



TBG Diagnostics Ltd

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Quarterly Activities Report and Appendix 4C

- The Group earned total income of \$3.7 mil (unaudited) from continuing operations during the six months ended 30 June 2021;
- Product development updates;
- Disposal of 53.35% equity in TBG Inc in exchange of TBG Inc's acquiring back 53.35% of TBG Xiamen;
- Disposal of 100% equity of ChangSha ChangYe Medical Laboratory by TBG Xiamen;
- Acquisition of 51% of Hunan Da Di Tong Nian Biotechnology (DDTN) by TBG Management WFOE Inc through contractual arrangements;
- Acquisition of 50% of the equity of Precision Medicine (HK) Co. Ltd (HKPMC) by TBG Inc;
- Acquisition of 50% of the equity of Advanced Medimaterial Biotech (AMB) Co. Ltd by TBG Inc;
- Share Sale Agreement for the sale of 5% equity in TBG Inc to Dong Yuan Huan Xin (Beijing) Capital Management Ltd Co

Melbourne, Australia, 30 July 2021: TBG Diagnostics Limited (ASX: TDL) ("TDL" or "the Company"), releases today its Quarterly Activities Report and Appendix 4C for the quarter ended 30 June 2021.

Principal activities

The board of directors approved a proposed group restructure whereby a new offshore holding entity will be established under the Company. The Company's wholly owned subsidiary in Cayman Islands, TBG Inc, will transfer 100% of the net assets of TBG Taiwan and TBG Texas to the new subsidiary who will then hold 100% of the equity capital of TBG Taiwan and TBG Texas. TDL will continue to hold 46.65% of the equity capital of TBG Xiamen, the group's investee company in China.

After the proposed group restructure, the equity interests of the group in the subsidiaries and associates will remain unchanged.

The following events occurred as at 30 June 2021 in reference to the group restructure as announced on 7 June 2021.

- The Group formed a new wholly owned subsidiary, TDL Holdings Co. under TBG Diagnostics Limited where the net assets of TBG Taiwan and TBG Texas were transferred into from TBG Inc. After this transaction, TBG Taiwan and TBG Texas became wholly owned subsidiaries of TDL Holdings Co;
- TDL disposed 53.35% of its equity in TBG Inc in exchange of TBG Inc's acquiring back 53.35% of TBG Xiamen from the other shareholders of TBG Xiamen under an equity swap transaction. After this transaction, TBG Inc became an investee company of TDL who retained 46.65% interest in TBG Inc;
- TBG Inc formed a wholly owned subsidiary, TBG Trading Co (HK) Co. Ltd. which later changed name to U-Gen Biotechnology (HK) Co. Ltd; and a next tier wholly owned subsidiary, TBG Enterprise Management (Xiamen) Co. Ltd. ("WFOE") for the purpose of its acquisition of 53.35% equity of TBG Xiamen held by domestic investors in China;
- TBG WFOE acquired 28.25% equity of TBG Xiamen held by Tian Zhi Lan Company, Changsha Pufeng Company and Zhongda Health Company via an Equity Transfer Agreement with each of these entities;

- TBG Xiamen disposed of its 100% shareholding interest in ChangSha ChangYe Medical Laboratory Corp. to Mr. Xiaojun Zhao in exchange of TBG WFOE acquiring Mr. Zhao's 25.1% shares in TBG Xiamen via an equity swap transaction. After this transaction, TBG Inc has become the owner of 100% of TBG Xiamen via TBG WFOE;
- In April 2021, TBG Inc acquired 50% interest in the equity capital of Advanced Medimaterial Biotech Company Limited (AMB) and Precision Medicine (HK) Company Limited (HKPMC); thus, diluting TDL's shareholding interest in TBG Inc to 44.24%.
- On 3 May 2021, the Company signed a Sale and Purchase Agreement ("SPA") with Dong Yuan Hua Xin (Beijing) Capital Management Limited Company ("Dong Yuan") whereby the Company agreed to sell 8,058,723 shares ("the Sale Shares") of TBG Inc., representing 5% equity interests in TBG Inc., and Dong Yuan agreed to pay a total approximate consideration of \$1,095,000 (RMB 5,500,000).
- After completing the sale transaction with Dong Yuan and other equity restructuring transactions, the Company's ownership interest in TBG Inc, which has changed to U-GEN Biotechnology Inc, was reduced to 38.46% at 30 June 2021.

Key highlights during the Quarter 30 June 2021

Revenues and other income

At 30 June 2021, the Group had total consolidated income of \$3.7 mil (unaudited), an increase of \$1.1 mil from quarter 31 March 2021. Of the total amount, sales revenues amounted to \$2.6 mil (unaudited) of which 40% represent sales to its parent entity in Taiwan, Medigen Biotechnology Corp, and 19% to its associate in China, and TBG Biotechnology (Xiamen) Inc.

Total sales revenues representing 70% of total income is composed of revenues from HLA testing kits/services which remained strong at 42% for a total of \$1.6 mil (unaudited). Sales revenues from SARS-CoV-2 totalled \$1.03 mil (unaudited) which makes up 28% of total sales revenues.

Other income from collection of previously impaired receivables and interest income amounted to \$1.1 mil (unaudited) which represents 30% of total consolidated income.

Business progress and product developments

- The group is continuously developing immune function related genetic marker, Killer cell Inhibitor Receptor (KRI) to assess and monitor the efficacy of adoptive Natural Killer (NK) using multiple diagnostic platforms including SSP and real-time PCR. The Group also plans to license the NGS platform for the same application.
- The group is in the final stages of completing its own HLA NGS products and software with the aim to control costs and product customization. Applications for CE/TFDA/CFDA registration/approvals are expected to towards the end of 2021.
- The group is continuously optimizing utilisation of its SARS-CoV-2 PCR and Rapid Test products with a focus on meeting market demand in countries where TBG has obtained the relevant product registration/approvals and licenses.

Disposal of 53.35% equity in TBG Inc in exchange of TBG Inc's acquiring back 53.35% of TBG Xiamen

In March 2021, TDL entered into various agreements with TBG Xiamen's shareholders to sell 53.35% of the equity in TBG Inc.

Disposal of 100% equity of ChangSha ChangYe Medical Laboratory by TBG Xiamen

Concurrently with the above transaction, TBG Xiamen disposed of its 100% shareholding interest in ChangSha ChangYe Medical Laboratory Corp. to Mr. Xiaojun Zhao in exchange of TBG WFOE acquiring Mr. Zhao's 25.1% shares in TBG Xiamen via an equity swap transaction for a total consideration 27.6

million RMB. After this transaction, TBG Inc has become the owner of 100% of TBG Xiamen via TBG WFOE. TBG Inc's primary asset is its equity interest in TBG Xiamen.

Acquisition of 51% of Hunan Da Di Tong Nian (DDTN) by TBG Management WFOE Inc through contractual arrangements

In March 2021, TBG Management entered into contractual arrangements with DDTN and the shareholders of DDTN to acquire control of a 51% of the equity interest of DDTN.

Acquisition of 50% of the equity of Precision Medicine (HK) Co. Ltd by TBG Inc

On 3 March 2021, TBG Inc entered into an agreement to acquire 50% of the equity of HKPMC. HKPMC is a HK regional government certified special lab that provides a range of precision diagnostics services, such as histopathology, cytopathology, molecular pathology, innovation nano-biomarker investigation, etc.

Acquisition of 50% of the equity of Advanced Medimaterial Biotech (AMB) Co. Ltd by TBG Inc

On 29 March 2021, TBG Inc entered into an agreement to acquired 50% of the equity of AMB. AMB owns semiconductor manufacturing process to produce innovative magnetic beads that can be used for multiplex molecular or immune assays. This platform can develop a range of very powerful tool for detecting genetic, proteomic, or other pathogenic molecular substance in the body fluid, and is playing a vital role for personalized precision medicine.

Share Sale Agreement for the sale of 5% equity in TBG Inc to Dong Yuan Huan Xin (Beijing) Capital Management Ltd Co.

On 3 May 2021, the Company entered into a Share Sale Agreement whereby the Company sells 5% equity interests in TBG Inc., for a total consideration of approximately \$1.095 million (RMB 5.5 million), subject to Dong Yuan obtaining all necessary approvals as conditions precedent pursuant to the agreement.

Post completion of the transaction, the Company's ownership interest in TBG Inc was reduced to 39.5% whilst Dong Yuan held 33.71%.

ASX Suspension

The Company's shares have remained suspended from trading on Australian Stock Exchange (ASX) since March 2020. The Company has responded to various queries from ASX. ASX will have further queries in relation to the Company's various restructuring transactions and its compliance with the Listing Rules.

Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C of the cash flow report for the quarter, payments made to related parties pertain to the following:

- Director's fees and management consultancy fees to a Non-executive director of \$22k;
- Payment of purchases of inventories and consumables of \$396k to TBG Biotechnology (Xiamen) Inc.,
- Cash outflow from disposal of TBG Inc of \$227k; and
- Loan payment to TBG Biotechnology (Xiamen) Inc. of \$204k

Summary of operating expenditures during the quarter

Item	Category	Amount (\$A'000)
(a)	research and development	(13)
(b)	product manufacturing and operating costs ¹	(647)
(c)	advertising and marketing	(9)
(d)	leased assets	(75)
(e)	staff costs	(481)
(f)	administration and corporate costs ²	(591)
	Total	(1,816)

¹ This pertains to purchases of inventories, consumables and related costs for production use and research and development processes.

² Bulk of administration and corporate costs mainly pertain to audit and legal fees incurred in Australia.

About the Company

TBG Diagnostics Limited is a company dedicated to the research and development, manufacturing, sales and marketing and services of Molecular Diagnostics (MDx) products, including test assays and instruments. With its research and development based in the US, Taiwan and China, TDL manufactures its products in its ISO13485 certified facilities in Xiamen, China serving the clinical labs of both hospitals and independent reference labs, blood centres and bone marrow registry labs around the world. TDL also operates an ASHI (the American Society for Histocompatibility and Immunogenetics) accredited HLA typing lab in Taipei, Taiwan serving bone marrow registries, cord blood banks and medical centres performing organ/bone marrow transplantations.

The Company's objective is to become one of the leading molecular diagnostics (MDx) companies in Asia.

Authorised by:

Jitto Arulampalam – Chairman

Stanley Chang – Non-executive Director

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

TBG Diagnostics Limited

ABN

82 010 975 612

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	568	2,893
1.2 Payments for		
(a) research and development	(13)	(21)
(b) product manufacturing and operating costs	(647)	(1,517)
(c) advertising and marketing	(9)	(42)
(d) leased assets	(75)	(164)
(e) staff costs	(481)	(1,023)
(f) administration and corporate costs	(591)	(2,260)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(32)	(44)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,279)	(2,174)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(4)	(9)
(d) investments	(227)	(227)
(e) intellectual property	-	-
(f) other non-current assets	(204)	(204)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	1,098	1,098
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	420
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material) – Advances from related party	-	1,039
2.6	Net cash from / (used in) investing activities	663	2,117

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	477	1,431
3.6	Repayment of borrowings	(517)	(1,511)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(49)	(98)
3.10	Net cash from / (used in) financing activities	(89)	(178)

4.	Net increase / (decrease) in cash and cash equivalents for the period	(704)	(235)
4.1	Cash and cash equivalents at beginning of period	4,142	3,777
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,279)	(2,174)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	663	2,117

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(89)	(178)
4.5	Effect of movement in exchange rates on cash held	667	563
4.6	Cash and cash equivalents at end of period	4,105	4,105

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,117	2,882
5.2	Call deposits	1,200	500
5.3	Bank overdrafts		
5.4	Other (provide details) – restricted cash	788	760
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,105	4,142

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(418)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	(431)
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	3,340	3,247
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	3,340	3,247
7.5 Unused financing facilities available at quarter end		93
<p>7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>The Company's wholly owned subsidiary, TBG Biotechnology Corp. (TBG Taiwan) maintains the following credit facilities/loans at 30 June 2021:</p> <ol style="list-style-type: none"> 1) Taiwan Cooperative Bank (credit facility of \$30 mil TWD) Term: 1 September 2020 to 31 August 2021 Interest: 1.75% (Monthly index interest rate plus 0.91% per annum); but not lower than the annual interest rate of 1.65% during the loan period Restricted asset (guarantee): 20% of borrowing or \$6 mil (20% x \$30 mil TWD) plus interest 2) Taiwan First Commercial Bank (credit facility of \$20 mil TWD) Term: 13 January 2021 to 13 January 2022 Interest: 1.75 % per annum Restricted asset (guarantee): 30% of borrowing or \$6 mil (30% x \$20 mil TWD) plus interest 3) ChangHwa Commercial Bank (credit facility of \$10 mil TWD) Term: 25 June 2021 to 25 December 2021 Interest: 1.90 % per annum Restricted asset (guarantee): 25% of borrowing or \$2.5mil (25% x \$10 mil TWD) plus interest 4) Shanghai Commercial Bank (credit facility of \$10 mil TWD) Term: 5 October 2020 to 5 October 2023 payable in 36 equal monthly instalment payments Interest: 2.5 % per annum Restricted asset (guarantee): 20% of borrowing or \$2 mil (20% x \$10 mil TWD) plus interest 		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,279)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,105
8.3	Unused finance facilities available at quarter end (item 7.5)	93
8.4	Total available funding (item 8.2 + item 8.3)	4,198
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.28
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>		
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	<div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	<div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<div style="border: 1px solid black; height: 30px; margin-top: 5px;"></div>	
<p><i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i></p>		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 30/7/21

Authorised by: Jitto Arulampalam – Chairman

Stanley Chang – Non-executive Director
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: *Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.