Appendix 4E
Preliminary Final Report

Name of Entity: **TBG Diagnostics Limited**

82 010 975 612

1. Details of the reporting period

Current Period: 1 January 2018 – 31 December 2018

Previous Corresponding Period: 1 January 2017 – 31 December 2017

2. Results for announcement to the market

				$'000
Revenue from continuing operations	Down	8.7%	to	$3,153
Loss from ordinary activities after income tax attributable to members	Up	47.9%	to	$2,532
Net loss attributable to members	Down	36.6%	to	$4,150

Explanation of revenue

Of the total revenues, 70.6% pertained to product revenues which mainly include sequence based typing (SBT) and sequence specific primer (SSP); while 9.6% pertained to revenues from technical services consisting 80.2% of the total revenues.

Explanation of Net Profit after Tax

The decrease in the loss for the year ended 31 December 2018 of $4,393,330 is mainly attributed to results from discontinued operations of $1,861,793 mil (2017: $4,836,178). There was an improved sales performance from the China group (disposal group) during 2018 in spite of its increased operating expenses. Additionally, income arising from the early settlement of the deferred receivable from the sale of PharmaSynth Pty Ltd was recognised. In contrast, loss from discontinued operations in 2017 financial year pertained to impairment loss provision applicable to the receivable from the sale of PG545. Further in 2017 financial year, research and development tax incentive rebate of $1,091,439 was received and recognised as income.

Prior year's financial presentation have been reclassified to conform to current year's presentation.

3. Consolidated Statement of Profit and Loss and Other Comprehensive Income

Refer to page 10.

4. Consolidated Statement of Financial Position

Refer to page 11.

5. Consolidated Statement of Changes in Equity

Refer to page 12.

6. Consolidated Statement of Cash Flows

Refer to page 13.

7. Net tangible assets per ordinary share

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security (cents)	5.3	6.5

8. Dividends

No dividend for the year ended 31 December 2018 has been declared or paid to shareholders.

9. Dividend/distribution reinvestment plan

No dividend/distribution reinvestment plan for the year ended 31 December 2018.

10. Details of controlled entities

10.1 Name of entity (or group of entities) over which control was gained.	N/A
10.2 Name of entity (or group of entities) over which control was lost	N/A
10.3 Date control was gained	N/A
10.4 The contribution of such entities to the reporting entity's profit from ordinary activities during the period The profit or loss of such entities during the whole of the previous corresponding period	N/A

11. Details of associates and joint venture entities

11.1 Name of the entity.	N/A
11.2 The date of the gain or loss of control.	N/A
11.3 Where material to an understanding of the report – aggregate share of profits (losses) of these entities, details of contributions to net profit for each of these entities, and with comparative figures for each of these disclosures for the previous corresponding period.	N/A

12. Auditing Status

This report is based on accounts which are in the process of being audited.

13. Other significant information

Refer to commentary on result below.

14. Audit disputes or qualifications

This report is based on accounts which are in the process of being audited.

15. Results and Review of Operations

Company Overview

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

1. Focused on the research and development, manufacturing, sales and marketing and services of Molecular Diagnostics (MDx) products, including assays and instruments;
2. Entered into collaboration arrangements and product licensing agreements with external parties to expand market presence and product portfolio; and
3. Fully launched the businesses in China through marketing strategies to increase public awareness and the larger Asian market supporting our growth strategies; and
4. Signed an agreement with Zhangsha ZhangYe Medical Laboratory to acquire 100% of the issued capital of ZhangYe in exchange of the Company transferring 42.1% of its shares to the founding shareholders of ZhangYe. This is in line with the company's strategy to increase market presence in Asia mainly in China and Asia Pacific markets.

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

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 2018 was a loss of $4,393,330, being a decrease of 32.9% over the 31 December 2017 net loss of $6,547,692.

The decrease in the loss for the year ended 31 December 2018 of $4,393,330 (2017: $6,547,692) is mainly attributed to results from discontinued operations of $1,861,793 (2017: $4,836,178). There was an improved sales performance from the China group (disposal group) during 2018 in spite of its increased operating expenses. Additionally, income arising from the early settlement of the deferred receivable from the sale of PharmaSynth Pty Ltd was recognised. In contrast, loss from discontinued operations in 2017 financial year pertained to impairment loss provision applicable to the receivable from the sale of PG545. Further in 2017 financial year, research and development tax incentive rebate of $1,091,439 was received and recognised as income.

Prior year's financial presentation have been reclassified to conform to current year's presentation.

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

Operating and Financial Review (cont'd)

Operating Results for the Year (cont'd)

The following table summarises the consolidated results:

		12 months ended	12 months ended
		31 Dec 2018	31 Dec 2017
	% Change	$	$
Revenue	(8.7)	3,152,830	3,451,379
Cost of Sales	(53.3)	(361,593)	(773,776)
Other income	(82.7)	197,967	1,146,321
Administrative and corporate expenses	(3.2)	(2,463,839)	(2,545,434)
Research and development expenses	1.1	(2,094,669)	(2,072,566)
Selling expenses	(4.9)	(962,233)	(917,438)
Loss on discontinued operations	61.5	(1,861,793)	(4,836,178)
Operating loss	**(32.9)**	**(4,393,330)**	**(6,547,692)**

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

		12 months	12 months
		31 Dec 2018	31 Dec 2017
	% Change	$	$
Basic and diluted loss per share	(150.0)	(2.0)	(0.8)
Net tangible assets per share	(18.4)	5.3	6.5

Management Discussion and Analysis

Revenue and Other Income

Total revenues earned during the year decreased 8.7% to $3,152,830 in 31 December 2018 (2017: $3,451,379). The decline in sales revenues were mainly attributed to sales rebate incentives granted to a major sales distributor for having met the agreed sales targets. This was despite of new customers obtained during the year. Of the sales revenue from customers, 30% (2017: 53%) represent sales to its parent entity, Medigen.

Other income significantly decreased 88.4% to $126,477 (2017: $1,090,994) mainly due to the research and development tax incentive rebate received in prior year of $1,091,439 pertaining to the 2016 financial year.

		12 months ended	12 months ended
		31 Dec 2018	31 Dec 2017
	% Change	$	$
Revenue and other income			
Sales revenue	(2.8)	2,848,954	2,931,848
Technical services revenue	(41.5)	303,876	519,531
Interest revenue	29.2	71,490	55,327
Other income	(88.4)	126,477	1,090,994
Total revenue and other income	**(27.1)**	**3,350,797**	**4,597,700**

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

Management Discussion and Analysis (cont'd)

Research and Development (R&D) Expenses
Research and development expenditure decreased 1.1% to $2,094,669 (2017: $2,072,566) during the year ended 31 December 2018. In 2017, European CE-Mark certification was granted for the product *ExProbe™ SE HLA ABCDRDQ* (ExProbe™) Typing Kit as well as regulatory approval in Taiwan. CFDA approval was also received for a portfolio of HLA genotyping kits in China. During 2018, TBG continuously focused on the development of molecular diagnostics in Immunogenetics. Based on multiplex PCR technology, the Group is also developing products for infectious disease diagnostics. Of the twenty-four (24) products currently being developed, six (6) products in transfusion, immunity and infectious diseases have entered clinical trials and IVD approval processes and this is expected to continue in 2019.

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.

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

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

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 pertaining 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.

The discontinued research and development expenditures pertaining to the disposal group in China are as follows:

1. Manufacture and clinical trial stages including regulation submission of a series of products that were developed by TBG Taiwan which is currently under licensing agreement with TBG Xiamen;
2. Technology development of infectious diseases, oncology, blood screening and genetic testing products; and
3. Provision of genetic testing services in transplantation, blood and platelets transfusion, cancer and genetic diagnostics in Xiamen City, Fujian Region and other neighbouring provinces of China.

Selling expenses

Selling expenses increased 4.9% to $962,233 (2017: $917,438). During the year ended 31 December 2018, the group incurred increased marketing costs in relation to product launches, overseas exhibition participations, and related travel costs to increase market presence in Asia. Furthermore, sales commissions and fees to external parties in relation to product sales were incurred during the year.

Administrative and Corporate Expenses

Administrative and corporate expenses decreased 3.2% to $2,463,839 (2017: $2,545,434). During 2017, some legal and other management consultancy fees were incurred in relation to a potential acquisition that did not eventuate. Further, foreign exchange losses from foreign currency transactions and foreign currency reserves were incurred in 2017.

Loss on Discontinued Operations

For the year ended 31 December 2018 a loss from discontinued operations of $1,861,793 (2017: $4,836,178) was recorded relating to losses incurred by the Group's China subsidiary, TBG Biotechnology (Xiamen) Inc. and its subsidiaries. The proposed disposal of these operations was announced on 17 December 2018. In addition, income was recognised pertaining to the early settlement of the deferred consideration from the sale of PharmaSynth Pty Ltd. Loss from discontinued operations at 31 December 2017 pertained to the same disposal group and the impairment loss provision applicable to the receivable from the sale of PG545. Prior year amounts have been reclassified to conform to current year's presentation.

Liquidity and Cash Resources

The Group ended the financial year with cash and cash equivalents totalling $6,734,791 (inclusive of cash and cash equivalents within discontinued operations) compared with $7,918,213 at 31 December 2017. In February 2018, the Company received a total of $1.8 million from Luina Bio Pty Ltd as the full and final settlement of the receivable from the sale of PharmaSynth (note 5). In April 2018, the group also received a total amount of $412,692 (CNY 2,000,000) being the additional capital contribution of Xiamen Haicang that owned 40% non-controlling interest in the group's genetic testing subsidiary in China, BioBay Medical Health Ltd.

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

Liquidity and Cash Resources (cont'd)

Cash and cash equivalents at 31 December 2018 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 $2,726,902 was disbursed during the year to fund consolidated net operating activities, compared to $2,433,765 in 2017. The movement was due mainly to increased operational expenditures in spite of more trade collections during the year. Further to this, the Group received the research and development tax incentives in Australia in 2017. These activities resulted to a higher net cash outflow.

Cash inflows from investing activities amounted to $450,113 (2017: $497,996 outflow). During the year, the Australian parent entity received $1.8 million from Luina Bio Pty Ltd as full and final settlement of the receivable from the sale of PharmaSynth. Capital expenditures of $1.3 million was also disbursed for the manufacturing facility improvements and purchase of machinery and other equipment particularly in the China entities.

Funding Requirements

At 31 December 2018, the Group has total outstanding commitments of $1,793,677 (2017: $648,603), of which $455,403 (2017: $648,603) pertains to the Group's operating lease commitments; and $1,338,274 (2017: $nil) pertains to technical support services. In addition, the Group expects to incur substantial future expenditure in light of its research and development programs, manufacturing facility expansion and sales growth plans.

At present, TBG is undertaking to continue product development and the manufacture of its wide range of molecular diagnostics products and an integrated automated clinical system. Prior to full product launches, 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.

As part of the ZhangYe acquisition announced on 17 December 2018, the Company is expecting to receive funding of RMB 10,679,283 (approximately AU$2,119,039) from DongYuan, one of the parties in the proposed acquisition of Zhangsha ZhangYe via TBG Xiamen. The funds are intended to serve the expansion of the subsidiary's laboratory and molecular diagnostic kits and associated products, sales capabilities and distribution and/or sales channels through developed synergies of the parties from the acquisition and to expand further the molecular diagnostics business of TBG Xiamen in China and Asia Pacific.

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 16 months from the date of this report. This excludes capital requirements outside of normal operating activities.

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

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

Significant Changes in the State of Affairs

Amended Deed of Agreement with Zucero Therapeutics Pty Ltd

As announced on 22 August 2016, the Company 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.

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 $4,000,000 capital raising event. This allows the buyer to pay the deferred payment by way of a $1,999,000 cash payment and $4,000,000 in Zucero shares. This right had to be exercised before 31 December 2017 or the original agreement is enforceable. This did not occur during the period.

On 7 May 2018, the Company accepted and signed an agreement deed with Zucero Therapeutics whereby the Company granted irrevocable rights to Zucero to satisfy the deferred payment prior to 31 December 2018, the conversion end date, by converting the Convertible Deferred Payment portion of $4 million into QF Shares, subject to the buyer completing a qualified Financing Event and other relevant conditions; and pay the seller the Cash Deferred Payment portion of $1,999,000. This did not occur during the period, however, a final extension of the Conversion End Date to 31 March 2019 was approved on 21 February 2019.

Board changes

On 28 May 2018, Mr Edward Chang resigned as non-executive director of the group. Following his resignation, Mr Hsi-Kai (C. K.) Wang was appointed as non-executive director of the group.

Proposed acquisition of Zhangsha ZhangYe Medical Laboratory Corp

On 17 December 2018, TBG Diagnostics Ltd (the 'Group' or the 'Company') announced that it 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"). 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. Under the terms of the agreement, the proposed acquisition of ZhangYe will result in ZhangYe shareholders holding a controlling interest in the TBG Xiamen while TBG will retain significant influence through its investment after the transaction. As a result, it is expected that the remaining investment will be accounted for as an 'Investment in Associate' under the equity method of accounting in accordance with the requirements of AASB 128 *Investments in Associates and Joint Ventures (AASB 128).*

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

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

Proposed acquisition of Zhangsha ZhangYe Medical Laboratory Corp (cont'd)

On 18 February 2019, TBG Xiamen received 5,000,000 RMB as partial payment from DongYuan in respect of the cash contribution described above.

Amended Deed of Agreement with Zucero Therapeutics Pty Ltd

The purpose of the disposal is for the Company 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 TBG Xiamen, and to expand further the molecular diagnostics business of TBG Xiamen within the China and Asia Pacific markets.

As negotiations between the parties have been finalised, further final procedures are being taken to complete the transaction which is expected to occur within the first quarter of 2019. Accordingly, the assets and liabilities attributable to TBG Xiamen and its subsidiaries have been classified as disposal group held for sale and are presented separately in the statement of financial position.

Significant Events after the Reporting Date

Board and management changes

On 1 February 2019, Mr. Eugene Cheng resigned as the Group Chief Operating Officer but will continue in his capacity as Non-executive director of the group. On the same date, Mr. Willy Hsu was appointed as the Chief Operating Officer of the group.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

16. Outlook and Prospects for 2019

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 licensing, partnerships and collaborations; and
- **(iv)** Take the necessary steps to complete the acquisition of ZhangYe Zhangsha Laboratopry Corp as announced and in note 4 to the financial report.

Consolidated Statement of Profit and Loss and Other Comprehensive Income
For the Year Ended 31 December 2018

	Note	Consolidated 12 months ended 31 Dec 2018 $	12 months ended 31 Dec 2017 $
REVENUE FROM CONTINUING OPERATIONS	3 (a)	**3,152,830**	3,451,379
Cost of Sales		**361,593**	773,776
GROSS PROFIT		**2,791,237**	2,677,603
Other income	3 (b)	**197,967**	1,146,321
EXPENSES			
Research and development expenses		**2,094,669**	2,072,566
Administrative and corporate expenses		**2,463,839**	2,545,434
Selling expenses		**962,233**	917,438
		5,520,741	5,535,438
LOSS FROM CONTINUING OPERATIONS BEFORE TAX		**(2,531,537)**	(1,711,514)
Income tax expense		**-**	-
Loss from continuing operations		**(2,531,537)**	(1,711,514)
Loss from discontinued operations	4	**(1,861,793)**	(4,836,178)
NET LOSS FOR THE YEAR		**(4,393,330)**	(6,547,692)
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss			
Foreign currency translation		**877,920**	(68,888)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		**877,920**	(68,888)
TOTAL COMPREHENSIVE INCOME (LOSS)		**(3,515,410)**	(6,616,580)
Net loss attributable to:			
- Equity holders of the Company	8	**(4,149,786)**	(6,540,390)
- Non-controlling interest	11	**(243,544)**	(7,302)
Total comprehensive income attributable to:			
- Equity holders of the Company		**(3,287,977)**	(6,607,276)
- Non-controlling interest	11	**(227,433)**	(9,304)
Total comprehensive income for the year attributable to owners of TBG Diagnostics Limited arises from			
- Continuing operations		**(1,573,633)**	(4,358,103)
- Discontinued operations	4 (b)	**(1,714,344)**	(2,249,173)
Basic and diluted loss per share – continuing operations attributable to equity holders of the Company (cents per share)	8	**(1.2)**	(0.8)
Basic and diluted loss per share (cents per share)	8	**(2.0)**	(3.0)

Consolidated Statement of Financial Position
As At 31 December 2018

	Note	Consolidated	
		31 Dec 2018 $	31 Dec 2017 $
ASSETS			
Current Assets			
Cash and cash equivalents	10 (a)	**5,647,021**	7,918,213
Trade and other receivables		**620,084**	1,169,767
Inventories		**811,152**	781,059
Prepayment and other current assets		**103,319**	859,818
Receivables and other assets		**-**	957,038
Assets classified as held for sale	4 (d)	**4,433,361**	-
Total Current Assets		**11,614,937**	11,685,895
Non-current Assets			
Receivables and other assets		**217,867**	901,178
Plant and equipment	6	**1,445,079**	3,047,433
Intangible assets	5	**-**	755,977
Total Non-current Assets		**1,662,946**	4,704,588
TOTAL ASSETS		**13,277,883**	16,390,483
LIABILITIES			
Current Liabilities			
Trade and other payables		**743,823**	1,357,424
Provisions		**15,901**	18,987
Liabilities directly associated with assets classified as held for sale	4 (d)	**643,502**	-
		1,403,226	1,376,411
Non-current Liabilities			
Provisions		**25,515**	20,336
Total Non-current Liabilities		**25,515**	20,336
TOTAL LIABILITIES		**1,428,741**	1,396,747
NET ASSETS		**11,849,142**	14,993,736
EQUITY			
Contributed equity		**36,211,120**	36,211,120
Reserves		**3,543,593**	2,723,660
Accumulated losses		**(28,479,908)**	(24,330,122)
Capital and reserves attributable to owners of TBG Diagnostics Ltd		**11,274,805**	14,604,658
Non-controlling interests	11	**574,337**	389,078
TOTAL EQUITY		**11,849,142**	14,993,736

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2018

	Attributable to owners of TBG Diagnostics Limited						
Consolidated	**Contributed Equity $**	**Accumulated losses $**	**Other reserves $**	**Foreign currency translation reserve $**	**Total $**	**Non-controlling interests $**	**Total equity $**
At 1 January 2017	36,211,120	(17,789,732)	139,852	2,426,930	20,988,170	-	20,988,170
Loss for the year	-	(6,540,390)	-	-	(6,540,390)	(7,302)	(6,547,692)
Other Comprehensive Income, net of tax	-	-	-	(66,886)	(66,886)	(2,002)	(68,888)
Total Comprehensive Income for the year	-	(6,540,390)	-	(66,886)	(6,607,276)	(9,304)	(6,616,580)
Transactions with owners in their capacity as owners:							
Proceeds from capital contribution	-	-	-	-	-	398,382	398,382
Cost of share-based payments	-	-	223,764	-	223,764	-	223,764
At 31 December 2017	36,211,120	(24,330,122)	363,616	2,360,044	14,604,658	389,078	14,993,736
At 1 January 2018	**36,211,120**	**(24,330,122)**	**363,616**	**2,360,044**	**14,604,658**	**389,078**	**14,993,736**
Loss for the year	**-**	**(4,149,786)**	**-**	**-**	**(4,149,786)**	**(243,544)**	**(4,393,330)**
Other Comprehensive Income, net of tax	**-**	**-**	**-**	**861,809**	**861,809**	**16,111**	**877,920**
Total Comprehensive Income for the year	**-**	**(4,149,786)**	**-**	**861,809**	**(3,287,977)**	**(227,433)**	**(3,515,410)**
Transactions with owners in their capacity as owners:							
Proceeds from capital contribution	**-**	**-**	**-**	**-**	**-**	**412,692**	**412,692**
Cost of share-based payments	**-**	**-**	**(41,876)**	**-**	**(41,876)**	**-**	**(41,876)**
At 31 December 2018	**36,211,120**	**(28,479,908)**	**321,740**	**3,221,853**	**11,274,805**	**574,337**	**11,849,142**

Consolidated Statement of Cash Flows
For the Year Ended 31 December 2018

	Note	Consolidated 12 months ended 31 Dec 2018 $	12 months ended 31 Dec 2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**5,342,441**	3,708,971
Payments to suppliers, employees and others		**(8,225,520)**	(7,328,120)
Government grants received		**76,695**	1,126,065
Interest received		**93,719**	71,527
Finance costs		**(14,237)**	(12,208)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		**(2,726,902)**	(2,433,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflow from settlement of Luina Bio		**1,800,000**	-
Payments for property, plant and equipment	6	**(1,474,787)**	(426,990)
Payments of developments costs	5	**-**	(71,006)
Proceeds from sale of equipment		**124,900**	-
NET CASH INFLOW (OUTFLOW) FROM INVESTING ACTIVITIES		**450,113**	(497,996)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from non-controlling interests in subsidiary		**412,692**	398,382
NET CASH INFLOW FROM FINANCING ACTIVITIES		**412,692**	398,382
NET (DECREASE) IN CASH HELD		**(1,864,097)**	(2,533,379)
Net foreign exchange differences		**680,675**	(190,408)
Cash and cash equivalents at beginning of period		**7,918,213**	10,642,000
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10 (b)	**6,734,791**	7,918,213

17. Notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation
This preliminary report is for TBG Diagnostics Limited (the 'Company') and its subsidiaries (the 'Group') for the year ended 31 December 2018. TBG Diagnostics Limited 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 2.

The preliminary report has been prepared on an accrual basis and is based on historical costs modified, where appropriate, by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The preliminary report does not include all the notes of the type normally included in annual financial statements. Accordingly, this preliminary report should be read in conjunction with the annual financial statements for the year ended 31 December 2017 and any public announcements made by TBG Diagnostics Limited during the year in accordance with the continuous disclosure requirements of the Australian Securities Exchange and the Corporations Act 2001.

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).

Summary of Significant Accounting Policies

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 applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the group's accounting policies and did not require retrospective adjustments.

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 2018 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 16 Leases
The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The group does not intend to adopt the standard before its effective date.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New standards and interpretations issued but not yet effective (cont'd)

AASB 16 Leases (cont'd)

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 accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the group's operating leases. As at the reporting date, the group has non-cancellable operating lease commitments of $455,403. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

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.

Fair Values

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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) 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 6.

The original lease agreement included an option to acquire the property at the end of the lease as disclosed in the 31 December 2017 financial statements. The lease expired during the year ended 31 December 2018 and the Group was advised that the option to acquire the property was unable to be exercised.

The Group is currently negotiating with the Haicang District of Xiamen Municipal Government to grant extension of the lease of the manufacturing facility and will work with the Group to finalise the proposed purchase of the leased property.

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 alternative premises.

Going Concern

The Group incurred a net loss of $4,393,330 for the year ended 31 December 2018. As at 31 December 2018, the Group has cash reserves of $6,734,791 (including cash classified as part of a disposal group of $1,087,770), net current assets of $5,778,350 (excluding assets classified as held for sale of $4,433,361) and net assets of $11,849,142. As disclosed in Note 5, the Group announced that it has entered into an agreement that will result in a loss of control of TBG Xiamen, which currently generates net cash outflows.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Going Concern (cont'd)

Current cash inflows are not sufficient to continue to fund operations and based on current and projected expenditure levels, management contemplates a capital raising or other financing may be required to continue to fund operations in the future. The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- The ability of the Group to meet the its revenue and cash flow forecasts;
- the ability of the Group to raise additional capital funding in the form of equity and/or government sponsored research;
- the ability to successfully complete the agreement referred to in Note 4;
- the continued support of the current shareholders;

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

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

- Management is closely monitoring it cash flow requirements against budget and expects to meet the current forecasts;
- The directors expect the completion of the transaction referred to in Note 4 will occur in March. This is expected to reduce the cash outflows of the group;
- To date the Group has funded its activities through issuance of equity securities where required and it is expected that the Group will be able to fund its future activities through further issuances of equity securities; and
- The directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

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

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

In the past, the Group has been able to raise funds in order to meet its capital requirements and the directors will continue to explore ways to obtain the needed funding for the continuity and further development of the Group's assets.

AASB 15 Revenue from Contracts from Customers – Impact of adoption
The group has adopted AASB 15 *Revenue from Contracts with Customers* from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in AASB 15, the group has adopted the new rules retrospectively however there was no material impact on the amounts disclosed previously and as a result there has been no restatement required as a result of reclassification or remeasurement. The group's updated accounting policies are shown below.

AASB 15 Revenue from Contracts from Customers – Accounting policies

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 15 Revenue from Contracts from Customers – Accounting policies (cont'd)

(i) Sale of goods (cont'd)

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

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

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

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

(iii) 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.

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

(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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

AASB 9 Financial Instruments – Impact of adoption

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies. The new accounting policies are set out in note below. In accordance with the transitional provisions in AASB 9(7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Impairment of financial assets
The group has three types of financial assets that are subject to AASB 9's new expected credit loss model:

- trade receivables for sales of inventory and from the provision of consulting services;
- contract assets relating to Technical service revenue; and
- Receivables – non-current

The group was required to revise its impairment methodology under AASB 9 for each of these classes of assets. The was no material impact on the group's retained earnings and equity resulting from the change in impairment methodology.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, there was no material impairment loss identified.

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss
rates for the contract assets. On that basis, the loss allowance as at 1 January 2018 was determined to not differ materially from the impairment provision recognised at 31 December 2017 under AASB 139.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 9 Financial Instruments – Accounting policies applied from 1 January 2018 (cont'd)

Trade receivables and contract assets

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

Receivables – non-current
As detailed in Note 13 the company has a non-current receivable relating to the disposal of Progen PG500 Series Pty Ltd. As at 31 December 2017 under AASB139 the group had fully impaired the balance of this receivable due to uncertainty around the recoverability. Under AASB9 it is concluded that there has been a significant increase in credit risk and the lifetime expected credit losses have been recognised. On this basis a loss allowance for the full amount of the outstanding receivable has been recognised as at 1 January 2018 under AASB9.

As there was no material impact on the amounts disclosed previously there has been no restatement required as a result of reclassification or remeasurement.

(i) Investments and other financial assets

Classification
From 1 January 2018, the group classifies its financial assets in the following measurement categories:

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

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

AASB 9 Financial Instruments – Accounting policies applied from 1 January 2018 (cont'd)

Debt instruments (cont'd)

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Again or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Impairment
From 1 January 2018, the group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

Foreign currency translation

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

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

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

(iii) Translation of Group Companies functional currency to presentation currency
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

Income tax
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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax (cont'd)

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

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

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

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

Other taxes

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

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

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

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

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

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

Inventories

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-current assets (or disposal groups) held for sale and discontinued operations - refer note 4
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.

Plant and equipment
Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

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

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

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Plant and equipment (cont'd)

(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

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.

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

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

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions (cont'd)

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

(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.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payment transactions (cont'd)

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

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
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
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 2
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 2 - OPERATING SEGMENTS

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

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

The legal parent is domiciled in Australia. The amount of its revenue from external customers in Australia is $nil (2017: nil).

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

The legal parent is domiciled in Australia. The amount of its revenues from external customers in Australia is $nil (2017: $nil). Total revenues of $3,152,830 (2017: $3,451,379) were derived from Taiwan.

Revenues of $1,473,433 (2017: $2,272,800) were derived from two regular customers in Taiwan composing 46.7% (2017: 56.5%) of total revenues for the group.

Out of total revenues, $954,586 (2017: $1,815,907) was derived from a related party in Taiwan. This revenue is attributable to the In Vitro Diagnostics segment. Intersegment transactions of $743,962 (2017: $399,716) were eliminated pertaining to revenues and costs within the group.

Non-current assets located in Australia is $2,981 (2017: $6,039) and non-current assets located overseas is $1,659,965 (2017: $3,797,371) Segment assets are allocated to countries based on where the assets are located.

NOTE 3 - REVENUE AND EXPENSES

	Consolidated	
	12 months ended 31 Dec 2018	12 months ended 31 Dec 2017
	$	$
(a) Revenue		
Sales revenue	**2,848,954**	2,931,848
Technical services revenue	**303,876**	519,531
Total revenue from continuing operations	**3,152,830**	3,451,379
(b) Other income		
Interest and other	**72,360**	54,882
Research & development tax incentive	**12,628**	1,091,439
Foreign exchange gain	**112,079**	-
Total other income	**197,067**	**1,146,321**
(c) Depreciation		
Depreciation – continuing operations	**563,619**	580,673
Depreciation – discontinued operations	**590,281**	589,999
	1,153,900	1,170,672
(d) Lease payments		
Minimum lease payments – operating leases	**367,744**	325,071
(e) Employee benefit expenses		
Wages and salaries	**1,905,591**	1,675,318
Long service leave provision	**2,093**	1,643
Share-based payment expense	**(41,876)**	223,764
(f) Finance costs		
Bank charges	**13,594**	10,361
(g) Impairment		
Goodwill impairment	**390,601**	**-**

NOTE 4 - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

(i) Summary of gains and losses from discontinued operations

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Disposal of TBG Biotechnology Co. (Xiamen) Inc.- (ii)	**(2,072,282)**	(2,148,532)
Disposal of Progen PG500 Series Pty Ltd – (iii)		
- Interest revenue	**1,137,576**	882,047
- Impairment of receivables	**(1,137,576)**	(3,926,738)
	-	(3,044,691)
Discontinued Operation - Disposal of PharmaSynth Pty Ltd - (iv)	**210,489**	357,045
Total loss from discontinued operations	**1,861,793**	4,836,178

(ii) Disposal Group – Disposal of TBG Biotechnology Co. (Xiamen) Inc.

(a) Description

On 17 December 2018, the Group announced that it has entered into an agreement (through its wholly owned subsidiary TBG Biotechnology (Xiamen) Inc. (“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”). 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. Under the terms of the agreement, the proposed acquisition of ZhangYe will result in ZhangYe shareholders holding a controlling interest in the TBG Xiamen while the Company will obtain a significant influence through its investment after the transaction. As a result, it is expected that the transaction will be accounted for as an ‘Investment in Associate’ under the equity method of accounting in accordance with the requirements of AASB 128 *Investments in Associates and Joint Ventures (AASB 128).*

On 18 February 2019, TBG Xiamen received 5,000,000 RMB as partial payment from DongYuan in respect of the cash contribution described above.

NOTE 4 - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Cont'd)

(ii) Disposal Group – Disposal of TBG Biotechnology Co. (Xiamen) Inc.(cont'd)

The purpose of the disposal is for the Company 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 TBG Xiamen, and to expand further the molecular diagnostics business of TBG Xiamen within the China and Asia Pacific markets. As negotiations between the parties have been finalised, further final procedures are being taken to complete the transaction which is expected to occur within the first quarter of 2019.

Accordingly, the assets and liabilities attributable to TBG Xiamen and its subsidiaries have been classified as disposal group held for sale and are presented separately in the statement of financial position.

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities, and accordingly, no impairment loss has been recognised on the classification of this disposal group as held for sale.

(b) Results of disposal group

	2018 $	2017 $
Revenue	**1,536,355**	573,425
Cost of sales	**(724,796)**	(247,882)
Gross profit	**811,559**	325,543
Other income	**71,090**	35,071
Operating expenses		
Selling expenses	**(309,131)**	(160,963)
Administrative expenses	**(1,713,630)**	(1,381,424)
Research and development expenses	**(932,170)**	(966,759)
	(2,954,931)	(2,509,146)
Results from operating activities	**(2,072,282)**	(2,148,532)
Income tax	**-**	-
Loss before income tax	**(2,072,282)**	(2,148,532)
Income tax	**-**	-
Net loss from discontinued operations	**(2,072,282)**	(2,148,532)
Other comprehensive income	**130,505**	(109,945)
Total comprehensive income (loss) from discontinued operations	**(1,941,777)**	(2,258,477)
Net loss attributable to non-controlling interest	**(243,544)**	(7,302)
Basic and diluted loss per share – discontinued operations (cents per share)	**(1.0)**	(1.0)

(c) Cash flows from disposal group

	2018
Net cash outflow from operating activities	122,605
Net cash outflow from investing activities	(1,264,950)
Net cash outflow from financing activities	412,692
Foreign exchange differences	130,862
Net cash flow for the period	**(598,791)**

NOTE 4 - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Cont'd)

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

At 31 December 2018, the disposal group, **TBG Biotechnology (Xiamen) Inc.** comprised the following assets and liabilities.

	2018 $
Assets classified as disposal group	
Cash and cash equivalents	1,087,770
Receivables	57,692
Inventories	376,531
Prepayments and other current assets	170,258
Property, plant and equipment	1,987,529
Intangible Asset	376,558
Other non-current assets	377,023
Total assets of disposal group held for sale	4,433,361
Liabilities directly associated with assets classified as held for sale	
Trade payables	201,305
Other current liabilities	442,197
Total liabilities of disposal group held for sale	643,502
Net assets of disposal group	**3,789,859**

(iii) 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.

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.

On 7 May 2018, the Company entered into an agreement deed with Zucero amending the terms under the Principal Document dated 16 August 2016 and Deed of Variation dated 23 February 2017, whereby the Company granted irrevocable rights to Zucero to satisfy the deferred payment prior to 31 December 2018, the conversion end date, by converting the Convertible Deferred Payment portion of $4 million into QF Shares[1], subject to the buyer completing a qualified Financing Event and other relevant conditions; and pay the seller the Cash Deferred Payment portion of $1.9 million. This did not occur during the period, however, a final extension of the Conversion End Date to 31 March 2019 was approved on 21 February 2019.

Interest revenue of $1,137,576 (2017: $882,047) has been recognised with a concurrent impairment provision recognised for the same amount in 2018 (2017: $3,926,738). This has been recognised as part of discontinued operations.

[1]QF Shares means Ordinary Shares which are issued in connection with the Qualifying Financing Event

NOTE 4 - ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS (Cont'd)

(iv) Discontinued Operation - Disposal of PharmaSynth Pty Ltd

On 23 February 2018, an early settlement proposal from Luina was made and accepted by the Company for $1,800,000 as final settlement of Luina's obligations in respect of the outstanding balance of $2,100,000. The interest and other income that arose from early settlement of the deferred consideration of Pharmasynth Pty Ltd on the sale to Luina Biotechnology Pty Ltd, as disclosed in Note 13, has been recognised as interest income and other income for the period. They have been included as components of the gain on discontinued operations which amounted to $210,489 (2017: $357,045) for the period.

NOTE 5 - INTANGIBLES

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Goodwill at cost[1]	**767,159**	714,471
Assets classified as held for sale and other disposals (note 5)	**(376,558)**	-
Accumulated impairment	**(390,601)**	-
	-	714,471
Capitalised development costs at cost[2]	**-**	41,506
Accumulated amortisation	**-**	-
	-	41,506
	-	755,977

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

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: 21% (2017: 20%); and
- Long term growth rate: 2% (2017: 2%).

Cash flows were projected based on approved financial budgets and management projections over a five year period. 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.

Based on the results of the analysis noted above, an impairment amount was recognised in relation to the goodwill at 31 December 2018 as the carrying amount is estimated to be lower than its recoverable amount. An impairment loss of $390,601 has been recognised in the current year, which was the full amount of the goodwill left after allocating a portion of it into the asset classified as held for sale. The impairment loss is recorded within administrative and corporate expenses in the statement of profit or loss and other comprehensive income.

[2] The Group has capitalised development costs in 2017 which relates to the software and related installation costs of the China subsidiaries. This has been transferred to Computer Software and formed part of Plant and Equipment of the Disposal Group.

NOTE 5 - INTANGIBLES (cont'd)

Movements in carrying amounts

	Capitalised Development costs	Goodwill	Total
	$	$	$
Consolidated			
At 1 January 2017	651,571	711,759	1,363,330
Exchange differences	2,341	2,712	5,053
Additions	71,006	-	71,006
Transferred - internal (note 6)	(496,771)	-	(496,771)
Other	(186,641)	-	(186,641)
At 31 December 2017	41,506	714,471	755,977
At 1 January 2018	**41,506**	**714,471**	**755,977**
Exchange differences	**-**	**52,688**	**52,688**
Additions	**-**	**-**	**-**
Transferred - internal (note 6)	**(41,506)**	**-**	**(41,506)**
Assets classified as held for sale and other disposals (note 4)	**-**	**(376,558)**	**(376,558)**
Impairment loss	**-**	**(390,601)**	**(390,601)**
At 31 December 2018	**-**	**-**	**-**

NOTE 6 - NON-CURRENT ASSETS - PLANT & EQUIPMENT

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
Machinery & equipment at cost	**1,341,450**	2,457,940
Accumulated depreciation	**(742,237)**	(1,198,845)
	599,213	1,259,095
Testing equipment at cost	**2,332,445**	2,231,006
Accumulated depreciation	**(1,486,579)**	(1,216,256)
	845,866	1,014,750
Motor vehicles at cost	**-**	107,472
Accumulated depreciation	**-**	(90,222)
	-	17,250
Leasehold improvements at cost	**-**	1,709,634
Accumulated depreciation	**-**	(953,296)
	-	756,338
	1,445,079	3,047,433

NOTE 6 - NON-CURRENT ASSETS - PLANT & EQUIPMENT

Movements in carrying amounts

	Machinery & office equipment $	Testing equipment $	Motor vehicles $	Leasehold improvements $	Total $
Consolidated					
At 1 January 2017	1,354,586	823,331	48,505	1,089,885	3,316,307
Exchange differences	(7,108)	712	(944)	(14,623)	(21,963)
Transfers– internal (note 5)	153,514	330,819	-	12,438	496,771
Additions - external	169,038	252,622	-	5,330	426,990
Depreciation	(410,935)	(392,734)	(30,311)	(336,692)	(1,170,672)
Disposals	-	-	-	-	-
At 31 December 2017	1,259,095	1,014,750	17,250	756,338	3,047,433
At 1 January 2018	**1,259,095**	**1,014,750**	**17,250**	**756,338**	**3,047,433**
Exchange differences	**70,982**	**59,435**	**609**	**30,451**	**161,477**
Transfers– internal (note 5)	**41,506**	**-**	**-**	**-**	**41,506**
Additions - external	**673,314**	**125,412**	**-**	**676,061**	**1,474,787**
Depreciation	**(412,230)**	**(353,731)**	**(12,207)**	**(375,732)**	**(1,153,900)**
Disposals	**(138,695)**	**-**	**-**	**-**	**(138,695)**
Assets classified as held for sale and other disposals (note 4)	**(894,759)**	**-**	**(5,652)**	**(1,087,118)**	**(1,987,529)**
At 31 December 2018	**599,213**	**845,866**	**-**	**-**	**1,445,079**

NOTE 7 - CONTRIBUTED EQUITY

	Consolidated	
	31 Dec 2018	31 Dec 2017
	$	$
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 2018**		**31 December 2017**	
	Number of shares	**Amount $**	**Number of Shares**	**Amount $**
Beginning of the financial period	**217,587,289**	**36,211,120**	217,587,289	36,211,120
Transactions during the period:	-	-	-	-
End of the financial period	**217,587,289**	**36,211,120**	217,587,289	36,211,120

NOTE 7 - CONTRIBUTED EQUITY (cont'd)

c) Share options
At 31 December 2018 there were a total of 3,225,000 (2017: 5,110,000) unissued ordinary shares in respect of which options were outstanding.

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 2018 $	31 Dec 2017 $
Earnings used to calculate basic and diluted EPS	**(4,393,330)**	(6,540,390)
Earnings used to calculate basic and diluted EPS – continuing	**(2,531,537)**	(1,711,514)
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**	217,587,289
Weighted average number of dilutive options outstanding during the period	**-**	-
Weighted average number of ordinary shares and potential ordinary shares outstanding during the period, used in calculating diluted earnings per share	**217,587,289**	217,587,289

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

At 31 December 2018, there are 3,225,000 (2017: 5,110,000) options outstanding. Options are not considered dilutive as they are currently out of the money. Options may become dilutive in the future.

NOTE 9 - SIGNIFICANT EVENTS AFTER THE REPORTING DATE

Board and management changes

On 1 February 2019, Mr. Eugene Cheng resigned as the Group Chief Operating Officer but will continue in his capacity as Non-executive director of the group. On the same date, Mr. Willy Hsu was appointed as the Chief Operating Officer of the group.

No other matter or circumstance has arisen since 31 December 2018 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

NOTE 10 - CASH AND CASH EQUIVALENTS

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

	Consolidated	
Cash and cash equivalents	**12 months ended 31 Dec 2018 $**	12 months ended 31 Dec 2017 $
Cash at bank and on hand	**3,319,560**	4,801,409
Short-term deposits	**2,327,461**	3,116,804
Cash and cash equivalents	**5,647,021**	7,918,213

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

		Consolidated	
		31 Dec 2018 $	31 Dec 2017 $
Cash at banks and on hand		**3,319,560**	4,801,409
Short-term deposits		**2,327,461**	3,116,804
Cash at banks and short-term deposits attributable to disposal group	4 (d)	**1,087,770**	-
		6,734,791	7,918,213

NOTE 11 - RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of TBG Diagnostics Limited and the subsidiaries are listed in the following table: **Name**	**Country of Incorporation**	**% Equity Interest** **31 Dec 2018**	31 Dec 2017
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
Xia De (Xiamen) Biotechnology Co., Ltd	China	**100**	100
Xiamen BioBay Medical Health Ltd[1]	China	**60**	60

[1] Xiamen BioBay Medical Health Ltd is a 60% owned subsidiary of the group established primarily to promote the development of diagnostic reagents and facilitate the process of industrialisation of relevant enterprise diagnostic reagents of TBG Biotechnology (Xiamen) Inc. Non-controlling interest is represented by Xiamen Haicang who owns 40% of the subscribed capital stock of Xiamen BioBay Medical Health Ltd.

NOTE 11 - RELATED PARTY DISCLOSURES (cont'd)

(b) Non-controlling interest (NCI)

The non-controlling interest is represented by Xiamen Haicang who owns 40% of the subscribed capital stock of Xiamen BioBay Medical Health Ltd. On 9 April 2018 Xiamen Haicang contributed a further CNY$2,000,000 (AUD$412,692) to Xiamen BioBay Medical Health Ltd during the period. This contribution was in proportion to the contribution made by the TBG of CNY$3,000,000 (AUD$620,271) (through Xia De (Xia Men) Biotechnology Holding Co.) resulting in the interest held by both parties remaining the same.

Set out below is a summarised information of a subsidiary that has non-controlling interest that are material to the group. The amounts disclosed are before inter-company eliminations.

	Non-controlling interest	
Summarised Statement of Financial Position	**31 Dec 2018 $**	31 Dec 2017 $
Current assets	**552,949**	971,345
Current liabilities	**546,729**	5,038
Current net assets	**6,220**	966,307
Non-current assets	**1,425,686**	1,220
Non-current liabilities	**-**	-
Non-current net assets	**1,425,686**	1,220
Net assets	**1,431,906**	967,527
Accumulated NCI	**574,337**	389,078

Summarised statement of comprehensive income	**31 Dec 2018 $**	31 Dec 2017 $
Revenues	**558,452**	11
Profit for the period	**(608,859)**	(18,254)
Other comprehensive income	**35,270**	5,005
Total comprehensive income	**(573,589)**	13,249
Profit allocated to NCI[1]	**(243,544)**	(7,302)
Dividends paid to NCI	**-**	-

[1] 40% non-controlling interest allocated to Xiamen Haicang shareholders

	Non-controlling interest	
Summarised statement of cash flows	**31 Dec 2018 $**	31 Dec 2017 $
Cash flows from operating activities	**(558,028)**	(171,943)
Cash flows from investing activities	**(1,198,088)**	(1,220)
Cash flows from financing activities	**1,032,963**	990,786
Foreign exchange differences	**40,276**	(5,005)
Net increase (decrease) in cash and cash equivalents	**(682,877)**	812,618