TBG Diagnostics Limited

Annual Report 2016

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In accordance with ASX Listing Rule 4.10.3, TBG Diagnostic's Corporate Governance Statement can be found on its website at http://www.tbgbio.com/en/investor_center/corporate_governance

Company Background

About Us

TBG Diagnostics Limited (TDL) is a global molecular diagnostics company dedicated to the development, manufacture and marketing of molecular diagnostics kits, instruments and services. With its research and development based in the US, Taiwan and China, TDL manufactures its products in its ISO13485 certified facilities in Xiamen, China serving the clinical labs of both hospitals and independent reference labs, blood centres and bone marrow registry labs around the world.

Our Vision and Mission

TBG's vision is to become one of the leading molecular diagnostics provider in the Asia Pacific region

Due to its unparalleled performance in immune matching ability, molecular diagnostics is becoming an essential tool in helping the clinician with critical transplant decisions. TBG 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, TBG is committed to expanding the applications of our core technology.

TBG'S History

1999
Texas BioGene Inc (TBG) was founded in Texas, USA

2006
Medigen Biotechnology acquired Texas Biogene (TBG)

2007
TBG acquired Shanghai Hao-Yuan China

2008
Received ASHI accreditation

2009
Submitted 3 in 1 nucleic acid testing kits to SFDA

2010
ID 1st AIDS blood donor in window period

2012
Hao-Yuan acquired by Perkin Elmer for USD $68M

2013
Ongoing global sales of HLA sub-typing kits

2014
Nov 2014 Xiamen plant established

2015
Jan 2015 Spin off from Medigen

2016
Feb 2016 TBG Diagnostics Limited listed on ASX as TDL

Chairman's Address

Dear Shareholders

I am pleased to present to you the Annual Report of TBG Diagnostics Limited (TBG) for the six months ended 31 December 2016.

As a result of the financial year end change, this Annual Report is a transitional report for the purpose of synchronising the financial year end with the overseas operating subsidiaries, as well as the ultimate parent company. The financial period contained in this Annual Report is the six-month period from 1 July 2016 to 31 December 2016. Each further financial year will be for a full 12 month period ending 31 December.

Final transformational step

In the six months just ended, we have concluded our strategic review in relation to the Group's transformation which commenced in May 2015. The disposal of the Australian drug development business, Progen PG500 Series Pty Ltd ("PG545"), marked the final step before turning our focus on the acquired molecular diagnostics business from the TBG Inc acquisition in January 2016.

In relation to the Group restructure, the Company also vacated the Darra (QLD) premises and relocated to a new office in Greenslopes (QLD) resulting in a reduction in administrative costs and a reversal of the make good costs.

On behalf of the board, I would like also like to thank Mr. Blair Lucas who has served as the Company Secretary for four years. I welcome Mr. Justyn Stedwell who joined the group in December 2016 replacing Mr. Lucas.

Group's financial results

The Company ended the six months with a net loss of $2.6 million at 31 December 2016. This is a decrease of $9.8 million from $12.4 million at 30 June 2016. This decrease is mainly attributed to losses attributable to the disposal of the manufacturing business, PharmaSynth Pty Ltd, of $5.1 million in the prior year. Furthermore, at 30 June 2016 there were $3.8 million of losses recognised applicable to the disposal group held for sale, PG545, pertaining to the write-down of the value of the associated patents.

At 31 December 2016, the Group ended with cash and cash equivalents of $10.6 million realising net cash burn of $4.2 million. Subsequent to 31 December 2016, the Company received $1.01 million from the Australian government pertaining to the 30 June 2016 Research and Development tax incentive. The Group is committed to maintain its capital resources to ensure it can sustain its long term operations.

Continued focus and future growth

TBG's continued core focus is on the development, manufacturing, and marketing of molecular diagnostic kits, instruments and services. The Group aims to be one of the leading molecular diagnostics solutions provider in the Asia Pacific region. This strategy is underpinned by the next major step to enhance competitive advantage and capitalise on the Group's existing business in China.

On 15 November 2016, TBG has entered into an exclusive Distribution and Support Partnership with Omixon for the Asia Pacific region, including China, Hong Kong, Taiwan and Australia whereby TBG will be the exclusive distributor of Omixon's world leading Holotype HLA products for HLA typing by NGS. This is an essential step and in line with the growth strategies, to boost revenues and expand market presence in the larger Asian market.

The Group's vision is to be one of the leading IVD companies in Asia whilst creating long term value with the objective of maximising returns to shareholders. The future likely developments are:

i. Providing solutions for transplantation, blood screening, infectious disease detection, monitoring of hereditary genetic disease and cancer therapeutics;
ii. Continue to look for opportunities for expansion of the Group's core technology through merger and acquisition;
iii. Proactively increase presence in the larger Asian market through partnerships, licensing, and collaborations; and
iv. The establishment of a clinical lab in China to provide molecular diagnostics services to hospitals and health organizations. Subsequent to 31 December 2016, the board approved the establishment of a China subsidiary to serve as a genetic investment vehicle, subject to receipt of the necessary licenses required.

We are committed to deliver a strong financial position to fund our ongoing operations and to explore potential expansion plans and emerging growth opportunities.

Thank you for your continued support and I look forward to seeing you at our Annual General Meeting in May 2017.

Jitto Arulampalam
Executive Chairman

TBG's continued core focus is on the development, manufacturing, and marketing of molecular diagnostic kits, instruments and services.

Group COO's Address

Dear Shareholders

It is my pleasure to give you updates for the past six months ended 31 December 2016.

Over the past decade, molecular diagnostics (MDx) has become essential practice for transplant and transfusion diagnostics, oncology and infectious disease testing. China is set to become the fastest growing molecular diagnostics market in the world, with sales estimated to increase to US$3.46 billion by 2024. Operating across infectious diseases, oncology, blood screening and genetic testing, TBG is positioning itself to become a key player in the Asian MDx market.

Since listing on the ASX in February via the merger with Progen Limited, we have achieved a number of significant milestones. Significantly we announced the opening of our second state of the art laboratory in Xiamen, China, where human leukocyte antigen (HLA) Genomic typing services have commenced. Xiamen is regarded as one of China's major development zones for the biomedical industry and will provide a unique and strong location presence for TBG to build distribution partnerships throughout China into the diagnostics market. We anticipate sales and growth from this facility to contribute to TBG in financial year 2017 as products gain traction with our Chinese mainland customers.

Operationally the company has completed a number of significant activities. There have been a number of achievements for the company across a range of products including sequencing-based typing (SBT) and sequence-specific primer (SSP) Typing kits. Earlier in 2016 TBG announced initial sales with major US cancer treatment center MD Anderson, for the supply of SBT high resolution HLA Typing Kits. This agreement will not only drive new revenues but will also significantly increase global recognition for TBG products. TBG also received funding from the Chinese Municipal Technology Bureau for HLA kits which have recently completed clinical trials in China and are now under review for regulatory approval. Our success in Xiamen and with these product trials highlights the company strategy to focus on the very significant market opportunity that currently exists and is growing exponentially for our products in China.

Further activities completed and underway include:

- American Society for Histocompatibility & Immunogenetics (ASHI) auditors from the US conducted an on-site audit in Xiamen's HLA laboratory on 7 February 2017. The audit was successful and we are expecting to receive ASHI accreditation in early May 2017.
- Product development: We have so far validated three oncology products and two infectious disease products. We are in the process of manufacturing three lots of the infectious disease products in Xiamen and expect to enter into clinical trial in the second half of this year.
- B27 (test for ankylosing spondylitis) – TBG's existing product: clinical trial has been completed in China. This is expected to be submitted to China and Drug Administration (CFDA) in April 2017.
- HLA SBT (A/B/C/DR/DQ) – TBG's existing product: In accordance with CFDA request, clinical trial at one additional site with 200 leukemia patients have been completed. We will submit the data to CFDA after clinical report is ready. If things go well, we expect to receive market clearance in the second half of this year, making us the first manufacturer with market clearance in China for the product.

Further progress has been achieved with the Company's Real Time PCR Reagents and Kits and those under development include RT PCR based SSP HLA kits. As well as the kits, we are undertaking certification of our Real Time PCR machine and we anticipate CE mark and Taiwan regulatory approval in 2017. We are also excited with the progress of our Next Generation Sequencing (NGS) for high resolution HLA genome testing. TBG is also developing a range of assays covering oncology, infectious disease, transplantation and hereditary diseases, many of which are entering production trial runs in 2017.

Corporate-wise, TBG has been undertaking divestment of non-core legacy assets from Progen Pharmaceuticals such as PG500 and Pharmasynth, transactions which demonstrate the transformation of TBG into a focused specialist MDx company. Board and management also investigated a corporate transaction with RBC Taiwan which did not eventuate. The Board continues to assess opportunities where it sees value addition to the company and to shareholders.

> There have been a number of achievements for the company across a range of products including sequencing-based typing (SBT) and sequence-specific primer (SSP) Typing kits.

China continues to be the focus of our business model and TBG is targeting China as its primary market for a series of molecular diagnostics products to be launched in the next three years, valued up to US$3.64 billion in 2024. Products developed and manufactured in China will be aimed towards the need of the market but at the same time serve the worldwide market especially the equally fast growing Asia. In alignment with our R&D strategy, we will be launching a series of products, covering the full spectrum of molecular diagnostics, including infectious diseases, oncology, blood screening and genetic testing, based on Real Time PCR and Sequencing technologies including NGS (next generation sequencing).

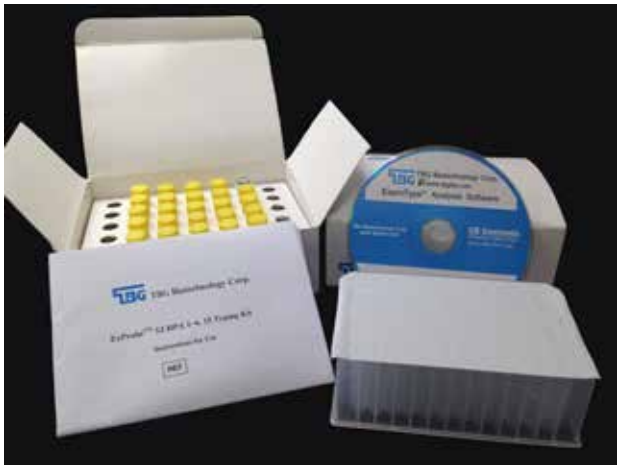
The management team and staff at TBG have worked diligently over the year to put the company in a strong position to grow into this exciting and rewarding market and we would like to take this opportunity to thank shareholders for their ongoing support and look forward to another productive year ahead.

Eugene Cheng
Executive Director/Group Chief Operating Officer –
TBG Diagnostics Limited/ Chief Executive Officer – TBG Inc

Products and Technology

ExProbe™ HPA Kits

ExProbe™ HPA Kits are designed for HPA alleles using real time PCR techniques with sequence specific primers and probes.



HLAssure™ SBT HLA Kits

High resolution typing of HLA alleles using PCR techniques with sequence based typing.

Morgan™ SSP HLA Kits

Morgan™ SSP HLA Kits are designed for determining HLA alleles using PCR techniques with sequence specific primers (SSP).

AccuType™ SBT Analysis Software

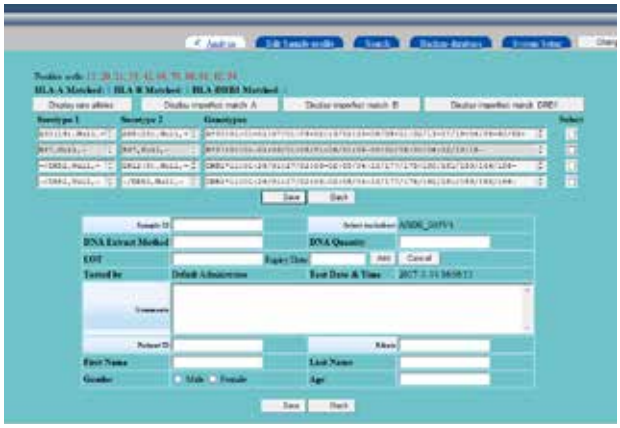
AccuType™ SBT Analysis Software is TBG's latest analysis software of SBT software. It is an open software that can be used to analyze sequences from all ab1 based files. The preset alignment database includes HLA A, B, C, DRB, DQB, DPB, MIC and TAP as well as other histocompatibility genes.

As a package with our HLAssure SBT kits, the software is able to:

- Recognize both LSA, GSA and GSSP sequences.
- Manually import, alter or edit CWD lists as needed.
- Upon ambiguity, suggest resolution primer and exon regions.
- HLA database is updated twice per year.
- Compatible report formats with bone marrow registries.

Morgan™ SSPal HLA Typing Analysis Software

Morgan™ SSPal HLA Typing Analysis Software is gel result interpretation software that has been specially designed for users of Morgan™ SSP HLA typing kits.The software also annotates the size of specific-PCR product for double confirmation at the same time. Related information can be keyed-in such as name, ID, age, ethnic and gender of the samples or patient and import raw gel pictures into the database for storage. The efficient database search function assists the location of data and specific HLA types easily including parameters such as experimental conditions and gel-interpretation.



The software is designed to take into account frequent worksheet updates and users have to use the correct worksheet to interpret the HLA typing data. Users are advised to check the worksheet SN number from the label on each kit or from the worksheet provided in each kit with the worksheet loaded in the SSPal software to see if an update has been made.

Halotype™ NGS

TBG provides high resolution genotyping using combination Assay and Software with NGS

HLA Typing Services (ASHI Accredited)

TBG offers low to high resolution ASHI accredited HLA typing services using PCR fragment analysis (SSP) and DNA sequencing (SBT).

Products and Technology

continued

ONGOING PRODUCT DEVELOPMENT

Real -Time PCR

A real-time polymerase chain reaction (Real-Time PCR), also known as quantitative polymerase chain reaction (qPCR), is a laboratory technique of molecular biology based on the polymerase chain reaction (PCR). It monitors the amplification of a targeted DNA molecule during the real-time PCR and not at its end as opposed to conventional PCR.

TBG is undertaking certification and anticipate CE mark and Taiwan regulatory approval within 2017.

Integrated Automated Clinical System

Provides sample in/answer out solution for a full spectrum of diseases including oncology, blood screening, genetic and infectious diseases.

Remodel the automated blood screening system

+

Real-Time PCR

+

Full spectrum MDx menu

FUTURE FOCUS

i) Short term focus

- Fast track R&D to expand product pipeline – both reagents and equipment
- Advance production and QA processes and complete on-going production trial runs for TBG Xiamen facility
- Development pathway for reagents and equipment

ii) Long term focus

Research & Development

Several projects aimed at creating precise automated MDx systems for hospitals and commercial uses:

- Oncology
- Infectious diseases
- Transplantation
- Transfusion (blood safety)
- Pharmacogenetics
- Autoimmune disease
- Genetic diseases

iii) Growth strategy

- Focus on China – the fastest growing market in the world
- Provide competitive quality products with automation
- Achieve high growth through merger and acquisition and building partnerships

Financial Report

for the six months ended 31 December 2016

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Director's Report

for the six months ended 31 December 2016

Your directors present their report on the consolidated entity consisting of TBG Diagnostics (referred to as 'TBG' or 'the Company') ABN 82 010 975 612 and the entities it controlled (referred to as 'the Group') during the six months ended 31 December 2016. On 9 November 2016, the Board resolved to change the financial year end date from 30 June to 31 December. As a result, the financial period that is the subject of this Financial Report is the six-month period from 1 July 2016 to 31 December 2016. Each further financial year will be for a full 12 month period ending 31 December. The change has been made in order to synchronise the Company's financial reporting with its operating subsidiaries in Taiwan, China and the United States, as well as its ultimate parent company, Medigen Biotechnology Corporation ('Medigen'). This is in compliance with Section 323D of the *Corporations Act 2001*.

1. Directors

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

Mr Indrajit Arulampalam	(Executive Chairman)
Dr Stanley Chang	(Non-Executive Director)
Ms Emily Lee	(Non-Executive Director)
Mr Edward Chang	(Non-Executive Director)
Mr Eugene Cheng	(Executive Director / Chief Executive Officer – TBG Inc / Chief Operating Officer – TBG Diagnostics Ltd)

2. Dividends

No dividends have been paid or declared during the period and the directors do not recommend the payment of a dividend for the six months ended 31 December 2016 (30 June 2016: Nil).

3. Results and Review of Operations

Company Overview

The principal activities of TBG Diagnostics Limited during the period were as follows:

1. Continued the discovery, research and development of potential pharmaceutical therapeutics for the treatment of human diseases. This group was disposed on 22 August 2016;
2. 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. TBG 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, TBG is committed to expanding the applications of our core technology.

Operating and Financial Review

Due to the change in financial year end, the 31 December 2016 results incorporate six months' of operations, while 30 June 2016 includes twelve months' of operations. This is reflected in the movements outlined below. Going forward, each further financial year will be for a full 12 month period ending 31 December.

Operating Results for the Year

To be read in conjunction with the attached Financial Report.

The consolidated operating result for the period ended 31 December 2016 was a loss of $2,621,085, being a decrease of 78.8% over the 30 June 2016 net loss of $12,377,722.

The decrease in the loss for the six months ended 31 December 2016 of $9,756,637 is mainly attributed to losses applicable to the disposal of the manufacturing business, PharmaSynth Pty Ltd ('PharmaSynth'), at 30 June 2016 of $5,105,853. These losses pertained to the manufacturing contracts intangible and the goodwill associated to this Cash Generating Unit (CGU). Furthermore, at 30 June 2016 there were $3,824,587 of losses recognised applicable to the disposal group held for sale, PG545, pertaining to the write-down of the value of the associated patents.

Director's Report
continued

3. Results and Review of Operations (continued)

The following table summarises the consolidated results:

	% Change	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Revenue	(57.8)	1,351,713	3,205,568
Cost of Sales	(61.4)	(407,796)	(1,056,861)
Other income	(58.5)	844,906	532,946
Administrative and corporate expenses	(20.9)	(2,158,905)	(2,730,435)
Research and development expenses	(48.3)	(1,476,040)	(2,855,458)
Selling expenses	(15.1)	(460,978)	(543,042)
Loss on discontinued operations	(96.5)	(313,985)	(8,930,440)
Operating loss	**(78.8)**	**(2,621,085)**	**(12,377,722)**

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

	% Change	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Basic and diluted loss per share	(82.1)	(1.2)	(6.7)
Net tangible assets per share	(12.6)	9.0	10.3

Management Discussion and Analysis

Revenue and Other Income

Total revenues earned during the period decreased 57.8% to $1,351,713 in 31 December 2016 (30 June 2016: $3,205,568) due mainly to decrease in the sales volume by regular customers brought by seasonal variations. Of the sales revenue from customers, 43% (30 June 2016: 67%) represent sales to its parent entity, Medigen. The corresponding cost of sales decreased 61.4% to $407,796 (2015: $1,056,861) in conjunction with the decrease in sales revenues whilst operational gross profit rate was maintained at an average of 68%.

Other income increased 58.5% to $844,906 (30 June 2016: $532,946) primarily due to the increase in interest revenue. Further, other income increased as a result of the reversal of the make good obligation. These increases were minimised by the AU$ devaluation against the US$ resulting in decreased foreign exchange gains.

	% Change	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Revenue and other income			
Sales revenue	(59.1)	1,183,095	2,892,780
Technical services revenue	(46.1)	168,618	312,788
Interest revenue	669.7	531,734	69,086
Other income	(32.5)	313,172	463,860
Total revenue and other income	**(41.2)**	**2,196,619**	**3,738,514**

3. Results and Review of Operations (continued)

Research and Development (R&D) Expenses

Research and development expenditure decreased 48.3% to $1,476,040 (30 June 2016: $2,855,458) during the six months ended 31 December 2016. Majority of the costs incurred relate to oncology costs and product development expenses in reference to the company's internally developed products.

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 has 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. We 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, TBG 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.

The discontinued component of research and development expenditures pertained to the Australian R&D as follows:

1. Nonclinical development of PG545;
2. Continuation of Phase 1a clinical trial of PG545;
3. Feasibility studies on possible combination of Phase 1b/2a clinical trial of PG545, and
4. Further development and testing of the manufacturing route for PG545.

Selling expenses

Selling expenses decreased 15.1% to $460,978 (30 June 2016: $543,042). During the six months ended 31 December 2016, TBG incurred increased marketing costs in relation to product launches, overseas exhibition participations, and related travel costs.

Director's Report
continued

3. Results and Review of Operations (continued)

Administrative and corporate expenses

Administrative and corporate expenses decreased 20.9% to $2,158,905 (30 June 2016: $2,730,435). At 31 December 2016, cost of employee options granted in May 2016 were recognised whilst at 30 June 2016, costs in relation to TBG acquisition were incurred. Furthermore, expenses relating to 30 June 2016 pertained to twelve month's expenses of TBG Inc (accounting parent) and five month' expenses of TBG Diagnostics Limited (legal parent) from acquisition date. However, the six months to 31 December 2016 relates to the whole group.

Loss on Discontinued Operations

Loss on discontinued operations of $313,985 (30 June 2016: $8,930,440) pertains to losses on disposal (sale) of the Australian drug development arm, Progen PG500 Series Pty Ltd. Losses at 30 June 2016 pertained to the disposal (sale) of the Australian manufacturing arm, PharmaSynth. In addition, losses applicable to Progen PG500 Series Pty Ltd were also recognised in the prior year to reduce the intangible asset to its estimated recoverable amount.

Liquidity and Cash Resources

The Group ended the financial year with cash and cash equivalents totalling $10,642,000 compared with $14,561,869 at 30 June 2016. There were no capital raising activities conducted during the six months ended 31 December 2016.

In light of the merger and acquisition strategies, the Group is also looking at various funding arrangements to finance any potential acquisition requirements.

Cash and cash equivalents at 31 December 2016 were represented by a mix of highly liquid interest bearing investments with maturities of up to 90 days and deposits on call.

Cash Flows

Cash of $2,777,256 was disbursed during the six month period to fund consolidated net operating activities, compared to $4,393,182 in 30 June 2016 for a 12 months of operations. The movement was due mainly to trade collections decreased more than the disbursements, lower government subsidies and decreased interests earned.

Cash outflows from investing activities amounted to $1,452,568 (30 June 2016: inflows of $12,210,493). The disbursement mainly involved cash resources transferred to Progen PG500 Series Pty Ltd before the sale on 22 August 2016. In 30 June 2016, the Group had cash inflows of $14,912,631 from the reverse acquisition of TBG Diagnostics Limited.

Funding Requirements

At 31 December 2016, the Group has outstanding commitments of $1,038,428 (30 June 2016: $1,271,266), of which $695,045 relates to capital expenditures relating to the Research and Development facilities, and $343,383 pertains to the Group's operating lease commitments. In addition, the Group expects to incur substantial future expenditure in light of its research and development programs and manufacturing facility expansion plans.

At present, TBG is undertaking to continue the manufacture of its wide range of molecular diagnostics products and an integrated automated clinical system as part of its innovation strategy to boost operations and mainly penetrate China and the larger Asian market. Prior to full product launch, TBG needs to secure clinical trials and obtain regulatory approvals of its internally developed products and build its competitive advantage to achieve its growth plans. Significant cash requirements are required to achieve these objectives.

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

The Company estimates that the current cash and cash equivalents are sufficient to fund its on-going operations for at least 19 months from the date of this report. This excludes capital requirements outside of normal operating activities. As part of the planned merger and acquisition strategies, TBG is looking into various funding arrangements to expand its cash resources.

Director's Report

continued

4. Significant Changes in the State of Affairs

(i) Strategic review and discontinued operations

On 22 August 2016, the Company announced that it had entered into a binding agreement to sell the PG500 assets to Zucero Therapeutics Pty Ltd ('Zucero') for a total deferred consideration of $6,000,000 payable in August 2019. The Company has negotiated the right to be able to convert the deferred consideration into equity such that the Company will hold 20% of the total issued share capital of Zucero, under certain specific circumstances. In order to secure payment of the deferred consideration and protect the Company's interests, the parties have entered into security interest agreements and a guarantee. Refer to Note 5 for further details.

This transaction was the final step in the strategic review and company restructure which commenced in May 2015. Following the restructure, the Board and management will continue to focus on the Group's core competencies in the In Vitro Diagnostics ('IVD') industry as a result of the acquisition of TBG Inc. The Group's major emphasis will be on the development and expansion of product range and distribution throughout the high growth Asia region.

On 23 February 2017, a Deed of Variation was executed whereby the Company gave the buyer, Zucero, a right to make an early payment of the deferred payment, subject to occurrence of a $4 million capital raising event. This allows the buyer to pay the deferred payment by way of a $1,999,000 cash payment and $4 million in Zucero shares. This right must be exercised before 31 December 2017 or the original agreement is enforceable.

(ii) Change of principal place of business address

On 13 October 2016, the Group advised that its principal place of business address details have changed to Level 18, 101 Collins Street, Melbourne, VIC 3000 Australia. This change was made following the Corporate Finance office relocation to Unit 6, 138 Juliette Street, Greenslopes QLD 4120 from 2806 Ipswich Road, Darra QLD 4076.

(iii) Change in financial year end

On 9 November 2016, it was announced that the Board resolved to change the financial year end date from 30 June to 31 December. Previously, the Company's financial year commenced on 1 July and ended 30 June. The change has been made in order to synchronise the Company's financial reporting with its operating subsidiaries in Taiwan, China and the United States, as well as its ultimate parent company, Medigen. The change in financial reporting will facilitate the delivery of consistent reporting to shareholders and other stakeholders.

(iv) TBG's Asia Pacific partnership with Omixon for Holotype HLA Typing product distribution

On 15 November 2016, the board announced that TBG has entered an exclusive Distribution and Support Partnership with Omixon for the Asia Pacific region, including China, Hong Kong, Taiwan and Australia. Under the agreement, TBG will be the exclusive distributor of Omixon's world leading Holotype HLA products for HLA typing by NGS. Omixon, domiciled in Cambridge, Massachusetts, is a global leader in HLA typing product development and supplies accurate high-resolution HLA genotyping products to more than 20 hospitals worldwide.

The Holotype HLA is a combination Assay and Software product that leverages Next Generation Sequencing (NGS) and provides one of the most accurate high-resolution genotyping available. Working together with Omixon, TBG has added the Holotype HLA protocols to list of HLA typing solutions that can be automated by TBG's DX-A™ Automated Pipetting System. The DX-A™ can now be used to automate many HLA typing solutions including SSO, SBT and NGS.

TBG Diagnostics was chosen by Omixon due to TBG's strong presence in nearly all Asian Pacific markets and having the ability to integrate channels for Omixon's products to existing diagnostics customers.

(v) Resignation and appointment of Company Secretary

On 1 December 2016, Mr. Blair Lucas resigned as the Company Secretary and on the same date, Mr. Justyn Stedwell was appointed as the Company Secretary.

Director's Report

continued

5. Significant Events after the Reporting Date

Receipt of research and development tax incentive

On 2 February 2017, the Company announced that it had received a refund from the Australian Taxation Office of $1,012,341 pursuant to the Federal Government's R&D Tax Incentive Scheme following the lodgement of its 2015/16 financial year income tax return. This has been included as a subsequent event in the notes to the financial statements.

Execution of Deed of Variation of the Share Sale Agreement between the Company and Zucero

Refer to 4 (i).

Grant of lease extension of the manufacturing facility in Xiamen

The Group rents a facility in Xiamen via a lease agreement with the Haicang District of Xiamen Municipal Government and has capitalised leasehold improvements as disclosed in Note 14.

The original lease agreement included an option to acquire the property at the end of the lease as disclosed in the 30 June 2016 financial statements. The lease expired during the 6 months ended 31 December 2016 and the Group was advised that the option to acquire the property was unable to be exercised.

On 27 February 2017 the Group has received confirmation from the Haicang District of Xiamen Municipal Government that it has agreed to extend the lease of the manufacturing facility for another two years, from 1 December 2016 to 30 November 2018 and will work with the Group to finalise the proposed purchase of the leased property as disclosed in Note 2. However a formal lease agreement has not yet been completed for the extended period.

6. Likely Developments and Expected Results

The likely developments in the year ahead include:

i. Providing solutions for transplantation, blood screening, infectious disease detection, monitoring of hereditary genetic disease and cancer therapeutics;
ii. Continue to look for opportunities for expansion of the Group's core technology through merger and acquisition;
iii. Proactively increase presence in the larger Asian market through partnerships and collaborations; and
iv. The establishment of a clinical lab in China to provide molecular diagnostics services to hospitals and health organizations. Subsequent to 31 December 2016, the board approved the establishment of a China subsidiary to serve as a genetic investment vehicle, subject to receipt of the necessary licenses required.

7. Directors – Qualifications, Experience and Special Responsibilities

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

Mr Indrajit Solomon Arulampalam

Executive Chairman

Risk and Audit Committee Member

Mr. Arulampalam who is the current Executive Chairman of Lanka Graphite Limited (Australian public company) 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. 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) and Medicvision Limited (ASX: MVH). He has also been the Chairman of Euro Petroleum Limited, an ASX listed company.

Director's Report

continued

7. Directors – Qualifications, Experience and Special Responsibilities (continued)

Dr. Stanley Chang

Non-Executive Director

Remuneration and Nomination Committee Chair

Dr. Chang is the Chairman of Medigen, with an MD degree from National Taiwan University College of Medicine and a Ph.D. degree in Laser Medicine from the University College London of London University, UK.

Dr. Chang is a Urological surgeon by training, and was formerly a professor in Urology, and the chairman of Faculty of Medicine at Tzu-Chi Medical College, Taiwan. He changed the career track to biotech business in 2000, and became the CEO and Chairman of both Medigen and Medigen Vaccine Biologics Corp. (MVC).

Medigen is a publicly listed company in Taiwan, focusing on monoclonal antibody discovery, 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 is constructing a PIC/s certified vaccine manufacturing plant for pandemic/seasonal flu vaccines and EV71 enterovirus vaccines in Taiwan. The state-of-the-art cell-based vaccine production plant is planned to go through EU's PIC/s GMP inspection and start operation in 2016.

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

Ms Emily Lee

Non-Executive Director

Remuneration and Nomination Committee Member

Risk and Audit Committee Member

Ms Emily Lee, who is the current Managing Director of ASX listed company Lanka Graphite Limited (ASX:LGR), 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 serves 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). 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) and is a member of the Australian Institute of Directors (MAICD).

Mr Eugene Cheng

Executive Director

Risk and Audit Committee Member

Mr. Eugene Cheng is currently the President of Medigen, a leading biotechnology company listed on Taipei Exchange in Taiwan.

Since he joined the company in 2004, Mr Cheng has been instrumental in Medigen's IPO on the Taipei Exchange in 2011 and the establishment and development of the company's in-vitro diagnostics business under the TBG brand. Mr Cheng spearheaded Medigen's M&A activities including the acquisitions of Texas Biogene in 2006 and Haoyuan of Shanghai in 2007. Under Eugene's leadership, Haoyuan became the leading local brand in China's NAT blood screening market. Haoyuan's valuation was increased by tenfold in 5 years before it got acquired by Perkin Elmer in 2012.

Prior to Medigen, Eugene held several executive positions in Acers, one of the world's leading PC brands. As VP and General Manager of the OEM Business Division, he was responsible for more than 50% of the company's sales. As the Chief of Staff, he assisted the President in strategic planning and was also responsible for Acer's corporate venture capital.

He sat on the boards of more than 15 companies in the investment portfolios, many of which have later became successful public companies in Taiwan and in the US.

Eugene holds a bachelor degree in Chemical Engineering from Chung Yuan College of Science and Engineering, and a MBA degree from National Sun-Yat-Sen University in Taiwan.

Mr Cheng holds a total of 187,808 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.

Director's Report

continued

7. Directors – Qualifications, Experience and Special Responsibilities (continued)

Mr Edward Chang

Non-Executive Director

Risk and Audit Committee Chair
Remuneration and Nomination Committee Member

Mr. Edward Chang is the Director of Finance Department at Eternal Materials Co., Ltd., a leading chemical material provider based in Taiwan. Edward holds a master's degree in Business Administration from the Schulich School of Business at York University in Canada. Prior to joining the firm, Edward worked at Motech Industries, Inc., a leading photovoltaic (PV) cell provider based in Taiwan, as Manager of Treasury and Risk Management Department.

Mr Justyn Stedwell

Company Secretary, appointed 1 December 2016

Mr. Stedwell is a professional Company Secretary with 10 years' experience as a Company Secretary of ASX listed companies. He has completed a Bachelor of Commerce (Economics and Management) from Monash University, and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

Company Secretary in office during the year, but not at the date of this report

Mr Blair Lucas, BA (Hons), LLB, GradDipEd (Sec), ACIS

Company Secretary, resigned 1 December 2016

Mr Lucas has served as Company Secretary and in-house counsel for a number of private and public companies in both China and Australia. He has an in-depth knowledge of the Australian corporate regulatory environment and significant practical experience in China, including various capital raisings, cross-border transactions, and corporate and commercial law. Blair holds an LLB, a BA (Hons) in Chinese and is a member of the Governance Institute of Australia (formerly Chartered Secretaries Australia).

8. Particulars on Directors' Interest in Shares and Options

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

Director	Shares	Options
Indrajit Solomon Arulampalam	40,000	120,000
Stanley Chang	500,000	–
Emily Lee	91,207	–
Eugene Cheng	–	–
Edward Chang	–	–

9. Directors' Attendance at Board and Committee Meetings

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

	Directors' meetings		Risk and audit committee meetings		Remuneration and nomination committee meetings	
Name	A	B	A	B	A	B
Indrajit Arulampalam	4	4	1	1	–	–
Stanley Chang	4	4	–	–	–	–
Emily Lee	4	4	1	1	–	–
Eugene Cheng	4	4	1	1	–	–
Edward Chang	3	4	1	1	–	–

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

Director's Report

continued

10. Remuneration Report (audited)

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

Details of the key management personnel

(i) Directors

I. S. Arulampalam	Executive Chairman
S. Chang	Non-executive Director
E. Chang	Non-executive Director
E. Lee	Non-executive Director
E. Cheng	Executive Director (Chief Executive Officer – TBG Inc/Chief Operating Officer – TBG Diagnostics Limited)

(ii) Executives

B. Lucas	Company Secretary (resigned 1 December 2016)
J. Stedwell	Company Secretary (appointed 1 December 2016)
G. Hipona	Chief Finance Officer
K. Dredge	Director – Drug Development (finished 22 August 2016)
L. Tillack	Chief Executive Officer – PharmaSynth (finished 4 March 2016)
F. Lankesheer	Director – Business Development and Legal (terminated 29 January 2016)

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

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

Remuneration Philosophy

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

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

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

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

Remuneration Structure

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

Director's Report
continued

10. Remuneration Report (audited) (continued)

Non-executive Director Remuneration

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

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

As of 28 February 2017, fees being paid to executive and non-executive directors' has a total aggregate amount of $40,000 per annum for each non-executive director, inclusive of board committee fees. The fees paid to the executive Chairman amounted to $80,000, inclusive of board committee fees.

Retirement allowances are not paid to non-executive directors other than contributing superannuation to the directors' fund of choice. This benefit forms part of the directors' base fees.

The remuneration of executive and non-executive directors for the periods ended 31 December 2016 and 30 June 2016 is detailed in tables 1 to 4 of this report.

Executive Remuneration

The executive pay and reward framework has two components:

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

Fixed remuneration

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

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

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

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

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

Performance related bonuses

There were no performance related bonuses paid to eligible executives at 31 December 2016 (30 June 2016: $10,000).

Retention Bonus

No retention bonuses were paid throughout the six months period 31 December 2016.

Retirement benefits

The company meets its obligations under the Superannuation Guarantee Legislation.

Equity plans

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

Information on all options vested during the year is detailed in table 5 and further detail of the plan is in Note 16.

Group Performance

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

The Company incurred net loss during the six months ended 31 December 2016 of $2,621,085 (30 June 2016: $12,377,722).

Director's Report

continued

10. Remuneration Report (audited) (continued)

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

	31 Dec 2016	30 Jun 2016	30 Jun 2015	30 Jun 2014	30 Jun 2013
Share price at end of year	$0.18	$0.20	$0.18	$0.80	$0.22
Change in share price	($0.02)	$0.02	$(0.62)	$0.58	$0.08
Market capitalisation at end of year	$39,165,712	$43,517,458	$9,951,357	$44,228,252	$12,162,769
Change in market capitalisation	($4,351,746)	$33,566,101	$(34,276,895)	$32,065,483	$8,703,495
Total Key Management Personnel remuneration	$293,705	$888,201[1]	$1,186,089	$1,110,868	$878,077

1 Of this amount, $319,085 is remuneration received by directors and key management personnel of TBG Inc (accounting parent) including TBG Diagnostics Limited (legal parent) from 29 January 2016 to 30 June 2016. Refer to table 3 and 4 for details.

Expenses in relation to options issued to key management personnel of the group in the six months period 31 December 2016 financial year is $nil (30 June 2016: $6,747) - See Table 2.

The Directors believe that the base remuneration of the Board and executives reflects market compensation for these roles. Short Term Incentives (STI) paid to Directors and Key Management for the six months period 31 December 2016 is $nil (30 June 2016: $10,000).

Director's Report

continued

10. Remuneration Report (audited) (continued)

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

Table 1: Directors' remuneration for the six months ended 31 December 2016.

		Short term			Post-employment	Long term benefits	Share-based payment		
Directors		**Salary and fees[2] $**	**Cash bonus $**	**Non-monetary benefits $**	**Super-annuation $**	**Long service leave[3] $**	**Options $**	**Total $**	**Options Remuneration %**
Indrajit Arulampalam	**31 Dec 2016**	**40,000**	**–**	**–**	**–**	**–**	**–**	**40,000**	**–**
	30 Jun 2016	80,000	–	–	–		–	80,000	–
Hongjen Chang[1]	**31 Dec 2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	30 Jun 2016	26,129	–	–	–	–	–	26,129	–
Christopher Harvey[1]	**31 Dec 2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	30 Jun 2016	30,000	–	–	–	–	–	30,000	–
Stanley Chang	**31 Dec 2016**	**20,000**	**–**	**–**	**–**	**–**	**–**	**20,000**	**–**
	30 Jun 2016	22,778	–	–	–	–	–	22,778	–
Eugene Cheng	**31 Dec 2016**	**20,000**	**–**	**24,597**	**–**	**–**	**–**	**44,597**	**–**
	30 Jun 2016	22,688	–	–	–	–	–	22,688	–
Emily Lee	**31 Dec 2016**	**20,000**	**–**	**–**	**–**	**–**	**–**	**20,000**	**–**
	30 Jun 2016	22,778	–	–	–	–	–	22,778	–
Edward Chang	**31 Dec 2016**	**20,000**	**–**	**–**	**–**	**–**	**–**	**20,000**	**–**
	30 Jun 2016	16,667	–	–	–	–	–	16,667	–
Total – Executive and Non-Executive Directors	**31 Dec 2016**	**120,000**	**–**	**24,597**	**–**	**–**	**–**	**144,597**	**–**
	30 Jun 2016	221,040	–	–	–	–	–	221,040	–

1 Resigned 7 December 2015
2 Includes changes in accruals for annual leave
3 This pertains to the movements in long service leave provision

Director's Report

continued

10. Remuneration Report (audited) (continued)

Table 2: Remuneration for the other key management personnel for the six months ended 31 December 2016.

Other key management personnel		Short term: Salary and fees[6] $	Short term: Cash bonus $	Short term: Non-monetary benefits $	Post-employment: Super-annuation $	Long term benefits: Long service leave[7] $	Share-based payment: Options $	Termination payments $	Total $	Options Remuneration %
Fleur Lankesheer[1]	**31 Dec 2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	30 Jun 2016	54,653	–	–	12,021	(6,695)	1,382	71,687	133,048	1.0
Leslie Tillack[2]	**31 Dec 2016**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	30 Jun 2016	106,667	–	–	10,133	–	2,764	–	119,564	2.3
Blair Lucas[3]	**31 Dec 2016**	**55,000**	**–**	**–**	**–**	**–**	**–**	**–**	**55,000**	**–**
	30 Jun 2016	60,000	–	–	–	–	528	–	60,528	0.9
Keith Dredge[4]	**31 Dec 2016**	**16,900**	**–**	**–**	**1,476**	**–**	**–**	**–**	**18,376**	**–**
	30 Jun 2016	189,671	–	–	17,707	1,466	1,382	–	210,226	0.7
Generosa Hipona	**31 Dec 2016**	**65,809**	**–**	**–**	**5,928**	**995**	**–**	**–**	**72,732**	**–**
	30 Jun 2016	117,602	10,000[7]	–	11,407	4,095	691	–	143,795	0.5
Justyn Stedwell[5]	**31 Dec 2016**	**3,000**	**–**	**–**	**–**	**–**	**–**	**–**	**3,000**	**–**
	30 Jun 2016	–	–	–	–	–	–	–	–	–
Total - Other key management personnel	**31 Dec 2016**	**140,709**	**–**	**–**	**7,404**	**995**	**–**	**–**	**149,108**	**–**
	30 Jun 2016	528,593	10,000	–	51,268	(1,134)	6,747	71,687	667,161	1.0

1 Terminated 29 January 2016
2 Finished 4 March 2016 due to sale of subsidiary
3 Resigned 1 December 2016
4 Finished 22 August 2016 due to sale of subsidiary
5 Appointed 1 December 2016
6 Includes changes in accrual for annual leave
7 This pertains to the movements in long service leave provision

Director's Report

continued

10. Remuneration Report (audited) (continued)

C. Details of remuneration of key management personnel of TBG Inc. (accounting parent)

Table 3: Directors' remuneration for the year ended 30 June 2016 including the legal parent from 29 January 2016 (acquisition date). Refer to Table 1 and 2 for details of remuneration for the six months ended 31 December 2016.

		Short term			Post-employment	Long term benefits	Share-based payment		
Directors		Salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave $	Options $	Total $	Options Remuneration %
Stanley Chang[1]	30 Jun 2016	16,667	–	–	–	–	–	16,667	–
Eugene Cheng[1]	30 Jun 2016	16,667	–	31,983	–	–	–	48,650	–
Indrajit Arulampalam[1]	30 Jun 2016	33,333	–	–	–	–	–	33,333	–
Emily Lee[1]	30 Jun 2016	16,667	–	–	–	–	–	16,667	–
Edward Chang[2]	30 Jun 2016	16,667	–	–	–	–	–	16,667	–
Bill Ou[3]	30 Jun 2016	–	–	–	–	–	–	–	–
Total – Executive and Non-Executive Directors	30 Jun 2016	100,001	–	31,983	–	–	–	131,984	–

1 From the TBG Inc. acquisition date 29 January 2016 to 30 June 2016
2 From appointment date 3 February 2016 to 30 June 2016
3 No fees were paid to the director for the position.

Table 4: Remuneration for the other key management personnel for the year ended 30 June 2016 including the legal parent from 29 January 2016 (acquisition date). Refer to Table 1 and 2 for details of remuneration for the six months ended 31 December 2016.

		Short term			Post-employment	Long term benefits	Share-based payment		
Other key management personnel		Salary and fees[3] $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Long service leave[4] $	Options $	Total $	Options Remuneration %
Leslie Tillack[1]	30 Jun 2016	13,333	–	–	1,267	–	–	14,600	–
Blair Lucas[2]	30 Jun 2016	25,000	–	–	–	–	–	25,000	–
Keith Dredge[2]	30 Jun 2016	81,218	–	–	7,378	447	–	89,043	–
Generosa Hipona[2]	2016	51,761	–	–	4,750	1,947	–	58,458	–
Total - Other key management personnel	30 Jun 2016	171,312	–	–	13,395	2,394	–	187,101	–

1 From 29 January 2016 to 4 March 2016 due to sale of subsidiary
2 From the TBG Inc. acquisition date 29 January 2016 to 30 June 2016
3 Includes changes in accrual for annual leave
4 This pertains to the movements in long service leave provision

Director's Report
continued

10. Remuneration Report (audited) (continued)

D. Service Agreements

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

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

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

J Stedwell, Company Secretary

- Term of consultancy agreement – variable depending on completion of projects
- Consulting fees paid on a monthly rate of $3,000 with a 5% increase per year
- Termination payments – one month notice within the first 2 years of service; two to five months' notice between 3 to 6 years of service; and six months' notice after 6 years of continued service

G Hipona, Chief Finance Officer

- Term of agreement – unlimited, capable of termination on notice of 4 weeks.
- Base salary, inclusive of superannuation, of $136,656 last reviewed on 22 July 2016

J Arulampalam, Executive Chairman – TBG Diagnostics Ltd

- Term of agreement – unlimited, no provision for termination notice
- Base directors fee, inclusive of superannuation, of $80,000 last reviewed on 11 November 2015

E Cheng, Executive Director/Chief Executive Officer – TBG Inc./Chief Operating Officer – TBG Diagnostics Ltd

- Term of agreement – unlimited, no provision for termination notice
- Base directors fee, inclusive of superannuation, of $40,000 last reviewed on 11 November 2015
- Executive compensation and other benefits are being paid by Medigen Biotechnology Corp., the Group's ultimate parent company. TBG is not required to reimburse these costs.
- Fixed non-monetary benefits include car rental fees that are being paid by TBG Biotechnology Corp. (Taiwan)

E. Share-Based Payments

During the six months ended 31 December 2016 the following options were vested and outstanding with directors and key management personnel of the Group under the terms of The TBG Directors and Employee Option Incentive Plan.

Table 5: Number of options vested and outstanding at end of financial year for Directors and KMP

	Grant date	Expiry date	No. of options granted	No. of options vested	% options vested
I. S. Arulampalam	7-November-2014	1-December-2018	60,000	60,000	100%
I. S. Arulampalam	7-November-2014	1-June-2018	60,000	60,000	100%
B. Lucas	7-November-2014	1-April-2018	6,000	6,000	100%
B. Lucas	7-November-2014	1-January-2018	12,000	12,000	100%
B. Lucas	7-November-2014	1-October-2018	12,000	12,000	100%
G. Hipona	1-April-2014	1-April-2018	5,000	5,000	100%
G. Hipona	1-April-2014	1-January-2018	10,000	10,000	100%
G. Hipona	1-April-2014	1-October-2018	10,000	10,000	100%
Total			175,000	175,000	

Director's Report
continued

10. Remuneration Report (audited) (continued)

The following table summarises the value of options granted, exercised or expired during the six months ended 31 December 2016 to directors and key management personnel.

Directors and Key Management Personnel

	Value of options granted during the year[1] $	Value of options exercised during the year $	Value of options lapsed during the year[2] $	Value of options forfeited during the year $
I. S. Arulampalam	–	–	–	–
S. Chang	–	–	–	–
E. Cheng	–	–	–	–
E. Lee	–	–	–	–
E. Chang	–	–	–	–
B. Lucas	–	–	–	–
G. Hipona	–	–	–	–
J. Stedwell	–	–	–	–

1 The value at grant date calculated in accordance with AASB 2 Share-based Payment of options granted during the six months period as part of remuneration.
2 The value at lapse date of options that were granted as part of remuneration and that lapsed during the six months period because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

During the period no options were exercised by directors or key management personnel.

Fair value of options granted

The Board has a policy prohibiting directors or executives entering into contracts to hedge their exposure to options or shares granted as part of their remuneration. The Board periodically requests directors and executives confirm they are in compliance with this policy.

The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in the valuation of the options granted:

	31 Dec 16	30 Jun 16
Expected volatility	–	105%
Risk-free rate average	–	1.78%
Expected life average (years)	–	5
Dividend yield	–	–
Weighted average exercise price ($)	–	0.30 to 0.40
Share price at grant date ($)	–	0.20

All options granted relates to options to acquire shares in TBG Diagnostics Limited.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

Director's Report
continued

10. Remuneration Report (audited) (continued)

F. Key Management Personnel Equity Holdings

(i) Option holdings of key management personnel

	Balance at beginning of period 1 July 2016	Granted as remuneration	Options forfeited	Options Lapsed	Balance at end of period 31 Dec 2016	At 31 December 2016	
						Total Vested	Total Non-Vested
Directors							
I. S.Arulampalam	120,000	–	–	–	120,000	120,000	–
S. Chang	–	–	–	–	–	–	–
E. Cheng	–	–	–	–	–	–	–
E. Lee	–	–	–	–	–	–	–
E. Chang	–	–	–	–	–	–	–
Executives							
F. Lankesheer[1]	50,000	–	–	(50,000)[6]	–	–	–
L. Tillack[2]	100,000	–	–	(100,000)[6]	–	–	–
B. Lucas[3]	30,000	–	–	–	30,000	30,000	–
K. Dredge[4]	80,000	–	–	(80,000)[6]	–	–	–
G. Hipona	25,000	–	–	–	25,000	25,000	–
J. Stedwell[5]	–	–	–	–	–	–	–
Total	**405,000**	**–**	**–**	**(230,000)**	**175,000**	**175,000**	**–**

1 Terminated 29 January 2016
2 Finished 4 March 2016 due to sale of subsidiary
3 Resigned 1 December 2016
4 Finished 22 August 2016 due to sale of subsidiary
5 Appointed 1 December 2016
6 Options lapsed due to non-exercise

Director's Report
continued

10. Remuneration Report (audited) (continued)

(ii) Shareholdings of key management personnel

Ordinary shares held in TBG Diagnostics Limited	Balance 1 July 16	On exercise of options	Net change other	Balance 31 Dec 16
Directors				
I. S. Arulampalam	40,000	–	–	40,000
S. Chang	500,000	–	–	500,000
E. Cheng	–	–	–	–
E. Lee	91,207	–	–	91,207
E. Chang	–	–	–	–
Executives				
F. Lankesheer[1]	–	–	–	–
L. Tillack[2]	–	–	–	–
B. Lucas[3]	–	–	–	–
K. Dredge[4]	–	–	–	–
G. Hipona	–	–	–	–
J. Stedwell[5]	–	–	–	–
Total	631,207	–	–	631,207

1 Terminated 29 January 2016
2 Finished 4 March 2016 due to sale of subsidiary
3 Resigned 1 December 2016
4 Finished 22 August 2016 due to sale of subsidiary
5 Appointed 1 December 2016

11. Loans to Directors and Executives

No loans have been paid to Company directors or executives during or since the end of the six months period.

12. Other transactions with key management personnel

There were no other transactions with key management personnel during the six months period.

13. Remuneration Consultant

No remuneration consultants were engaged during the six months period 31 December 2016.

End of Remuneration Report (audited)

Director's Report

continued

14. Environmental Regulations

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

15. Rounding

For the six months ended 31 December 2016 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

16. Indemnification and Insurance of Directors and Officers

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

17. Auditor Independence and Non-audit Services

The Auditors' Independence Declaration on page 31 forms part of the Directors' Report.

Non-audit services

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

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

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

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

	$
BDO (QLD) Pty Ltd - Tax related services	68,863

18. Proceedings on behalf of the company

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

Director's Report

continued

19. 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
1 April 2014	1 April 2018	$1.20	8,000
1 April 2014	1 January 2018	$1.30	16,000
1 April 2014	1 October 2018	$1.50	16,000
7 November 2014	1 December 2018	$1.20	60,000
7 November 2014	1 June 2018	$1.30	60,000
7 November 2014	1 April 2018	$1.20	6,000
7 November 2014	1 January 2018	$1.30	12,000
7 November 2014	1 October 2018	$1.50	12,000
13 May 2016	13 May 2022	$0.30	2,000,000
13 May 2016	13 May 2022	$0.30	1,000,000
13 May 2016	13 May 2022	$0.40	1,000,000
13 May 2016	13 May 2022	$0.30	950,000
Total			**5,140,000**

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

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

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

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

Jitto Arulampalam
Executive Chairman
Date: 28 February 2017

Eugene Cheng
Executive Director
Date: 28 February 2017

Auditor's Independence Declaration

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DECLARATION OF INDEPENDENCE BY T R MANN TO THE DIRECTORS OF TBG DIAGNOSTICS LIMITED

As lead auditor of TBG Diagnostics Limited for the six months ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

T R Mann
Director

BDO Audit Pty Ltd

Brisbane, 28 February 2017

Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 31 December 2016

	Note	Consolidated 6 months ended 31 Dec 2016 $	Consolidated 12 months ended 30 Jun 2016 $
REVENUE FROM CONTINUING OPERATIONS	4 (a)	1,351,713	3,205,568
Cost of Sales		407,796	1,056,861
GROSS PROFIT		943,917	2,148,707
Other income	4 (b)	844,906	532,946
EXPENSES			
Administrative and corporate expenses		2,158,905	2,730,435
Research and development expenses		1,476,040	2,855,458
Selling expenses		460,978	543,042
		4,095,923	6,128,935
LOSS FROM CONTINUING OPERATIONS BEFORE TAX		(2,307,100)	(3,447,282)
Income tax expense		–	–
Loss from continuing operations		(2,307,100)	(3,447,282)
Loss from discontinued operations	5 (b)	(313,985)	(8,930,440)
LOSS FOR THE YEAR		(2,621,085)	(12,377,722)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Foreign currency translation		309,710	(173,138)
OTHER COMPREHENSIVE INCOME (LOSS)		309,710	(173,138)
TOTAL COMPREHENSIVE INCOME (LOSS)		(2,311,375)	(12,550,860)
Basic and diluted loss per share – continuing operations (cents per share)	8	(1.1)	(1.9)
Basic and diluted loss per share (cents per share)		(1.2)	(6.7)

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

Statement of Financial Position

as at 31 December 2016

	Note	Consolidated 31 Dec 2016 $	Consolidated 30 Jun 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	10 (a)	10,642,000	13,361,869
Trade and other receivables	11	819,680	696,089
Inventories	12	724,815	753,562
Prepayment and other current assets		788,014	860,863
Assets classified as held for sale	5 (f)	–	2,921,296
Total Current Assets		12,974,509	18,593,679
Non-current Assets			
Receivables and other assets	13	4,524,824	1,238,568
Plant and equipment	14	3,316,307	3,473,882
Intangible assets	15	1,363,330	1,396,144
Total Non-current Assets		9,204,461	6,108,594
TOTAL ASSETS		22,178,970	24,702,273
LIABILITIES			
Current Liabilities			
Trade and other payables	17	1,155,113	1,124,208
Provisions	18	21,071	288,173
Liabilities directly associated with assets classified as held for sale	5 (f)	–	85,691
Total Current Liabilities		1,176,184	1,498,072
Non-current Liabilities			
Provisions	18	14,616	16,538
Total Non-current Liabilities		14,616	16,538
TOTAL LIABILITIES		1,190,800	1,514,610
NET ASSETS		20,988,170	23,187,663
EQUITY			
Contributed equity	19	36,211,120	36,211,120
Reserves	20	2,566,782	2,145,190
Accumulated losses	20	(17,789,732)	(15,168,647)
TOTAL EQUITY		20,988,170	23,187,663

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

Statement of Changes in Equity

for the six months ended 31 December 2016

Consolidated	Contributed Equity $	Accumulated losses $	Other reserves $	Foreign currency translation reserve $	Total $
At 1 July 2015	11,879,614	(2,790,925)	–	2,290,358	11,379,047
Loss for the year	–	(12,377,722)	–	–	(12,377,722)
Other Comprehensive Income	–	–	–	(173,138)	(173,138)
Total Comprehensive Income for the year	–	(12,377,722)	–	(173,138)	(12,550,860)
Transactions with owners in their capacity as owners:					
Acquired from reverse merger business combination	24,331,506	–	–	–	24,331,506
Cost of share-based payments	–	–	27,970	–	27,970
At 30 June 2016	36,211,120	(15,168,647)	27,970	2,117,220	23,187,663
At 1 July 2016	36,211,120	(15,168,647)	27,970	2,117,220	23,187,663
Loss for the year	–	(2,621,085)	–	–	(2,621,085)
Other Comprehensive Income	–	–	–	309,710	309,710
Total Comprehensive Income for the year	–	(2,621,085)	–	309,710	(2,311,375)
Transactions with owners in their capacity as owners:					
Cost of share-based payments	–	–	111,882	–	111,882
At 31 December 2016	36,211,120	(17,789,732)	139,852	2,426,930	20,988,170

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

Statement of Cash Flows

for the six months ended 31 December 2016

	Note	Consolidated 6 months ended 31 Dec 2016 $	Consolidated 12 months ended 30 Jun 2016 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,719,959	3,198,569
Payments to suppliers, employees and others		(4,541,312)	(7,692,655)
Government grant received		6,689	38,924
Interest received		41,841	69,085
Finance costs		(4,433)	(7,105)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	10 (c)	(2,777,256)	(4,393,182)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow from sale of subsidiaries	5 (e)	(1,166,056)	(788,926)
Payments for property, plant and equipment	14	(110,154)	(1,261,335)
Payments of developments costs	15	(201,911)	(651,877)
Proceeds from sale of equipment		25,553	–
Net inflow of cash from the acquisition of TBG Diagnostics Limited		–	14,912,631
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		(1,452,568)	12,210,493
NET INCREASE (DECREASE) IN CASH HELD		(4,229,824)	7,817,311
Net foreign exchange differences		309,955	298,584
Cash and cash equivalents at beginning of period		14,561,869	6,445,974
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10 (b)	10,642,000	14,561,869

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

Notes to the Financial Statements

for the six months ended 31 December 2016

Note 1. Corporate information

The consolidated financial report of TBG Diagnostics Limited (the 'Group') for the six months ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 28 February 2017.

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

Note 2. Summary of significant accounting policies

On 9 November 2016, the Board resolved to change the financial year end date from 30 June to 31 December. Previously, the Company's financial year commenced on 1 July and ended 30 June. The change has been made in order to synchronise the Company's financial reporting with its operating subsidiaries in Taiwan, China and the United States, as well as its ultimate parent company, Medigen. The change in financial reporting will facilitate the delivery of consistent reporting to shareholders and other stakeholders.

The comparative period is based on the 12 month period ended 30 June 2016 and may not be entirely comparable with the current period.

Basis of preparation

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

For the six months ended 31 December 2016 amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Statement of compliance

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

Historical cost convention

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

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for 31 December 2016 reporting period.

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

New standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2016 reporting periods. The Group has decided against early adoption of these standards. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group has not yet evaluated the impact adoption of this standard will have.

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2018. This standard requires recognised revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under AASB 18 Revenue. The Group has not yet evaluated the impact adoption of this standard will have.

AASB 16 Leases

This standard and its consequential amendments are currently applicable to annual reporting periods beginning on or after 1 January 2019. When effective, this standard will replace the current accounting requirements applicable to leases in AASB117 Leases and related interpretations. AASB16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for all leases, a right-to-use asset and a liability will be recognised, with the right-to-use asset being depreciated and the liability being unwound in principal and interest components over the life of the lease. The Group has not yet evaluated the impact adoption of this standard will have.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Parent entity information

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

Basis of consolidation

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

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

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

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

Business combinations and asset acquisitions

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

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

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

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

Significant accounting judgements, estimates and assumptions

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

(i) Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

(ii) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated below. The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of assumptions. Refer to Note 15 for details of these assumptions and the potential impact of changes to the assumptions.

(iii) Leasehold improvements

The Group rents a facility in Xiamen via a lease agreement with the Haicang District of Xiamen Municipal Government and has capitalised leasehold improvements as disclosed in Note 14.

The original lease agreement included an option to acquire the property at the end of the lease as disclosed in the 30 June 2016 financial statements. The lease expired during the 6 months ended 31 December 2016 and the Group was advised that the option to acquire the property was unable to be exercised.

The Group has received confirmation from the Haicang District of Xiamen Municipal Government it has agreed to extend the lease of the manufacturing facility for another two years, from 1 December 2016 to 30 November 2018 and will work with the Group to finalise the proposed purchase of the leased property as disclosed in Note 25. However a formal lease agreement has not yet been completed for the extended period.

The Group has continued to recognise the leasehold improvements and depreciate these assets over the shorter of the remaining useful life of the asset and the expected life of the lease on the basis that it expects the lease to be renewed in accordance with the confirmation from the Haicang District of Xiamen Municipal Government. Should the lease not continue as expected it may be required to derecognise the leasehold improvements and locate an alternative premises.

Revenue recognition – refer Note 4

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

The Group manufactures and sells molecular diagnostics. Revenue is measured at the fair value of the consideration received or receivable taking into account value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods is generally recognised when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity. The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

(ii) Sale of technical services

The Group provides technical services of HLA (Human Leukocyte Antigen) typing. Revenue is measured at the fair value of the consideration received or receivable taking into account of value-added tax, returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of services is generally recognised when the Group has rendered the services to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the Group.

(iii) Rendering of services

Revenue from the provision of contract manufacturing services is recognised by reference to the stage of completion. Stage of completion is measured by reference to the outcome achieved to date as a percentage of the total outcome required for each contract.

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

(iv) Interest income

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

(v) Government grants

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

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

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

(vi) Other income

Other income is recognised when it is probable that the economic benefits associated to the transaction will flow to the entity and the revenue can be reliably measured.

When the income relates to an asset item, it is recognised as income in the period to which the related costs will be recognised in the profit or loss.

When the income relates to a liability, the fair value is credited to a deferred income account and is released to the profit or loss when the related revenue is realised.

Leases – refer Note 4 and Note 22

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease incentives are recognised in the profit or loss as an integral part of the total lease expense. There are no finance leases.

Cash and cash equivalents – refer Note 10

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

Investments and other financial assets – refer Note 11 and 13

a) Classification

The group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables and receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. If the group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

b) Financial assets – reclassification

The group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date.

Further increases in estimates of cash flows adjust effective interest rates prospectively.

c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

d) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the group's right to receive payments is established. Interest income from these financial assets is included in the net gains/(losses).

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

e) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(ii) Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Trade and other receivables – refer Note 11 and 13

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Foreign currency translation

(i) Functional and presentation currency

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

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

(ii) Transactions & balances

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

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

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

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

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

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

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Income tax – refer Note 7

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

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

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

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

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

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

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

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

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

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

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

Other taxes

Value Added Taxes (Including Goods and Services Tax)

Revenues, expenses and assets are recognised net of the amount of Value Added Tax (VAT), except where the amount of VAT is not recoverable from the relevant tax authority. In these circumstances the VAT is recognised as part of the cost of acquisition of the asset or as part of the item as expense.

Receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from, or payable to, the relevant tax authority is included as a current asset or liability in the statement of financial position.

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

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

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

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

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

Inventories - refer Note 12

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

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

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

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

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

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

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

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

Plant and equipment – refer Note 14

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

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

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

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

(i) Impairment

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

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

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

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

(ii) Derecognition and disposal

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

Intangibles - refer Note 15

Research and development costs

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

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

Patents

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/business at the date of acquisition. Goodwill on acquisition is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash generating units for the purposes of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from business combination in which goodwill arose, identified according to operating segments or components of operating assets.

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

Trade and other payables – refer Note 17

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

Provisions – refer Note 18

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

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

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

Employee leave benefits

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date 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 national corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Share-based payment transactions – refer Note 16

(i) Equity-settled transactions:

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

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, other appropriate model, further details of which are given in Note 16. The fair value of shares is determined by the market value of the Group's shares at grant date.

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

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

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

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

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

Notes to the Financial Statements

continued

Note 2. Summary of significant accounting policies (continued)

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

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

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

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

Contributed equity – refer Note 19

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

Earnings per share – refer Note 8

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

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

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

Operating segments – refer Note 3

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

Note 3. Operating segments

The Group operates in the biotechnology industry. The Group's activities comprise the research, development, and manufacture of molecular diagnostics products. The operating segments are identified by executive management (chief operating decision maker) based on the nature of the activity and consistent with the internal reporting provided to the chief operating decision maker.

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The operating segments are:

- *In Vitro Diagnostics (IVD)* – This segment is engaged with the research of biological drugs and retail and wholesale of veterinary drugs with operations mainly in Taiwan and China; this is the business acquired from the TBG Inc. acquisition on 29 January 2016; and
- *Pharmaceutical Development* – this segment relates to the discovery, research and development of potential pharmaceutical therapeutics for the treatment of human diseases. This is the wholly-owned subsidiary, Progen PG500 Series Pty Ltd, known as the "PG500 assets" and is the research and development business of Australia. This segment was disposed on 22 August 2016.

Notes to the Financial Statements

continued

Note 3. Operating segments (continued)

Operating segments 31 December 2016	Continuing operations In Vitro Diagnostics $	Discontinued operations Pharmaceutical Development $	Total $
Operating revenue			
Sales to external customers	1,351,713	–	1,351,713
Total segment revenue	1,351,713	–	1,351,713
Segment result	(993,101)	(313,985)	(1,307,086)
Unallocated items			
Other income			313,172
Interest revenue			531,734
Corporate and administrative costs			(2,158,905)
Operating loss			(2,621,085)
Assets			
Segment assets	13,715,558	–	13,715,558
Cash and cash equivalents			2,072,453
Unallocated assets			6,390,959
Total assets			22,178,970
Liabilities			
Segment liabilities	393,274	–	393,274
Unallocated liabilities			797,526
Total liabilities			1,190,800
Other segment information			
Acquisition of property, plant & equipment, and other non-current assets	289,509	–	289,509
Unallocated acquisition of property, plant & equipment, and other non-current assets			22,556
Transferred from capitalised development costs	279,071	–	279,071
Depreciation	437,119	651	437,770
Unallocated depreciation			76,362
Gain on sale of business	–	55,648	55,648

Notes to the Financial Statements
continued

Note 3. Operating segments (continued)

Operating segments 30 June 2016	Continuing operations In Vitro Diagnostics $	Discontinued operations Pharmaceutical Development $	Discontinued operations Manufacturing $	Total $
Operating revenue				
Sales to external customers	3,205,568	–	–	3,205,568
Total segment revenue	3,205,568	–	–	3,205,568
Segment result	(1,249,792)	(3,824,587)	(5,105,853)	(10,180,232)
Unallocated items				
Other income				463,860
Interest revenue				69,086
Corporate and administrative costs				(2,730,436)
Operating loss				(12,377,722)
Assets				
Segment assets	11,311,065	2,921,296	–	14,232,361
Cash and cash equivalents				7,440,198
Unallocated assets				3,029,714
Total assets				24,702,273
Liabilities				
Segment liabilities	444,095	85,691	–	529,786
Unallocated liabilities				984,824
Total liabilities				1,514,610
Other segment information				
Acquisition of property, plant & equipment, and other non-current assets	798,677	–	523	799,200
Unallocated acquisition of property, plant & equipment, and other non-current assets				462,135
Depreciation	531,121	3,530	8,541	543,192
Unallocated depreciation	–	–	–	384,924
Impairment of intangibles	–	3,098,917	–	3,098,917
Loss on sale of business	–	–	4,925,088	4,925,088

Notes to the Financial Statements

continued

Note 3. Operating segments (continued)

Geographical segments 31 December 2016	Australia $	Taiwan $	China $	Others $	Total $
Operating revenue to external customers					
Sales revenue	–	1,183,095	–	–	1,183,095
Technical services revenue	–	168,618	–	–	168,618
Total segment revenue	–	1,351,713	–	–	1,351,713
Unallocated revenue					
Interest income	527,734	1,529	427	2,044	531,734
Total revenue per statement of profit or loss and other comprehensive income	527,734	1,353,242	427	2,044	1,883,447

30 June 2016	Australia $	Taiwan $	China $	Others $	Total $
Operating revenue to external customers					
Sales revenue	–	2,892,780	–	–	2,892,780
Technical services revenue	–	312,788	–	–	312,788
Total segment revenue	–	3,205,568	–	–	3,205,568
Unallocated revenue					
Interest income	58,578	3,628	1,262	5,618	69,086
Total revenue per statement of profit or loss and other comprehensive income	58,578	3,209,196	1,262	5,618	3,274,654

The legal parent is domiciled in Australia. The amount of its revenue from external customers in Australia is $nil (30 June 2016: nil).

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

Revenues of $1,039,069 (30 June 2016: $2,540,429) were derived from three regular customers in Taiwan composing 77% (30 June 2016: 79%) of the total revenues. Out of this amount, $584,019 (30 June 2016: $2,175,342) was derived from a related party in Taiwan. This revenue is attributable to the In Vitro Diagnostics segment. There are no intersegment transactions.

Non-current assets located in Australia is $5,035 (30 June 2016: $6,756) and non-current assets located overseas is $4,922,269 (30 June 2016: $5,103,318). Segment assets are allocated to countries based on where the assets are located.

Notes to the Financial Statements

continued

Note 4. Revenue and expenses

	Consolidated	
	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
(a) Revenue		
Sales revenue	1,183,095	2,892,780
Technical services revenue	168,618	312,788
Total revenue from continuing operations	1,351,713	3,205,568
(b) Other income		
Interest revenue	531,734	69,086
Foreign exchange gain	25,201	397,474
Government grant[1]	6,689	38,924
Other	281,282	27,462
Total other income	844,906	532,946
(c) Depreciation		
Depreciation	514,132	928,116
(d) Lease payments		
Minimum lease payments – operating leases	199,065	345,364
(e) Employee benefit expenses		
Wages and salaries	1,119,848	2,209,479
Long service leave provision	14,616	63,134
Share-based payment expense	111,882	27,970
(f) Finance costs		
Bank charges	4,433	7,105

1 At 31 December 2016, TBG Xiamen received government subsidies relating to ISO13485 certification and social security benefits. At 30 June 2016, TBG Xiamen was granted initial 50% funding received from Xiamen Municipal Bureau of Science and Technology for Innovative Start-ups of 2016 in China in relation to the development of HLA Typing Kit. The total amount of funding provided by the grant is CNY 300,000 (approximately $64,000). The final 50% instalment is expected to be received in Quarter 3 2017 subject to the following conditions:

- After development of the HLA typing kit;
- Completion of production lines and production trials;
- Successful third party inspection; and
- Application for patent approval.

Notes to the Financial Statements

continued

Note 5. Discontinued operations

(a) Description

Discontinued Operation - Disposal of Progen PG500 Series Pty Ltd

On 22 August 2016, the Company announced that it had entered into a binding agreement to sell the PG500 assets to Zucero Therapeutics Ltd ('Zucero') for a total deferred consideration of $6,000,000 payable in August 2019. The Company has negotiated the right to be able to convert the deferred consideration into equity such that the Company will hold 20% of the total issued share capital of Zucero, under certain specific circumstances. In order to secure payment of the deferred consideration and protect the Company's interests, the parties have entered into security interest agreements and a guarantee.

Remaining losses applicable to the write down of the value of intangibles to recoverable amount were recognised as part of discontinued operations.

This transaction was the final step in the strategic review and company restructure which commenced in May 2015. Following the restructure, the Board and management will continue to focus on the Group's core competencies in the In Vitro Diagnostics ("IVD") industry as a result of the acquisition of TBG Inc. The Group's major emphasis will be on the development and expansion of product range and distribution throughout the high growth Asia region.

On 23 February 2017, a Deed of Variation was executed whereby the Company gave the buyer, Zucero, a right to make an early payment of the deferred payment, subject to occurrence of a $4 million capital raising event. This allows the buyer to pay the deferred payment by way of a $1,999,000 cash payment and $4 million in Zucero shares. This right must be exercised before 31 December 2017 or the original agreement is enforceable.

Discontinued Operation – Disposal of PharmaSynth Pty Ltd

Upon completion of the TBG Inc. acquisition on 29 January 2016, the Group entered into a Share Sale and Purchase Agreement (SSPA) to sell its wholly owned biopharmaceutical manufacturing subsidiary, PharmaSynth Pty Ltd ('PharmaSynth') to Luina Biotechnology Pty Ltd ('Luina') for a total consideration of $2,200,000 of which $100,000 was received as upfront initial payment. The balance of the deferred consideration is to be paid in two remaining instalments, $1,000,000 in 24 months and $1,100,000 in 48 months. In order to secure the payment of the deferred consideration and protect its interests, the parties entered into security interest agreements over various assets. The transaction was completed on 4 March 2016.

(b) Results of discontinued operations

	Progen PG500 Series Pty Ltd	
	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Revenue	–	–
Cost of sales	–	–
Gross profit	–	–
Operating expenses	(369,633)	(725,670)
Results from operating activities	(369,633)	(725,670)
Income tax	–	
Loss before income tax	(369,633)	(725,670)
Impairment of intangibles assets – (g)	–	(3,098,917)
Gain on sale of operation before tax - (c)	55,648	–
Profit (loss) from discontinued operations	(313,985)	(3,824,587)
Basic and diluted loss per share – discontinued operations (cents per share)	(0.14)	(2.1)

Notes to the Financial Statements

continued

Note 5. Discontinued operations (continued)

	PharmaSynth Pty Ltd	
	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Revenue	–	127,429
Cost of sales	–	(116,742)
Gross profit	–	10,687
Operating expenses	–	(191,452)
Results from operating activities	–	(180,765)
Income tax	–	–
Loss before income tax	–	(180,765)
Loss on sale of operation before tax – (c)	–	(4,925,088)
Profit (loss) from discontinued operations	–	(5,105,853)
Basic and diluted loss per share – discontinued operations (cents per share)	–	(2.7)

(c) Details of the sale of discontinued operations at disposal date

	Progen PG500 Series Pty Ltd 22 August 2016 $	PharmaSynth Pty Ltd 4 March 2016 $
Consideration received or receivable:		
Cash	1,000	100,000
Present value of deferred consideration	2,778,999[1]	998,520[2]
Total disposal consideration	2,779,999	1,098,520
Carrying amount of net assets sold – (e)	2,724,351	6,023,608
Gain (loss) on sale before income tax	55,648	(4,925,088)
Income tax expense	–	–
Gain (loss) on sale after income tax	55,648	(4,925,088)

1 The balance of the deferred consideration of $5,999,000 is to be paid on the deferred payment date which is 36 months from completion date on 31 August 2019. As part of the Share Sale Agreement, the buyer granted the seller the right to convert the deferred consideration into buyer's shares representing 20% of the total capital of the buyer, under certain specific circumstances. These receivables have been discounted to the fair value at the time of sale. At 31 December 2016, the present value of the deferred consideration was $3,044,691.

2 The balance of the deferred consideration is to be paid in two instalments, $1,000,000 on 4 March 2018 and $1,100,000 on 4 March 2020. These receivables have been discounted to their fair value at the time of sale. At 31 December 2016, the present value of the deferred consideration was $1,232,465.

Notes to the Financial Statements

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Note 5. Discontinued operations (continued)

(d) Cash flows from discontinued operation

	Progen PG500 Series Pty Ltd	
	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Net cash outflow from operating activities	(32,944)	(532,412)
Net cash outflow from investing activities	(1,166,056)	–
Net cash outflow from financing activities	–	–
Net cash flow for the period	(1,199,000)	(532,412)

	PharmaSynth Pty Ltd	
	6 months ended 31 Dec 2016 $	12 months ended 30 Jun 2016 $
Net cash outflow from operating activities	–	(222,909)
Net cash outflow from investing activities	–	(788,926)
Net cash outflow from financing activities	–	–
Net cash flow for the period	–	(1,011,835)

(e) The carrying amounts of assets and liabilities as at the date of sale were:

Progen PG500 Series Pty Ltd (22 August 2016)

	2016 $
Cash and cash equivalents	1,167,056
Receivables and prepayments	5,761
Property, plant and equipment	12,819
Patents	1,669,174
Total assets	2,854,810
Trade and other payables	45,771
Provisions	84,688
Total liabilities	130,459
Net assets – (c)	2,724,351
Cash received and disposed of in transaction	
Cash consideration received	1,000
Cash and cash equivalents disposed of	(1,167,056)
Net cash outflow	(1,166,056)

Notes to the Financial Statements
continued

Note 5. Discontinued operations (continued)

PharmaSynth Pty Ltd (4 March 2016)

	2016 $
Cash and cash equivalents	888,926
Trade and other receivables	611,310
Other current assets	98,756
Property, plant and equipment	350,790
Customer contracts	498,150
Goodwill	4,154,172
Total assets	6,602,104
Trade and other payables	(325,503)
Provisions	(252,993)
Total liabilities	(578,496)
Net assets – (c)	6,023,608
Cash received and disposed of in transaction	
Cash consideration received	100,000
Cash and cash equivalents disposed of	(888,926)
Net cash outflow	(788,926)

(f) Assets and liabilities of disposal group classified as held for sale

At 30 June 2016, Progen PG500 Series Pty Ltd was classified as a disposal group and comprised the following assets and liabilities:

	Progen PG500 Series Pty Ltd	
	31 Dec 2016 $	30 Jun 2016 $
Assets classified as disposal group		
Cash and cash equivalents	–	1,200,000
Property, plant and equipment	–	13,470
Intangibles	–	1,707,826
Total assets of disposal group held for sale	–	2,921,296
Liabilities directly associated with assets classified as held for sale		
Provisions – current	–	81,935
Provisions – non–current	–	3,756
Total liabilities of disposal group held for sale	–	85,691

Notes to the Financial Statements

continued

Note 5. Discontinued operations (continued)

(g) Losses relating to the disposal group

At 30 June 2016, Progen PG500 Series Pty Ltd was classified as a disposal group and impairment losses were recognised at $3,098,917. The impairment was calculated based on the proposed consideration for the sale of the group as shown below:

	Progen PG500 Series Pty Ltd	
	31 Dec 2016 $	30 Jun 2016 $
Cash	–	–
Present value of deferred consideration[1]	–	2,796,953
Total disposal consideration	–	2,796,953
Carrying amount of net assets sold (excluding patents)	–	1,127,779
Carrying value of patents	–	4,768,091
Total net assets	–	5,895,870
Impairment recorded – patents	–	(3,098,917)

1 The proposed deferred consideration is $6,000,000 due and payable 3 years from the date of the sale. This proposed consideration has been discounted to its present value at 30 June 2016.

(h) Cumulative income or expense included in other comprehensive income

There is no cumulative income or expenses included in other comprehensive income relating to the disposal group or discontinued operation.

Notes to the Financial Statements

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Note 6. Parent entity disclosure

Parent entity information required to be disclosed in accordance with the Corporations Act 2001. The legal parent entity of the group is TBG Diagnostics Ltd and the results shown below are for the 6 months ended 31 December 2016 and 12 months ended 30 June 2016:

	Legal Parent	
	31 Dec 2016 $	30 Jun 2016 $
Current assets	2,310,245	9,015,247
Total assets	15,860,068	14,033,994
Current liabilities	345,514	838,132
Total liabilities	360,130	854,670
Shareholders' equity		
Contributed equity	170,938,803	170,938,803
Reserves	3,982,389	3,870,506
Accumulated losses	(159,421,254)	(161,629,985)
	15,499,938	13,179,324
Net loss for the year	2,208,731	(2,879,700)
Total comprehensive income	2,208,731	(2,879,700)

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

Note 7. Income tax

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
The prima facie tax, using tax rates applicable in the country of operation, on loss before income tax differs from the income tax provided in the financial statements as follows:		
Prima facie tax on loss before income tax @ 30%	(273,978)	(3,713,317)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non–assessable items	(898,685)	615,478
Foreign tax rate adjustment	357,506	239,765
Under/over provision	(22,781)	(114,151)
Deferred tax assets not recognised	837,938	2,972,225
Income tax benefit	–	–

Notes to the Financial Statements

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Note 7. Income tax (continued)

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Deferred income tax		
Deferred income tax at 31 December relates to the following:		
Deferred tax liabilities		
Intangible	–	(500,752)
Prepayment and other asset	(133)	(595)
Other	–	(45,503)
Deferred tax assets		
Unearned revenue	6,216	4,147
Sundry creditors and accruals	103,053	46,970
Depreciation	205	21,106
Employee entitlements	36,112	34,621
Make good obligation	–	82,500
Share issue costs, legal and management consulting fees	95,335	115,941
Patent costs	113,055	100,447
Unrealised foreign exchange loss	33,294	–
Losses available for offset against future taxable income	3,144,795	2,914,365
Deferred tax asset	3,531,932	2,773,247
Net deferred tax asset not recognised	(3,531,932)	(2,773,247)
Net deferred income tax assets	–	–

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

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

The Group has tax losses arising in Australia of $5,098,259 (30 June 2016: $6,715,331) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

Notes to the Financial Statements

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Note 8. Earnings/(loss) per share

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

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Earnings used to calculate basic and diluted EPS	(2,621,085)	(12,377,722)
Earnings used to calculate basic and diluted EPS - continuing	(2,307,100)	(3,447,282)

Weighted average number of shares and options	Number of shares	Number of shares
Weighted average number of ordinary shares outstanding during the period, used in calculating basic earnings per share	217,587,289	185,476,366
Weighted average number of dilutive options outstanding during the period	–	–
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted earnings per share	217,587,289	185,476,366

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

At 31 December 2016, there are 5,140,000 (30 June 2016: 5,747,200) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

Note 9. Dividends paid and proposed

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

Note 10. Cash and cash equivalents

(a) Cash and cash equivalents per the statement of financial position:

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Cash and cash equivalents		
Cash at bank and on hand	6,307,522	671,943
Short-term deposits	4,334,478	12,689,926
Cash and cash equivalents	10,642,000	13,361,869

Notes to the Financial Statements

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Note 10. Cash and cash equivalents (continued)

(b) For the purpose of the statement of cash flows, cash and cash equivalents comprises the following:

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Cash at banks and on hand	6,307,522	671,943
Short-term deposits	4,334,478	12,689,926
Cash at banks and short-term deposits attributable to disposal group	–	1,200,000
	10,642,000	14,561,869

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

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

(c) Reconciliation of net loss after tax to net cash flows from operations

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Net loss	(2,621,085)	(12,377,722)
Adjustments for:		
Depreciation	514,132	928,116
Amortisation of intangibles	38,652	207,491
Share options expense	111,882	27,970
Loss on disposal of plant and equipment	13,141	20,597
Impairment of intangible assets	–	3,098,917
(Gain)/Loss on sale of subsidiary	(55,648)	4,925,088
Interest amortisation using the effective interest rate method	(499,638)	–
Net exchange differences	(49,968)	(389,683)
Changes in operating assets and liabilities		
Increase in trade and other receivables	(123,591)	(173,810)
Decrease /(Increase) in inventories	28,747	(314,429)
Decrease /(Increase) in other current assets	59,470	(529,817)
Increase in receivables and other assets	–	(39,388)
Increase /(Decrease) in trade and other payables	76,676	(75,437)
(Decrease) /Increase in provisions	(270,026)	298,925
Net cash used in operating activities	(2,777,256)	(4,393,182)

(d) Non-cash investing and financing activities

During the year, the Company sold Progen PG500 Series Pty Ltd and the majority of consideration was deferred. Refer to Note 5 (c) for more information on the disposal.

Notes to the Financial Statements

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Note 11. Trade and other receivables

Current	Consolidated 31 Dec 2016 $	Consolidated 30 Jun 2016 $
Trade receivables[1]	524,220	491,388
Other receivables	295,460	204,701
Total current trade and other receivables	819,680	696,089

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

(a) Impaired trade and other receivables

There were no impaired current trade and other receivables in 31 December 2016 and 30 June 2016.

(b) Past due but not impaired

As at 31 December 2016, trade receivables of $155,648 (30 June 2016: $130,621) were past due but not impaired. This relates to the receivable from a regular customer and a related party for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated 31 Dec 2016 $	Consolidated 30 Jun 2016 $
Up to 3 months	33,618	56,534
3 – 6 months	–	74,087
over 6 months	122,030	–
	155,648	130,621

Based on the credit history, it is expected that these amounts will be received within the next twelve months. The Group does not hold any collateral in relation to these receivables.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

(c) Concentration of credit risk

The Group's concentration of credit risk relates to its receivable from its related party of $300,867 (30 June 2016: $362,020).

Note 12. Inventories

Current	Consolidated 31 Dec 2016 $	Consolidated 30 Jun 2016 $
Products and finished goods	55,035	99,228
Raw materials	465,998	445,989
Work in process and semi-finished good	203,782	208,345
Total inventories	724,815	753,562

Notes to the Financial Statements

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Note 13. Receivables and other assets

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Receivables – non-current – Note 10 (d)	4,277,156	998,520
Other non–current assets[1]	247,668	240,048
	4,524,824	1,238,568

1 Includes bank guarantee held for the purposes of a vendor agreement for outsourced production services in Taiwan. The restricted asset has a carrying value of $172,160 (TW$ 4 million) with an expiry date of 15 April 2021.

Note 14. Non-current assets – plant & equipment

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Machinery & equipment at cost	2,147,519	2,035,457
Accumulated depreciation	(792,933)	(814,072)
	1,354,586	1,221,385
Testing equipment at cost	1,655,943	1,571,671
Accumulated depreciation	(832,612)	(637,362)
	823,331	934,309
Motor vehicles at cost	108,283	110,133
Accumulated depreciation	(59,778)	(48,840)
	48,505	61,293
Leasehold improvements at cost	1,706,850	1,711,496
Accumulated depreciation	(616,965)	(454,601)
	1,089,885	1,256,895
	3,316,307	3,473,882

Notes to the Financial Statements
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Note 14. Non-current assets – plant & equipment (continued)

Movements in carrying amounts

	Machinery & office equipment $	Testing equipment $	Motor vehicles $	Leasehold improvements $	Total $
Consolidated					
At 1 July 2015	829,295	1,069,248	88,451	1,228,455	3,215,449
Exchange differences	(22,787)	(7,528)	(2,916)	(41,017)	(74,248)
Additions	691,047	203,392	–	366,896	1,261,335
Acquired through business combination	384,320	–	–	–	384,320
Depreciation	(275,632)	(330,803)	(24,242)	(297,439)	(928,116)
Assets classified as held for sale and other disposals	(384,858)	–	–	–	(384,858)
At 30 June 2016	1,221,385	934,309	61,293	1,256,895	3,473,882
At 1 July 2016	1,221,385	934,309	61,293	1,256,895	3,473,882
Exchange differences	3,196	24,715	(1,056)	(21,480)	5,375
Transfers – internal (Note 15)	279,071	–	–	–	279,071
Additions – external	35,346	52,252	–	22,556	110,154
Depreciation	(156,355)	(177,959)	(11,732)	(168,086)	(514,132)
Disposals	(28,057)	(9,986)	–	–	(38,043)
At 31 December 2016	1,354,586	823,331	48,505	1,089,885	3,316,307

Notes to the Financial Statements

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Note 15. Intangibles

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Goodwill at cost[1]	711,759	689,847
Accumulated impairment	–	–
	711,759	689,847
Capitalised development costs at cost[2]	651,571	706,297
Accumulated amortisation	–	–
	651,571	706,297
	1,363,330	1,396,144

1 The goodwill arose from the acquisition of Texas Biogene and is directly related to the human leukocyte antigen (HLA) business of TBG Inc.

2 The Group has capitalised development costs which relates to the development of qPCR and other technology projects. No amortisation has been recorded as these projects are not yet complete.

Goodwill relates to the In Vitro Diagnostics segment. In the current and prior years the recoverable amount of the CGU has been determined by value-in-use calculations. These calculations were based on the following key assumptions:

- Pre-tax discount rate: 20% (30 June 2016: 20.0%);
- Long term growth rate: 2% (30 June 2016: 2.5%); and
- Budgeted gross margin: 71% (30 June 2016: 73%).

Cash flows were projected based on approved financial budgets and management projections over a five year period. Management determined budgeted gross margin based on past performance and its expectations for the future. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant segment.

There was no impairment recognised in relation to the goodwill at 31 December 2016 as the carrying amount is estimated to be lower than its recoverable amount. The directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the CGU to exceed its recoverable amount.

Notes to the Financial Statements
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Note 15. Intangibles (continued)

Movements in carrying amounts

	Capitalised Development costs $	Goodwill $	Patents $	Customer contracts $	Total $
Consolidated					
At 1 July 2015	54,420	697,636	–	–	752,056
Exchange differences	–	(7,789)	–	–	(7,789)
Additions	651,877	–	–	–	651,877
Acquired through business combination	–	4,154,174	5,000,000	512,383	9,666,557
Amortisation	–	–	(193,257)	(14,233)	(207,492)
Impairment – Note 5 (b)	–	–	(3,098,917)	–	(3,098,917)
Assets classified as held for sale and other disposals	–	(4,154,174)	(1,707,826)	(498,150)	(6,360,150)
At 30 June 2016	706,297	689,847	–	–	1,396,144
At 1 July 2016	706,297	689,847	–	–	1,396,144
Exchange differences	22,434	21,912	–	–	44,346
Additions	201,911	–	–	–	201,911
Transfers – internal (Note 14)	(279,071)	–	–	–	(279,071)
Amortisation	–	–	–	–	–
At 31 December 2016	651,571	711,759	–	–	1,363,330

Note 16. Share based payments

(a) Employee option plan

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

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

Options granted under the Employee Plan that have not vested at the time an option holder becomes ineligible (i.e. no longer an employee), are forfeited and not capable of exercise. When an option holder becomes ineligible and the options have already vested then the option holder has 3 months to exercise or they expire. Options must be exercised by the expiry dates or they lapse. There were no options granted during the six months ended 31 December 2016.

At 31 December 2016 there were 5,110,000 employee options outstanding (30 June 2016: 5,717,200).

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Note 16. Share based payments (continued)

(b) Consultant option plan

On 16 February 2005, the Directors approved the TBG Consultants and Advisors Option Incentive Plan ('the Consultant Plan'). The Consultant Plan rules are consistent with the Employee Plan rules, in that the consultants provide similar services to employees so the awards are accounted for in the same way as employee awards. There were no consultant's options granted during the financial period ended 31 December 2016.

At 31 December 2016 there were 30,000 consultant options outstanding (30 June 2016: 30,000).

The following table summarises information about options outstanding at 31 December 2016:

31 December 2016

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of period	Granted during the period	Forfeited during the period	Lapsed during the period	Balance at end of period	Vested and exercisable at end of period
1	19 Aug 2013	25 Sep 2018	$0.21	30,000	–	–	(30,000)	–	–
2	1 Apr 2014	1 Apr 2018	$1.20	142,800	–	–	(134,800)	8,000	8,000
3	1 Apr 2014	1 Jan 2018	$1.30	259,600	–	–	(243,600)	16,000	16,000
4	1 Apr 2014	1 Oct 2018	$1.50	214,800	–	–	(198,800)	16,000	16,000
5	7 Nov 2014	1 Dec 2018	$1.20	60,000	–	–	–	60,000	60,000
6	7 Nov 2014	1 Jun 2018	$1.30	60,000	–	–	–	60,000	60,000
7	7 Nov 2014	1 Apr 2018	$1.20	6,000	–	–	–	6,000	6,000
8	7 Nov 2014	1 Jan 2018	$1.30	12,000	–	–	–	12,000	12,000
10	7 Nov 2014	1 Oct 2018	$1.50	12,000	–	–	–	12,000	12,000
11	13 May 2016	13 May 2022	$0.30	2,000,000	–	–	–	2,000,000	–
12	13 May 2016	13 May 2022	$0.30	1,000,000	–	–	–	1,000,000	–
13	13 May 2016	13 May 2022	$0.40	1,000,000	–	–	–	1,000,000	–
14	13 May 2016	13 May 2022	$0.30	950,000	–	–	–	950,000	–
				5,747,200	–	–	(607,200)	5,140,000	190,000
Weighted average exercise price				0.47	–	–	1.29	0.36	1.29
Weighted average share price at date of exercise				–	–	–	–	–	–

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Note 16. Share based payments (continued)

30 June 2016

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Forfeited during the year	Lapsed during the year	Balance at end of year	Vested and exercisable at end of year
1	1 Jan 2011	1 Jan 2016	$0.29	90,000	–	–	(90,000)	–	–
2	15 Mar 2013	13 Mar 2016	$0.30	1,000,000	–	–	(1,000,000)	–	–
3	19 Aug 2013	25 Sep 2018	$0.21	30,000	–	–	–	30,000	30,000
4	1 Apr 2014	1 Apr 2018	$1.20	142,800	–	–	–	142,800	142,800
5	1 Apr 2014	1 Jan 2018	$1.30	259,600	–	–	–	259,600	259,600
6	1 Apr 2014	1 Oct 2018	$1.50	226,800	–	(4,000)	(8,000)	214,800	214,800
7	7 Nov 2014	1 Dec 2018	$1.20	120,000	–	–	(60,000)	60,000	60,000
8	7 Nov 2014	1 Jun 2018	$1.30	120,000	–	–	(60,000)	60,000	60,000
10	7 Nov 2014	1 Apr 2018	$1.20	6,000	–	–	–	6,000	6,000
11	7 Nov 2014	1 Jan 2018	$1.30	12,000	–	–	–	12,000	12,000
12	7 Nov 2014	1 Oct 2018	$1.50	12,000	–	–	–	12,000	12,000
13	13 May 2016	13 May 2022	$0.30		2,000,000	–	–	2,000,000	–
14	13 May 2016	13 May 2022	$0.30		1,000,000	–	–	1,000,000	–
15	13 May 2016	13 May 2022	$0.40		1,000,000	–	–	1,000,000	–
16	13 May 2016	13 May 2022	$0.30		950,000	–	–	950,000	–
				2,019,200	4,950,000	(4,000)	(1,218,000)	5,747,200	797,200
Weighted average exercise price				0.75	0.32	1.50	0.31	0.47	1.28

The weighted average remaining contractual life of share options outstanding at the end of the period was 5.23 years (30 June 2016: 5.26 years).

Fair value of options granted

The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in the valuation of the options granted:

	31 Dec 2016	30 Jun 2016
Expected volatility	–	105%
Risk-free rate average	–	1.78%
Expected life average (years)	–	5
Dividend yield	–	–
Weighted average exercise price ($)	–	0.30 to 0.40
Share price at grant date ($)	–	0.20

Notes to the Financial Statements

continued

Note 16. Share based payments (continued)

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were $111,882 (30 June 2016; $27,270).

Note 17. Current liabilities – trade and other payables

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Trade creditors[1]	450,407	608,527
Other creditors[2]	704,706	515,681
	1,155,113	1,124,208

Australian dollar equivalents

Australian dollar equivalent of amounts payable in foreign currencies (US$) - $40,737 (30 June 2016:$25,847) and (CNY) - $154,836 (30 June 2016: $68,911)

Terms and conditions

Terms and conditions relating to the above financial instruments:

1 Trade creditors are non-interest bearing and are normally settled between 30 to 90 days
2 Other creditors are non-interest bearing and have a term between 30 to 90 days

Note 18. Provisions

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Make good provision	–	275,000
Employee benefits provision		
Long service leave	14,616	16,538
Annual leave	21,071	13,173
	35,687	29,711
	35,687	304,711

Notes to the Financial Statements
continued

Note 18. Provisions (continued)

Movement in provision

	Make good provision $	Annual leave $	Long service leave $	Total $
Consolidated				
At 1 July 2016	275,000	13,173	16,538	304,711
Arising during the period	–	14,323	1,835	16,158
Reversal	(275,000)	–	–	(275,000)
Utilised	–	(6,425)	(3,757)	(10,182)
At 31 December 2016	–	21,071	14,616	35,687
Current 31 December 2016	–	21,071	–	21,071
Non–current 31 December 2016	–	–	14,616	14,616
	–	21,071	14,616	35,687

Make good provision

At 30 June 2016, the Company had a make good provision to restore its leased premises situated in Darra, Brisbane to its original condition at the end of the lease term. During the period to 31 December 2016, this lease was transferred to the disposed manufacturing subsidiary, PharmaSynth, and there were no make good costs incurred. There is no make good provision applicable to the current leased premises.

Note 19. Contributed equity

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
a) Issued and paid up capital	36,211,120	36,211,120

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

b) Movements in shares on issue

	31 December 2016		30 Jun 2016	
	Number of shares	Amount $	Number of shares	Amount $
Beginning of the financial period	217,587,289	36,211,120	101,722,974	11,879,614
Transactions during the period:	–	–	–	–
Reversal of existing shares on acquisition	–	–	(101,722,974)	–
Shares bought back	–	–	–	–
TDL shares on acquisition of TBG Inc.	–	–	115,864,315	–
Shares issued to TBG Inc vendors on acquisition	–	–	101,722,974	24,331,506
End of the financial period	217,587,289	36,211,120	217,587,289	36,211,120

Notes to the Financial Statements

continued

Note 19. Contributed equity (continued)

c) Share options

At 31 December 2016 there were a total of 5,140,000 (30 June 2016: 5,747,200) unissued ordinary shares in respect of which options were outstanding.

Refer to Note 16 for more details on unlisted options.

d) Capital risk management

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

Note 20. Accumulated losses and reserves

Accumulated losses

Movement in accumulated losses were as follows:

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Beginning balance	(15,168,647)	(2,790,925)
Net loss	(2,621,085)	(12,377,722)
Ending balance	(17,789,732)	(15,168,647)

Reserves

Share based payment reserve

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

	Consolidated	
Share based payment reserve	31 Dec 2016 $	30 Jun 2016 $
Beginning balance	27,970	–
Cost of share based payments	111,882	27,970
Ending balance	139,852	27,970

Foreign currency translation reserve

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

	Consolidated	
Foreign currency translation reserve	31 Dec 2016 $	30 Jun 2016 $
Balance 1 July	2,117,220	2,290,358
Foreign currency translation	309,710	(173,138)
Balance 30 June	2,426,930	2,117,220
Total Reserves	2,566,782	2,145,190

Notes to the Financial Statements

continued

Note 21. Financial risk management objectives and policies

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

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

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

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

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

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

Fair Values

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

Credit risk

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

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

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

Maximum exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. There is no collateral held as security at 31 December 2016. Credit risk is reviewed regularly by the Board.

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Cash and cash equivalents	10,642,000	14,561,869
Trade receivables	524,220	491,388
Other receivables	4,572,616	204,701
	15,738,836	15,257,958

Notes to the Financial Statements

continued

Note 21. Financial risk management objectives and policies (continued)

Market risk

Foreign currency risk

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

At 31 December 2016, the Group held USD 4,406,030 (30 June 2016: USD 4,986,350) in cash deposits. The Group had the following exposure to US$ currency shown in AUD:

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Financial assets		
Cash and cash equivalents	6,078,163	6,699,832
Financial liabilities		
Trade and other payables	40,737	25,847
Net exposure	6,037,426	6,673,985

At 31 December 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss (Higher)/Lower		Equity Higher/(Lower)	
	31 Dec 2016 $	30 Jun 2016 $	31 Dec 2016 $	30 Jun 2016 $
Consolidated				
AUD/USD +5% (June 2016: +15%)	(217,553)	(745,067)	(217,553)	(745,067)
AUD/USD -5% (June 2016: -15%)	217,553	745,067	217,553	745,067

At 31 December 2016, the Group held CNY 171,753 (30 June 2016: CNY 231,607) in cash deposits. The Group had the following exposure to CNY currency shown in AUD:

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
Financial assets		
Cash and cash equivalents	34,130	46,829
Financial liabilities		
Trade and other payables	154,836	68,911
Net exposure	(120,706)	(22,082)

Notes to the Financial Statements

continued

Note 21. Financial risk management objectives and policies (continued)

At 31 December 2016, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss (Higher)/Lower		Equity Higher/(Lower)	
	31 Dec 2016 $	30 Jun 2016 $	31 Dec 2016 $	30 Jun 2016 $
Consolidated				
AUD/CNY +5% (June 2016: +10%)	30,211	16,381	30,211	16,381
AUD/CNY -5% (June 2016: -10%)	(30,211)	(16,381)	(30,211)	(16,381)

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

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits. These deposits are held to fund the Group's ongoing and future development activities. Cash at bank of $6,307,522 earns interest at floating rates based on daily and "at call" bank deposit rates. Short term deposits of $4,334,478 are made for varying periods of between one to three months, depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Refer to Note 10 for details on the Group's cash and cash equivalents at 31 December 2016.

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

At 31 December 2016, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax loss and equity would have been affected as follows:

	Post-tax loss (Higher)/Lower		Equity Higher/(Lower)	
	31 Dec 2016 $	30 Jun 2016 $	31 Dec 2016 $	30 Jun 2016 $
Consolidated				
+0.5%/50 basis points (June 2016: +0.5%)	53,210	72,809	(53,210)	(72,809)
-0.5%/50 basis points (June 2016: -0.5%)	(53,210)	(72,809)	53,210	72,809

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

Liquidity risk

The Group's objective is to maintain a balance between continuity of project research utilising an optimal combination of equity funding and available credit lines. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group has no financial liabilities due after twelve months.

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

Notes to the Financial Statements

continued

Note 21. Financial risk management objectives and policies (continued)

The table below reflects all financial liabilities as of 31 December 2016. Financial liabilities are presented at their undiscounted cash flows. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 31 December 2016. The Group had no derivative financial instruments at 31 December 2016.

Remaining contractual maturities

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
1 year or less	1,155,113	1,124,208

Investments

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

Maturity analysis of financial assets and liabilities based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and receivables are considered in the Group's overall liquidity risk.

	6 months or less $	6 to 12 months $	More than 12 months $	Total carrying amount as per the statement of financial position $
Financial instruments 31 December 2016				
Consolidated financial assets				
Cash and cash equivalents	6,307,522	–	–	6,307,522
Short term deposits	4,334,478	–	–	4,334,478
Trade and other receivables	819,680	–	–	819,680
	11,461,680	–	–	11,461,680
Consolidated financial liabilities				
Trade and other payables	1,155,113	–	–	1,155,113
	1,155,113	–	–	1,155,113
Net maturity	10,306,567	–	–	10,306,567

Undrawn borrowing facilities

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
The Company has the following undrawn borrowing facilities[1] of:	860,800	–

1 The facility ends 3 August 2017. It has varying interest rates from 1.9% adjusted at regular intervals.

Notes to the Financial Statements

continued

Note 21. Financial risk management objectives and policies (continued)

Consolidated	6 months or less $	6 to 12 months $	More than 12 months $	Total carrying amount as per the statement of financial position $	Weighted average effective interest rates %
Financial instruments 30 June 2016					
Consolidated financial assets					
Cash and cash equivalents	671,943	–	–	671,943	0.0%
Short term and call deposits	12,689,926	–	–	12,689,926	2.8%
Trade and other receivables	696,089	–	–	696,089	0.0%
Security deposit	13,000	–	–	13,000	2.6%
	14,070,958	–	–	14,070,958	
Consolidated financial liabilities					
Trade and other payables	1,124,208	–	–	1,124,208	0.0%
	1,124,208	–	–	1,124,208	
Net maturity	12,946,750	–	–	12,946,750	

Note 22. Expenditure commitments

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
(a) Capital commitments[1]		
Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:		
Within one year[2]	261,655	740,546
Later than one year but not later than five years[2]	433,390	–
	695,045	740,546
(b) Non-cancellable operating lease commitments[3]		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	318,407	362,862
Later than one year but not later than five years	24,976	167,858
	343,383	530,720

1 TBG Xiamen has a lease agreement pertaining to the manufacturing facility in Xiamen that expired on 30 November 2016. From 1 December 2016, TBG Xiamen was granted an extension of two years' free rent of the facility.

2 These capital expenditures relate to the development costs of the QPCR machine being used in the research and development operational activities of Taiwan.

3 The group leases various offices and warehouse under non-cancellable operating leases expiring within 5 years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

Notes to the Financial Statements

continued

Note 23. Employee benefits and superannuation commitments

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries and on-costs	305,666	123,384
Provisions (current)	21,071	13,173
Provisions (non-current)	14,616	16,538
	341,353	153,095

Superannuation

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

The Group contributed $14,967 on behalf of employees to superannuation funds (considered a related party) during the six months period 31 December 2016 (30 June 2016: $38,924).

Pension

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

The Group contributed $32,298 on behalf of employees to the pension fund (considered a related party) for the six months ended 31 December 2016 (30 June 2016: $66,605).

Note 24. Contingent liabilities and assets

There are no contingent liabilities or contingent assets at 31 December 2016 that require disclosure in the financial report.

Note 25. Subsequent events

Receipt of Research and Development Tax Incentive

On 2 February 2017, the Company announced that it had received a refund from the Australian Taxation Office of $1,012,341 pursuant to the Federal Government's R&D Tax Incentive Scheme following the lodgement of its 2015/16 financial year income tax return.

The R&D Tax Incentive is an Australian Government program under which tax loss companies with a group turnover of less than $20 million can receive cash refunds for 45% of eligible expenditure on research and development.

Execution of Deed of Variation of the Share Sale Agreement between the Company and Zucero

On 23 February 2017, a Deed of Variation was executed whereby the Company gave the buyer, Zucero, a right to make an early payment of the deferred payment, subject to occurrence of a $4 million capital raising event. This allows the buyer to pay the deferred payment by way of a $1,999,000 cash payment and $4 million in Zucero shares. This right must be exercised before 31 December 2017 or the original agreement is enforceable.

Grant of lease extension of the manufacturing facility in Xiamen

On 27 February 2017 the Group has received confirmation from the Haicang District of Xiamen Municipal Government that it has agreed to extend the lease of the manufacturing facility in Xiamen for another two years, from 1 December 2016 to 30 November 2018, and will work with the Group to finalise the proposed purchase of the leased property. However a formal lease agreement has not yet been completed for the extended period.

Notes to the Financial Statements

continued

Note 26. Auditors' remuneration

	Consolidated	
	31 Dec 2016 $	30 Jun 2016 $
(a) Audit services – BDO Audit Pty Ltd		
Audit or review of the Group's financial reports	113,500	152,240
(b) Audit services – PwC Taiwan		
Audit or review of TBG Inc.'s financial reports[1]	17,216	–
	130,716	152,240
Non-audit services – BDO (QLD) Pty Ltd		
(b) Other non-audit services in relation to the entity[2]	68,863	113,484
	199,579	265,724

1 Pertains to audit services in relation to the financials of the accounting parent for TWD 400,000
2 Non-audit services received from BDO for tax and other services

Note 27. Director and executive and related party disclosures

(a) Remuneration of directors and other key management personnel

	31 Dec 2016 $	30 Jun 2016 $
Short term benefits	285,306	759,633
Long term benefits	995	(1,134)
Post–employment benefits	7,404	51,268
Share–based payments	–	6,747
Termination payments	–	71,687
Total key management personnel compensation	293,705	888,201

Notes to the Financial Statements

continued

Note 27. Director and executive and related party disclosures (continued)

(b) Related party transactions to ultimate parent, Medigen Biotechnology Corporation, a company incorporated in Taiwan*

	31 Dec 2016 $	30 Jun 2016 $
Revenues		
- Sale of goods	584,019	2,175,342
Purchases		
- Purchases of inventories	–	268,580
Receivables from related party		
- Trade receivables	300,867	362,020
Payables to related party		
- Trade and other payables	1,578	31,286
Property transactions		
- Purchase of equipment	–	38,630

* An executive director and one staff member performs services for the Group but are directly employed by Medigen. There is no existing agreement for any intercompany charges for said services between the Group and Medigen. No related party liabilities in relation to this were recognised at 31 December 2016 and 30 June 2016.

(c) Subsidiaries

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

		% Equity Interest	
Name	Country of Incorporation	31 Dec 2016	30 Jun 2016
Progen PG500 Series Pty Ltd	Australia	–	100
TBG Inc.	Cayman Islands	100	100
TBG Biotechnology Corp.	Taiwan	100	100
TBG Biotechnology Corp. (Xiamen)	China	100	100
Texas Biogene Inc.	United States	100	100

Directors' Declaration

The directors of the company declare that:

1. The financial statements, comprising the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:
   a. comply with Accounting Standards and the Corporations Regulations 2001; and
   b. give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the period ended on that date.
2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
4. The remuneration disclosures included in paragraphs pages 19 to 28 of the directors' report (as part of audited Remuneration Report), for the six months ended 31 December 2016, comply with section 300A of the *Corporations Act 2001*.
5. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

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

On behalf of the directors

Jitto Arulampalam
Executive Chairman
Date: 28 February 2017

Eugene Cheng
Executive Director
Date: 28 February 2017

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

To the members of TBG Diagnostics Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of TBG Diagnostics Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 31 December 2016 and of its financial performance for the six months ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Independent Auditor's Report

continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of deferred consideration from sale of subsidiaries Refer to note 5, 13 and 21 (Credit Risk) to the financial report for details	***How the matter was addressed in our audit***
As at 31 December 2016, the Group has non-current receivables of $4.28 million relating to deferred consideration from the sale of two subsidiaries in the current and prior financial years. The valuation of the deferred consideration was considered a key audit matter due to: • the quantum of the deferred consideration amounts as at 31 December 2016; • the long-term nature of the receivables and the impact on the assessment of recoverability; and • the subjective nature of the assumptions used to determine the fair value of the receivables on initial recognition. These conditions required increased involvement from senior members of the audit team to challenge the assumptions used in the initial valuation of the receivables and the assessment of recoverability as at 31 December 2016.	Our procedures included, amongst others: • Obtaining and reviewing disposal agreements which resulted in the deferred consideration; • Evaluating management's workings and assumptions surrounding the calculation of the present value of the consideration receivable; • Challenging management's assessment of the recoverability of the receivables through obtaining support of the counterparties ability to repay the outstanding amounts in accordance with the agreements; and • Critically assessing the Group's disclosures of the quantitative and qualitative considerations in relation to the receivables and the associated credit risk by comparing these disclosures to our understanding of the matter.

Independent Auditor's Report

continued

Existence and Valuation of Plant and Equipment - Xiamen Refer to note 14 and Note 2 (Significant accounting judgements, estimates and assumptions)	***How the matter was addressed in our audit***
One of the Group's subsidiaries has operations located in Xiamen, China and has capitalised significant costs of developing the property. Per the original agreement with the local government, the subsidiary was able to occupy the facility rent free up to 30 November 2016. Existence and Valuation of Plant and Equipment - Xiamen was considered a key audit matter due to: • the quantum of the plant and equipment recognised in Xiamen; • the expiry of the group's lease agreement with the property owner during the period; and • the importance of the Xiamen facility to the Group's business plans. These conditions required additional audit effort to gather audit evidence over the existence and valuation of the plant and equipment recognised in Xiamen.	Our procedures included, amongst others: • Performing asset sighting of leasehold improvements and plant and equipment in Xiamen to ensure items recorded existed; • Critically assessing the conditions of leasehold improvements and plant and equipment in Xiamen to ensure no impairment indicators exist; • Testing plant and equipment additions during the six months; • Evaluating depreciation of property, plant and equipment to determine if the rates used are reasonable given the lease expiry and renewals in place; and • Obtaining signed documentation from the local government to confirm the extension of the Group's lease of the property; and • Critically assessing the Group's disclosures of the quantitative and qualitative considerations in relation to the Xiamen plant and equipment by comparing these disclosures to our understanding of the matter.

Independent Auditor's Report

continued

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' Report and Appendix 4E for the six months ended 31 December 2016, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

Independent Auditor's Report

continued

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar2.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 19 to 28 of the directors' report for the six months ended 31 December 2016.

In our opinion, the Remuneration Report of TBG Diagnostics Limited, for the six months ended 31 December 2016, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

T R Mann
Director

Brisbane, 28 February 2017

ASX Additional Information

Additional information required by the Australian Securities Exchange Ltd not shown elsewhere in this report is as follows. The information is current as at 13 March 2017.

Substantial shareholders

The number of shares held by substantial shareholders listed in the Company's ASX register as at 13 March 2017 were:

	Number of ordinary shares held	Percentage
MEDIGEN BIOTECHNOLOGY CORPORATION	105,915,938	48.68
ETERNAL MATERIALS CO LTD	40,200,000	18.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,030,351	10.58

Class of equities and voting rights

The voting rights attached to all ordinary shares in the Company as set out in the Company's constitution are:

a) On a show of hands every Member has one vote;

b) On a poll, every Member has one vote for each fully paid share

Under the terms of the Company's unlisted options there are no voting rights attached to options.

Distribution of equity securities

Category (size of holding)	No. of ordinary shareholders	No. of Unquoted employee option holders	No. of Unquoted consultant option holders
1 – 1,000	965	–	–
1,001 – 5,000	743	–	–
5,001 – 10,000	166	–	–
10,001 – 100,000	199	3	1
100,001 and over	60	12	–
Total	**2,133**	**15**	**1**
Shareholders holding less than a marketable parcel of shares	1,483	N/A	N/A

ASX Additional Information

continued

Names of the twenty largest holders of quoted securities are:

	Listed Ordinary Shares	
	No.	Percent
MEDIGEN BIOTECHNOLOGY CORPORATION	105,915,938	48.68
ETERNAL MATERIALS CO LTD	40,200,000	18.48
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,030,351	10.58
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,676,018	3.53
MISS FU MEI WANG	2,157,128	0.99
US CONTROL ACCOUNT	1,687,951	0.78
MS WEN-MIN WANG	1,576,289	0.72
MR YUNG-FONG LU	1,571,020	0.72
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,487,081	0.68
MRS LEE LI HSUEH YANG	1,322,558	0.61
CITICORP NOMINEES PTY LIMITED	1,061,697	0.49
YING CHENG	1,031,000	0.47
MR HSIEN-JUNG YANG + MRS MA SHU-HWA YANG <THE LAMBERT SUPER FUND A/C>	1,001,000	0.46
CHI-LIANG YANG	945,984	0.43
WEI CHENG	931,000	0.43
BNP PARIBAS NOMS PTY LTD <DRP>	849,871	0.39
CHEMBANK PTY LIMITED <PHILANDRON ACCOUNT>	846,706	0.39
MIN-HUA YEH	844,894	0.39
MS YI-HUI SHEN	819,000	0.38
MR QIWEI GUO	770,000	0.35
TOTAL	195,725,486	89.95

Unquoted Equity Securities:

Number	No. on issue	No. of holders
Options issued under the Executive Directors and Employees Option Incentive Plan	5,110,000	15
Options issued under the Consultants and Advisors Option Incentive Plan	30,000	1

Corporate Directory

Directors

I.S. Arulampalam (Chairman)
S. Chang
E. Cheng
E. Lee
E. Chang

Company Secretary

J. Stedwell

Registered Office

Level 18, 101 Collins Street
Melbourne, Victoria 3000
Australia

Phone +61 7 3088 7926
Fax +61 3394 4394

www.tbgbio.com

Share Registry – Australia

Computershare Investor Services Pty Ltd
117 Victoria Street
West End, Queensland 4101
Phone 1300 552 1168

Share Registry - United States

Computershare Trust Company
350 Indiana Street
Suite 750
Golden, CO, 80401
Phone + 1 303 262 0600

ABN

82 010 975 612

Bankers

Westpac Banking Corporation

Stock Exchanges

ASX: TDL
OTC: TDLAF

Auditors

BDO Audit Pty Ltd
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