restatement of comparatives

Reclassification
As disclosed in note 15 and note 19, the Group holds bank guarantees which represent 20%, 25% and 30% over the principal amounts of the borrowings. These bank guarantees were classified as a current asset under cash and cash equivalents in 2020. As there is no intention to liquidate them within 3 months, they have been reclassified to non-current assets under bank guarantees in line with AASB 101.

The impact of the restatement on the reported results for the year ended 31 December 2020 has been to reduce cash and cash equivalents by $762,676 and increase bank guarantees by the same amount.

There is no impact to the statement of profit or loss and other comprehensive income.

Note 5. 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 (2020: $nil). The Group's operating subsidiary, TBG Taiwan, derived revenues of $5,469,523 (2020: $4,605,983), broken down by location as follows:

Note 5. Operating segments (continued)

Geographic information

Revenues

	Consolidated 2021 $	Consolidated 2020 $
Taiwan	3,205,556	2,941,282
China	1,346,611	703,344
UAE	445,720	417,334
Italy	106,279	99,587
Hong Kong	63,389	98,707
USA	30,087	27,408
Other Countries	271,881	318,321
	5,469,523	4,605,983

Note 6. Revenue

	$	
Revenue stream		
Sales revenue	5,089,383	4,257,581
Royalty income	213,746	84,149
Technical services revenue	166,394	264,253
	5,469,523	4,605,983
Geographical regions		
Taiwan	3,205,556	2,941,282
China	1,346,611	703,344
UAE	445,720	417,334
Italy	106,279	99,587
Hong Kong	63,389	98,707
USA	30,087	27,408
Other Countries	271,881	318,321
	5,469,523	4,605,983

Refer to note 24 for details of sales to related parties.

Major customers

Below is a summary of external revenues from major customers where the transactions with each individual customer exceeds 10% or more of the Group's total revenue.

	$	**$**
Related party - Taiwan	2,216,998	1,775,066
Related party - China	1,252,309	689,114
	3,469,307	2,464,180

Note 7. Other income

	Consolidated 2021 $	Restated 2020 $
Interest and other income	22,820	28,996
Gain on sale of 5% of TBG Inc*	1,029,899	-
Government grant income	-	54,960
Fair value of Zucero ordinary shares received	-	153,695
Other income	1,052,719	237,651

*This is the amount of gain recognised from the sale of 8,058,723 shares representing 5% equity interest in U-Gen Biotechnology Inc (formerly TBG Inc) with a total consideration amount of $1,098,498 from Dong Yuan Hua Xin (Beijing) Management Co. Ltd in accordance with an Agreement dated 3 May 2021.

Note 8. Impairment expenses

	Consolidated 2021	Restated 2020
Impairment		
Equity investment	-	75,000
Movement in provision for expected credit losses	519,235	141,189
Reversal of loss allowance*	(1,556,675)	(353,207)
Impairment on investment in associate (refer note 11)	360,025	-
	(677,415)	(137,018)

*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 2020.

Note 9. Current assets - trade and other receivables

	Consolidated 2021 $	Restated 2020 $
Trade receivables	112,584	184,874
Trade receivables - TBG Xiamen	1,292,255	1,511,605
Less: Allowance for expected credit losses	(639,896)	(1,220,070)
	764,943	476,409
Other receivables	15,413	57,060
Other receivables - Medigen Biotechnology Corp	219,016	2,389
Other receivables - TBG Xiamen	4,531	665,073
less: Allowance for expected credit losses	-	(427,333)
	238,960	297,189
	1,003,903	773,598

There are no receivables past due and not impaired (2020: nil).

Note 9. Current assets - trade and other receivables (continued)

Allowance for expected credit losses

	Expected credit loss rate 2021 %	Expected credit loss rate 2020 %	Carrying amount 2021 $	Carrying amount 2020 $	Allowance for expected credit losses 2021 $	Allowance for expected credit losses 2020 $
0 - 3 months	-	-	461,263	227,482	-	-
3 - 4 months	2.00%	2.00%	-	40,408	-	809
4 - 6 months	10.00%	10.00%	139,245	34,896	13,924	3,490
6 - 12 months	5.00%	5.00%	356,719	255,844	178,360	127,922
> 1 year	100.00%	100.00%	447,612	1,087,849	447,612	1,087,849
			1,404,839	1,646,479	639,896	1,220,070

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2021 $	Consolidated Restated 2020 $
Opening balance	1,647,403	1,901,758
Additional provisions recognised	519,235	141,189
Unused amounts reversed	(1,556,675)	(353,207)
Foreign exchange difference	29,933	(42,337)
Closing balance	639,896	1,647,403

Note 10. Current assets - inventories

	Consolidated 2021 $	Consolidated Restated 2020 $
Products and finished goods	217,066	72,711
Raw materials	2,907,822	2,824,483
Work in progress	266,999	2,138,216
less: Provision for impairment	(244,235)	-
	3,147,652	5,035,410

Note 11. Non-current assets - investments accounted for using the equity method

	Consolidated 2021 $	Restated 2020 $
U-Gen Biotechnology Inc. (formerly TBG Inc)	-	1,939,022

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	2021 $	2020 $
Opening carrying amount	1,939,022	3,143,236
Share of net profit/(loss) of associate - TBG Xiamen (1)	(763,801)	(641,952)
Share of net profit/(loss) of associate - U-Gen (2)	(746,597)	-
Sale of 5% minority interest to Dong Yuan (3)	(68,599)	-
Share of movement in reserves	-	(158,543)
Exchange differences	-	(403,719)
Impairment on investment in associate	(360,025)	-
Closing carrying amount	-	1,939,022

1. This is the group's 48.23% share of net profits of TBG Xiamen and its controlled entities at 31 March 2021 pre-acquisition of TBG Xiamen by U-Gen. Amounts were determined based on the results of operations of TBG Xiamen and its controlled entities from period 1 January to 31 March 2021.

2. This is the group's share of net profits (losses) of U-Gen Biotechnology Inc and its controlled entities post-restructure of U-Gen and U-Gen's full acquisition of TBG Xiamen determined based on shareholding interest rates of 44.24% at 30 April 2021, 38.57% at 31 May 2021, 38.46% at 30 June 2021 and 37.36% as at 31 December 2021. Amounts were determined based on the results of operations of U-Gen Biotechnology Inc (formerly TBG Inc) and its controlled entities from period 1 April to 31 December 2021.

3. Under an Agreement signed 3 May 2021, the Company sold a total of 8,058,723 shares to Dong Yuan Hua Xin (Beijing) Management Co. Ltd. representing 5% equity interest in U-Gen for a total consideration amount of $1,098,498 with an attributed value of $68,599.

Refer to note 3 for details on the restructure.

Note 12. Non-current assets - Investment in Zucero Therapeutics Limited

	Consolidated 2021 $	Restated 2020 $
Unlisted shares in Zucero Therapeutics Ltd	-	1,052,242

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2021 $	2020 $
Opening fair value	1,052,242	4,153,695
Fair value write down	(1,052,242)	(3,101,453)
Closing fair value	-	1,052,242

Note 12. Non-current assets - Investment in Zucero Therapeutics Limited (continued)

Zuceto Therapeutics Limited is an unlisted public company held at fair value through other comprehensive income.

As at 31 December 2021 the directors resolved to write-down to nil the fair value of the investment in Zucero Therapeutics Limited (Zucero), notwithstanding that the Group continues to hold 10,000,000 preference shares and 2,500,000 ordinary shares in Zucero. The fair value loss was recorded in other comprehensive income. In making their determination the directors considered the following:

a) Zucero was intended to be listed on the Australian Securities Exchange in 2020, however this listing process has stalled; and
b) It has been more than 12 months since the date of the last capital raise by Zucero which would provide an appropriate and reliable pricing point for recognizing the Zucero investment.

Accordingly, the directors have considered that the most appropriate (Level 3) valuation is the share represented in the net assets of Zucero as at 31 December 2021. Based upon the latest financial information and representations provided by Zucero's representatives, it is currently in a net deficiency of assets position (owing to the length of time since its last issue of equity) and therefore this represents a nil fair value.

Note 13. Non-current assets - property, plant and equipment

	Consolidated	
		Restated
	2021	**2020**
	$	**$**
Machinery and equipment - cost	1,311,066	1,227,661
Less: Accumulated depreciation	(1,098,821)	(910,788)
	212,245	316,873
Test Equipment - at cost	2,359,881	2,532,762
Less: Accumulated depreciation	(2,109,367)	(2,178,519)
	250,514	354,243
	462,759	671,116

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Machinery & Office Equipment $	Testing Equipment $	Total $
Balance at 1 January 2020	409,780	684,461	1,094,241
Additions - external	89,999	40,203	130,202
Exchange differences	(542)	3,682	3,140
Depreciation	(182,365)	(374,102)	(556,467)
Balance at 31 December 2020	316,872	354,244	671,116
Additions - external	-	35,367	35,367
Exchange differences	4,951	903	5,854
Depreciation	(109,578)	(140,000)	(249,578)
Balance at 31 December 2021	212,245	250,514	462,759

Note 14. Non-current assets - right-of-use assets

	Consolidated 2021 $	Consolidated Restated 2020 $
Right-of-use	1,197,394	1,543,174
Less: Accumulated depreciation	(238,537)	(453,051)
	958,857	1,090,123

Additions and modifications to the right-of-use assets during the year were $nil (2020:$1,111,058).

The Group leases land and buildings for its offices and warehouses under agreements of between 2 to 6 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	$	Total $
Balance at 1 January 2020	187,697	187,697
Lease modification	1,065,381	1,065,381
Lease addition	45,677	45,677
Depreciation	(216,904)	(216,904)
Exchange differences	8,272	8,272
Balance at 31 December 2020	1,090,123	1,090,123
Depreciation	(206,000)	(206,000)
Exchange differences	74,734	74,734
Balance at 31 December 2021	958,857	958,857

Note 15. Non-current assets - prepayments and deposits

	Consolidated 2021 $	Consolidated Restated 2020 $
Prepaid expenses and deposits	122,550	53,783
Bank guarantee on borrowings	822,182	762,676
Bank guarantee on vendor agreements	199,203	184,840
Prepayment with TBG Xiamen	67,892	62,998
	1,211,827	1,064,297

Note 16. Current liabilities - trade and other payables

	Consolidated	
		Restated
	2021	2020
	$	$
Trade payables	51,210	141,250
Payable to TBG Xiamen	8,127	648,800
Other payables	562,273	665,831
	621,610	1,455,881

Trade creditors are non-interest bearing and are normally settled between 30 to 90 days

Refer to note 20 for further information on financial instruments.

Note 17. Current liabilities - contract liabilities

	Consolidated	
		Restated
	2021	2020
	$	$
Contract liabilities - Controlling entity	1,216,919	3,214,684
Contract liabilities - Other	6,371	42,359
	1,223,290	3,257,043

Contract liabilities relate to deposits received in advance from customers for goods to be sold.

	Consolidated	Consolidated
	2021	2020
	$	$
Opening balance	3,257,043	212,380
Amounts invoiced	673,157	5,294,417
Amounts brought to account as revenue	(2,860,742)	(2,149,162)
Exchange difference	153,832	(100,592)
	1,223,290	3,257,043

Note 18. Equity - issued capital

	Consolidated			
		Restated		Restated
	2021	2020	2021	2020
	Shares	Shares	$	$
Ordinary shares - fully paid	217,587,289	217,587,289	36,211,120	36,211,120

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 18. Equity - issued capital (continued)

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum 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, issue new shares or sell assets to reduce debt.

Note 19. Borrowings

	Consolidated	
	2021	**Restated 2020**
	$	**$**
Bank loans - current	3,154,051	2,772,600
Bank loans - non-current	152,169	449,264
	3,306,220	3,221,864

Short-term bank borrowings with a principal of $2,988,048 (TW$ 60 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.

Long-term bank borrowings with a principal of $318,172 (TW$ 6.4 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 guarantees of $822,122 representing 20%, 25%, and 30% over the principal amounts have been recognised, refer to note 15.

Refer to note 20 for further information on financial instruments.

Note 20. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

The Group's financial instruments consist of cash and cash equivalents, accounts receivable, its investment in Zucero Therapeutics Limited, trade and other payables, lease liabilities and borrowings.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Note 20. Financial instruments (continued)

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		**Liabilities**	
		Restated		**Restated**
	2021	**2020**	**2021**	**2020**
Consolidated	**$**	**$**	**$**	**$**
US dollars	2,618,354	2,874,327	(50,961)	(650,586)

At 31 December 2021, 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:

	AUD strengthened			**AUD weakened**		
Consolidated - 2021	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Assets in USD	20%	372,580	(372,580)	10%	186,290	(186,290)

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 a strategic investment held for long term purposes. This investment was classified as financial assets at fair value through other comprehensive income (FVOCI) where performance is actively monitored and managed on a fair value basis.

At 31 December 2021 Investment in Zucero was fully written down.

Interest rate risk
The Group's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk. The policy is to manage interest rate risk exposure by reviewing its debt position to ensure faourable rates are obtained.

As at the reporting date, the Group had the following variable rate bank loans outstanding:

	2021		**Restated 2020**	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
Consolidated	**%**	**$**	**%**	**$**
Bank loans	1.03%	3,306,220	1.82%	3,221,864
Net exposure to cash flow interest rate risk		3,306,220		3,221,864

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

Note 20. Financial instruments (continued)

For the Group the bank loans outstanding, totalling $3,306,220 (2020: $3,221,864), are principal and interest payment loans. Monthly cash outlays of approximately $5,010 (2020: $2,943) per month are required to service the interest payments. An official increase/decrease in interest rates of 0.5% (2020: 0.5%) basis points would have an adverse/favourable effect on profit before tax of $170 (2020: $293) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting 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. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2021	Weighted average interest rate %	1 year or less $	More than 1 year $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-interest bearing						
Trade payables and other payables	-	621,610	-	-	-	621,610
Interest-bearing						
Bank loans	1.03%	2,988,048	318,172	-	-	3,306,220
Interest-bearing						
Lease liability	2.05%	248,106	718,804	-	-	966,910
Total non-derivatives		3,857,764	1,036,976	-	-	4,894,740

Note 20. Financial instruments (continued)

Consolidated - Restated 2020	Weighted average interest rate %	1 year or less $	More than 1 year $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-interest bearing						
Trade payables	-	4,712,924	-	-	-	4,712,924
Interest-bearing						
Bank loans	1.82%	2,919,266	302,598	-	-	3,221,864
Lease liability	2.05%	211,826	944,625	-	-	1,156,451
Total non-derivatives		7,844,016	1,247,223	-	-	9,091,239

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21. Key management personnel disclosures

Directors
The following persons were directors and key management personnel of TBG Diagnostics Ltd during the financial year:

Jitto Arulampalam	Executive Chairman
Stanley Chang	Non-Executive Director
Emily Lee	Non-Executive Director
Hsi-Kai (C.K.) Wang	Non-Executive Director, resigned 22 March 2021
Bing-Cheng Liu	Non-Executive Director, appointed 22 March 2021
Justin Stedwell	Company Secretary, resigned 4 February 2022
Nova Taylor	Company Secretary, appointed 4 February 2022
Generosa Hipona	General Manager - Finance, resigned 31 October 2021

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2021 $	**Restated 2020 $**
Short-term employee benefits	364,033	399,347
Post-employment benefits	13,187	14,659
Long-term benefits	55,456	5,454
Termination benefits	76,558	-
	509,234	419,460

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by , the auditor of the company:

Note 22. Remuneration of auditors (continued)

	$	$
Audit and review of the Group's financial reports		
BDO Audit Pty Ltd	168,205	325,200
William Buck Audit (VIC) Pty Ltd	55,000	-
	223,205	325,200
Other audit services		
PwC Taiwan	-	13,863
Other services		
BDO Services Pty Ltd	21,348	24,839
	244,553	363,902

Note 23. Contingent liabilities

The Group has given bank guarantees and security deposits as at 31 December 2021 of $211,983 (2020: $202,380) to various landlords and vendors.

Note 24. Related party transactions

Parent entity
TBG Diagnostics Ltd is the parent entity.

Subsidiaries and associates
Interests in subsidiaries and associates are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 21.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2021 **$**	**Restated** **2020** **$**
Sale of goods and services:		
Sale of goods to TBG Biotechnology (Xiamen) Inc	1,252,309	689,114
Sale of goods and utilities to controlling entity	2,216,998	1,803,503
Payment for goods and services:		
Purchase of goods from TBG Biotechnology (Xiamen) Inc	-	1,800,781
Other transactions:		
Rental payments paid to controlling entity	123,408	201,327
Management consultancy fees paid to controlling entity	858	-
Shipping fees paid to controlling entity	1,153	-
Business travelling fees paid to controlling entity	12,740	-
Prepayment for restructuring costs paid to controlling entity	1,075,816	-
Management consultancy fees paid to other related party	-	72,000
Acquisition of shares in Lanka Graphite Limited (LGR)*	-	75,000

Note 24. Related party transactions (continued)

*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.

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.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2021	**Restated 2020**
	$	**$**
Receivables:		
Trade receivables from TBG Biotechnology (Xiamen) Inc (refer note 9)	1,292,255	1,511,605
Loan receivables from TBG Biotechnology (Xiamen) Inc	-	423,972
Other receivables from controlling entity (refer note 9)	4,531	228,984
Prepayments and other receivables to TBG Biotechnology (Xiamen) Inc	700,206	77,504
Payables:		
Trade payables to TBG Biotechnology (Xiamen) Inc (refer note 16)	8,127	648,800
Contract liabilities to controlling entity (refer note 17)	1,216,918	3,214,684

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Parent entity information

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 2021 and 2020:

	Parent 2021	Parent 2020
	$	$
Current assets	572,782	1,201,165
Total assets	755,261	6,270,016
Current liabilities	301,551	472,739
Total liabilities	301,551	472,739
Contributed equity	170,938,803	170,938,803
Reserves	177,819	(2,923,634)
Accumulated losses	(170,662,912)	(162,217,892)

	Parent 2021	Parent 2020
	$	$
Net income (loss) for the year	(8,445,021)	(3,782,746)
Total comprehensive income (loss)	(8,445,021)	(6,884,199)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2021 (2020: nil).

Note 25. Parent entity information (continued)

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2021 (2020: nil).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2021 (2020: nil).

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries and associates

The consolidated financial statements incorporate the financial statements of TBG Diagnostics Limited and the following subsidiaries and associates in accordance with the accounting policy described in note 1:

		Ownership interest	
			Restated
		2021	2020
Name	**Country of incorporation**	**%**	**%**
TDL Holding Co*	Cayman Islands	100.00%	-
TBG Biotechnology Corp.	Taiwan	100.00%	100.00%
TBG Biogene Inc.	United States	100.00%	100.00%
U-Gen Biotechnology Inc. (formerly TBG Inc)*	Cayman Islands	37.36%	100.00%
TBG Biotechnology Corp. (Xiamen)*	China	-	48.23%

*Changes in ownership as a result of restructure, refer to note 3 for further details.

Investment in associates

Summarised Statement of Financial Position of U-Gen Biotechnology Inc

	Consolidated	
		Restated
	2021	2020
	$	$
Current assets	51,201,241	7,342,927
Current liabilities	(33,890,583)	(7,693,791)
Non-current assets	14,998,808	9,833,226
Net assets	32,309,466	9,482,362

Contribution to profit (loss) of the period

Note 26. Interests in subsidiaries and associates (continued)

	31 December 2021 $	30 June 2021 $
Revenue	9,734,185	2,566,338
Cost of sales	(3,673,579)	(1,170,482)
	6,060,606	1,395,856
Expenses	(8,525,813)	(6,417,462)
Share of (loss)/profits from discontinued operations	(3,217,967)	(3,217,967)
	(5,683,174)	(8,239,573)

Reconciliation to investment in associates accounted for under the equity method

	$	$
Opening balance	1,939,022	3,143,236
Exchange differences	-	(403,719)
Share of net profit (loss) of associates – TBG Xiamen*	(763,801)	(641,952)
Share of net profit (loss) of associates – U-Gen**	(746,597)	-
Sale of 5% minority interest to Dong Yuan	(68,599)	-
Share of other reserves	-	(158,543)
Impairment on investment in associate	(360,025)	-
	-	1,939,022

*Amounts were determined based on the results of operations of TBG Xiamen and its controlled entities from period 1 January to 31 March 2021.

**Amounts were determined based on the results of operations of U-Gen Biotechnology Inc (formerly TBG Inc) and its controlled entities from period 1 April to 31 December 2021.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2021 $	Restated 2020 $
Loss after income tax expense for the year	(1,647,113)	(3,548,975)
Adjustments for:		
Depreciation and amortisation	456,178	773,371
Impairment loss	-	216,189
(Gain) / loss on partial sale of Associate	(1,029,899)	-
Options expense	-	7,249
Share of net losses of associates	1,510,399	641,952
Fair value of Zucero ordinary shares received	-	(153,695)
Reversal of impairment loss	(677,415)	(353,207)
Net exchange differences	-	(16,024)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	696,456	(297,732)
Decrease/(increase) in inventories	1,887,758	(4,187,227)
Decrease in prepayments and other assets	(88,024)	(1,249,504)
Decrease in trade and other payables	(3,094,026)	4,763,738
Increase/(decrease) in other provisions	(36,471)	12,354
Net cash used in operating activities	(2,022,157)	(3,391,511)

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

30 April 2022

TBG Diagnostics Limited

Independent auditor's report to members

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of TBG Diagnostics Ltd (the Company) and its controlled entities (together, the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section below, 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 2021 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 Qualified Opinion

The Company has an investment in an Associate, which is accounted for using the equity method of accounting (the Investment or Associate). In the prior year this Investment was directly through a Chinese incorporated holding company, TBG Inc, however following a restructure in the period is now through a holding company incorporated in the Cayman Islands, U-Gen Biotechnology Inc. Notwithstanding these restructuring activities, the accounting of the Investment did not change from the prior to the current period.

The results of the Associate and its impact on the financial statements are set out in the statement of financial position, statement of profit or loss and in note 11. We were unable to obtain suffient and appropriate evidence supporting those amounts expressed in the financial statements in respect of the Associate, and whether, if we had such evidence that this would result in an adjustment to amounts recorded in the financial statements in respect of this Associate.

ACCOUNTANTS & ADVISORS
Level 20, 181 William Street
Melbourne VIC 3000
Telephone: +61 3 9824 8555
williambuck.com

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(WB015_2007)

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

With the exception of the aforesaid, 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 1 in the financial report which describes the events and 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.

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 2021, 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.

William Buck

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 these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our independent auditor’s report.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

N.S. Benbow
Director

Melbourne, 30th April, 2022