



ABN 82 010 975 612

Level 18, 101 Collins Street
Victoria 3000 Australia
Telephone: + 61 7 3273 9133
Facsimile: + 61 7 3375 1168
www.tbgbio.com

17 December 2018

ASX Announcement
Acquisition of Zhangsha ZhangYe Medical Laboratory Corp

TBG Diagnostics Limited (the “Company”) has entered into an agreement (through its wholly owned subsidiary TBG Biotechnology Xiamen (“TBG Xiamen”)) to acquire Zhangsha ZhangYe Medical Laboratory Corp. (“ZhangYe”), a company incorporated in China which conducts a business of providing medical laboratory testing services to hospitals and the community, and which is based in the city of Zhangsha in Hunan Province.

TBG Xiamen was incorporated in 2014 to address the government requirements of Haicang, China, for foreign entities operating genetic testing businesses in the Xiamen region of China and carries on a business of research and development and manufacturing molecular diagnostic kits and instruments.

In consideration for the acquisition of 100% issued capital in ZhangYe the Company will transfer shares constituting 42.1% of TBG Xiamen to the founding shareholders of Zhangsha ZhangYe Medical Laboratory Corp.

Dongyuan Huaxin (Beijing) Capital Management Co Ltd (“Dongyuan”), one of the parties in the agreement, is a private equity firm incorporated in China and will provide capital investment into TBG Xiamen. Dongyuan is a consulting and advisory company which aims to strategically grow the reach of many of the businesses it invests in, including by leveraging off its relationships in China and Asia Pacific to expand its portfolio companies’ capabilities.

Under the agreement with Dongyuan, shares equaling 11.25% of TBG Xiamen’s share capital will be issued to Dongyuan for cash consideration of RMB 10,679,283, which will be reinvested in TBG Xiamen (“Dongyuan Investment”).

Through the agreement, the Company intends to draw on the capabilities and resources of ZhangYe and Dongyuan in order to develop synergies between each of the businesses of ZhangYe and Dongyuan and the TBG Xiamen Business, and to expand the TBG Xiamen Business further within the China and Asia Pacific markets.

After completion of the transactions, the Company will hold 46.65% of the equity in TBG Xiamen and TBG Xiamen will hold 100% of the equity in ZhangYe, such that the Company will indirectly hold an interest of 46.65% in ZhangYe.

The funding of RMB 10,679,283 (approximately AU\$2,119,039) received by TBG Xiamen from the Dongyuan Investment is to be used by TBG Xiamen to:

- expand the capabilities of its laboratories and molecular diagnostic kits and associated products;
- expand its sales capabilities in order to generate more revenue; and
- expand TBG Xiamen's distribution and/or sales channels by leveraging off the networks and relationships of ZhangYe and Dongyuan in order to be able to distribute greater quantities of the products TBG Xiamen manufactures through the China and Asia Pacific regions.

The proposed transactions will not result in a significant change in the scale of the Company's business activities and the Company does not consider that shareholder approval is required, as:

- the acquisition will not result in an increase of 25% or more; and
- the dilutionary impact of the Dongyuan Investment on the Company's holding in TBG Xiamen will not result in a disposal of a business accounting for 25% or more;

of the consolidated total assets, consolidated total equity interests, consolidated annual revenue, consolidated EBITDA or consolidated annual profit before tax of the Company.

Based on the Company's most recent auditor reviewed accounts for the half year ending 30 June 2018, the proposed transactions would result in a decrease:

- in the Company's consolidated assets by AUD 1,917,012, representing 13% of the Company's consolidated assets;
- in the Company's consolidated equity by AUD 709,060, representing 5% of the Company's consolidated equity;
- in the Company's half year revenue by AUD 384,221, representing 23% of the Company's consolidated revenue for the 6-month period; and
- in the Company's half year loss by AUD 385,500, representing 15% of the Company's consolidated loss for the 6-month period.

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