

VGX LIMITED
(Incorporated in British Virgin Islands)

FINANCIAL STATEMENTS

30 JUNE 2019

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West Perth WA 6005,
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Malaysia.

Company No.: ARBN 612834572

VGX LIMITED

(Incorporated in British Virgin Islands)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

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Company No.: ARBN 612834572

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**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
VGX LIMITED**

(Incorporated in British Virgin Islands)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of VGX LIMITED, which comprise the statements of financial position as at 30 June 2019 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 43.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Impairment assessment of intellectual property right

Refer to Note 3.4 and 3.5 (Significant Accounting Policies), Note 4.2 (Significant Accounting Judgements, Estimates and Assumptions) and Note 6 (Intangible asset).

The carrying values of intellectual property right of the Group and of the Company as at 30 June 2019 is A\$256,299 and A\$256,295 respectively.

The subsidiary recorded continued losses for two consecutive years, which is an impairment indicator. An impairment assessment was performed by the management.

The recoverable amount of the intellectual property right is determined based on value-in-use calculation.



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No impairment was required as the recoverable amount of the intellectual property right was in excess of its carrying amount.

We focused on this area as the impairment assessment performed by the management requires significant judgement as the timing and quantum of the cash flows are dependent on sales volume growth rate, and margin.

Our audit procedures performed in this area included, amongst others:

- Assessed the reliability of the management's forecast through the review of past trends of actual financial performances against previous forecasted results;
- Checked the key assumptions used by the management in the value-in-use calculation on sales volume growth rate and margin by product comparing to business plans, historical results and market data;
- Performed sensitivity analysis on sales volume growth rates and discount rate to evaluate impact on the impairment assessment; and
- Assessed the adequacy and reasonableness of the disclosures in the financial statements.

Going concern

Refer to Note 2.2 (Going Concern Assumption).

The Group and the Company recorded a net current liabilities of A\$98,743 and A\$322,540 respectively.

The Directors highlighted that there is significant judgments in preparation of the financial statement using going concern basis. The going concern of the Group and the Company is dependent upon the ongoing support of the Directors.

Our audit procedures performed in this area included, amongst others:

- We checked the management's cash flows forecast for the Group and the Company to the approved annual budget by the Directors;
- We discussed and challenged the management on key assumptions used in the cash flows forecasts including cash collection trends, payment profiles and significant transactions in relation to investing and financing activities;
- We have challenged the management on the appropriateness to prepare the financial statements on a going concern basis;
- We have obtained the letter of financial support from the Directors on their continued support to the Group and the Company; and
- We determined that adequate disclosures are made in the financial statements.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.



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Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.



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- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body and for no other purposes. We do not assume responsibility to any other person for the content of this report.

The engagement partner on the audit resulting in this independent auditors' report is Ho Mee Ling.



HML & CO.
AF: 1325
Chartered Accountants

Kuala Lumpur, Malaysia
11 September 2019

Company No.: ARBN 612834572

VGX LIMITED

(Incorporated in British Virgin Islands)

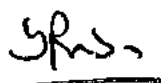
STATEMENT BY DIRECTORS

In the opinion of the Directors of VGX LIMITED, the financial statements set out on pages 6 to 43 are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors



ERIC CHUNG CHI KONG
Director



YAP POH YEE
Director

Kuala Lumpur, Malaysia
11 September 2019

VGX LIMITED*(Incorporated in British Virgin Islands)***STATEMENTS OF FINANCIAL POSITION****AS AT 30 JUNE 2019**

		Group		Company	
	Note	2019	2018	2019	2018
		A\$	A\$	A\$	A\$
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	5	28,274	41,111	-	-
Intangible asset	6	256,299	280,782	256,295	280,778
Investment in subsidiary	7	-	-	344,483	335,458
Goodwill	8	10,105	9,840	-	-
		<u>294,678</u>	<u>331,733</u>	<u>600,779</u>	<u>616,236</u>
CURRENT ASSETS					
Inventories	9	20,825	28,082	-	-
Trade receivables		48,622	117,550	-	-
Other receivables, deposits and prepayments	10	383,959	319,021	-	-
Fixed deposits with licensed bank		-	63,737	-	-
Cash and bank balances		1,385	18,838	136	146
		<u>454,791</u>	<u>547,228</u>	<u>136</u>	<u>146</u>
TOTAL ASSETS		<u><u>749,469</u></u>	<u><u>878,961</u></u>	<u><u>600,914</u></u>	<u><u>616,382</u></u>
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Share capital	11	691,390	691,390	691,390	691,390
Accumulated losses		(562,500)	(374,793)	(465,069)	(344,667)
Foreign currency translation reserve	12	47,453	40,975	51,917	43,436
SHAREHOLDERS' EQUITY		<u>176,343</u>	<u>357,572</u>	<u>278,238</u>	<u>390,159</u>
NON-CURRENT LIABILITIES					
Deferred income	13	-	80,795	-	-
Finance lease payables	14	19,592	25,809	-	-
		<u>19,592</u>	<u>106,604</u>	<u>-</u>	<u>-</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

		Group		Company	
		2019	2018	2019	2018
	Note	A\$	A\$	A\$	A\$
CURRENT LIABILITIES					
Trade payables		56,200	106,689	-	-
Other payables and accruals	15	84,776	77,105	10,573	7,523
Amount owing to Directors	16	405,647	219,908	-	-
Amount owing to subsidiary	17	-	-	312,103	218,700
Finance lease payables	14	6,911	11,083	-	-
		<u>553,534</u>	<u>414,785</u>	<u>322,676</u>	<u>226,223</u>
TOTAL LIABILITIES		<u>573,126</u>	<u>521,389</u>	<u>322,676</u>	<u>226,223</u>
TOTAL EQUITY AND LIABILITIES		<u>749,469</u>	<u>878,961</u>	<u>600,914</u>	<u>616,382</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED*(Incorporated in British Virgin Islands)***STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

		Group		Company	
	Note	2019 A\$	2018 A\$	2019 A\$	2018 A\$
Revenue	18	499,219	867,975	-	-
Cost of sales		<u>(179,126)</u>	<u>(297,883)</u>	<u>-</u>	<u>-</u>
Gross profit		320,093	570,092	-	-
Other operating income		82,144	7,462	-	-
Distribution expenses		(133,344)	(276,416)	-	-
Research and development expenses		(56,895)	(40,767)	-	-
Administration expenses		(347,666)	(342,041)	(88,893)	(83,888)
Other operating expenses		<u>(50,450)</u>	<u>(46,412)</u>	<u>(31,509)</u>	<u>(29,436)</u>
Loss from operations		(186,118)	(128,082)	(120,402)	(113,324)
Finance costs		<u>(1,589)</u>	<u>(2,023)</u>	<u>-</u>	<u>-</u>
Loss before tax	19	(187,707)	(130,105)	(120,402)	(113,324)
Income tax expense	20	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Loss for the year		<u>(187,707)</u>	<u>(130,105)</u>	<u>(120,402)</u>	<u>(113,324)</u>
Other comprehensive expenses					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences		<u>6,478</u>	<u>40,975</u>	<u>8,481</u>	<u>43,436</u>
Total comprehensive expense		<u>(181,229)</u>	<u>(89,130)</u>	<u>(111,921)</u>	<u>(69,888)</u>
Loss per share:					
Basic - cents per share	21	<u>(0.18)</u>	<u>(0.12)</u>		

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Share capital A\$	Foreign currency translation reserves A\$	Accumulated losses A\$	Total A\$
GROUP				
As at 1 July 2017	691,390	-	(244,688)	446,702
Total comprehensive loss for the year	-	40,975	(130,105)	(89,130)
As at 30 June 2018/ 1 July 2018	691,390	40,975	(374,793)	357,572
Total comprehensive loss for the year	-	6,478	(187,707)	(181,229)
As at 30 June 2019	691,390	47,453	(562,500)	176,343
COMPANY				
As at 1 July 2017	691,390	-	(231,343)	460,047
Total comprehensive loss for the year	-	43,436	(113,324)	(69,888)
As at 30 June 2018/ 1 July 2018	691,390	43,436	(344,667)	390,159
Total comprehensive loss for the year	-	8,481	(120,402)	(111,921)
As at 30 June 2019	691,390	51,917	(465,069)	278,238

The accompanying notes form an integral part of the financial statements.

VGX LIMITED*(Incorporated in British Virgin Islands)***STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		Group		Company	
	Note	2019	2018	2019	2018
		A\$	A\$	A\$	A\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss before tax		(187,707)	(130,105)	(120,402)	(113,324)
Adjustment for:					
Amortisation of intangible asset		31,509	29,436	31,509	29,436
Depreciation of property, plant and equipment		19,258	17,991	-	-
Government grant recognised		(81,603)	(7,427)	-	-
Interest expenses		1,589	2,023	-	-
Interest income		(150)	(93)	-	-
Operating loss before working capital changes		(217,104)	(88,175)	(88,893)	(83,888)
Decrease in inventories		7,257	4,838	-	-
Decrease in trade receivables		68,928	22,040	-	-
Increase in other receivables, deposits and prepayments		(64,937)	(122,902)	-	-
(Decrease)/Increase in trade payables		(50,489)	21,157	-	-
Increase in other payables and accruals		7,671	9,990	3,050	106
Increase in amount owing to Directors		185,739	192,855	-	-
Increase in amount owing to subsidiary		-	-	93,403	102,054
Cash (used in)/generated from operations		(62,935)	39,803	7,560	18,272
Interest paid		(1,589)	(2,023)	-	-
Interest received		150	93	-	-
Government grant received		-	14,855	-	-
Net cash (used in)/generated from operating activities		(64,374)	52,728	7,560	18,272
CASH FLOWS FROM INVESTING ACTIVITY					
Purchase of property, plant and equipment		(5,314)	(576)	-	-
Net cash used in investing activity		(5,314)	(576)	-	-
CASH FLOWS FROM FINANCING ACTIVITY					
Repayment of finance lease payables	14	(10,389)	(5,846)	-	-
Net cash used in financing activity		(10,389)	(5,846)	-	-

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		Group		Company	
	Note	2019	2018	2019	2018
		A\$	A\$	A\$	A\$
Net (decrease)/increase in cash and cash equivalents		(80,077)	46,306	7,560	18,272
Cash and cash equivalents at beginning of the year		82,575	23,743	146	393
Effect of exchange rate changes on cash and cash equivalents		(1,113)	12,526	(7,570)	(18,519)
Cash and cash equivalents at end of the year		<u>1,385</u>	<u>82,575</u>	<u>136</u>	<u>146</u>
Cash and cash equivalents comprise:					
Fixed deposit with licensed bank		-	63,737	-	-
Cash and bank balances		<u>1,385</u>	<u>18,838</u>	<u>136</u>	<u>146</u>
		<u>1,385</u>	<u>82,575</u>	<u>136</u>	<u>146</u>

The accompanying notes form an integral part of the financial statements.

VGX LIMITED

(Incorporated in British Virgin Islands)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

1 GENERAL CORPORATE INFORMATION AND NATURE OF OPERATION

VGX Limited is a company limited by shares incorporated and domiciled in British Virgin Islands and listed on the National Stock Exchange of Australia, with its registered office in Australia located at Level 1, Office F, 1139 Hay Street, West Perth WA 6005, Australia.

The Company is an investment holding company and it holds 100% of the issued share capital of Virgin Greens X Sdn. Bhd., a Malaysia *BioNexus Status* company which carries on business of research, development and commercialisation of food and agriculture related technologies. *BioNexus Status* is a special status awarded by the Malaysian government to qualified international and Malaysian biotechnology companies that participate in and undertake value-added biotechnology activities.

There have been no significant changes in the nature of these activities during the financial year.

2 BASIS OF PREPARATION

2.1 BASIS OF MEASUREMENT, FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements have been prepared on a historical cost basis.

The financial statements have been prepared based on the currency of the primary economic environment in which the entity operates (i.e., its functional currency). The functional currency of the Company and its subsidiary are Ringgit Malaysia ("RM"), while the presentation currency of the Group and of the Company are Australian Dollars ("A\$"). All financial information is presented in Australian Dollars, unless otherwise stated.

2.2 GOING CONCERN ASSUMPTION

The Directors assessed and concluded that it is appropriate to prepare this set of financial statements on a going concern basis. While the Group and the Company recorded a net current liabilities of A\$98,743 and A\$322,540 as at 30 June 2019 (2018: Nil and A\$226,077), there is no reason for the Directors to believe that there is any significant uncertainty on the ability of the Company to continue as a going concern because the Directors have undertaken to provide appropriate financial support to the Company to enable it to meet its obligations as and when they fall due.

2.3 COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board ("IASB").

ADOPTION OF NEW AND AMENDED STANDARDS

During the year, the Group and the Company have adopted all the amendments to IFRS that are mandatory for the current year. The adoption of the amendments to IFRS did not have any significant impact on the financial statements of the Group and of the Company.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company did not adopt an earlier application of the following new and revised IFRSs which have been issued by the IASB but are not yet effective for current year ended 30 June 2019.

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2019:

- IFRS 16, Leases
- IFRIC 23, Uncertainty Over Income Tax Treatments
- Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to IFRS 9, Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2020:

- Amendments to IAS 3, Definition of a Business
- Amendments to IAS 1 and IAS 8, Definition of Material

IFRSs, IFRIC and amendments effective for annual periods beginning on or after 1 January 2021:

- IFRS 17, Insurance contracts

IFRSs, IFRIC and amendments effective for annual periods beginning on or after a date yet to be confirmed:

- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associates or Joint Venture

The Company will adopt the above IFRSs in the respective financial years when they become effective. The initial application of the above-mentioned IFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company except as mentioned below.

- *IFRS 16, Leases*

IFRS 16 replaces the guidance in IAS 17, Leases, IFRIC 4, Determining whether an Arrangement contains a Lease, SIC-15, Operating Leases – Incentives and SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group are currently assessing the impact of adopting IFRS 16.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF CONSOLIDATION

i) Subsidiaries

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 over 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.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of IAS 39 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. The policy of recognition and measurement of impairment losses is in accordance with Note 3.4.

ii) Change In Ownership Interests In Subsidiaries Without Change Of Control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

iii) Disposal Of Subsidiaries

If the Group loses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

iv) Goodwill On Consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying amount may be impaired. The policy of recognition and measurement of impairment losses is in accordance with Note 3.4.

3.2 FOREIGN CURRENCY TRANSLATION

i) Foreign Currency Transaction And Balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

ii) Foreign Operations

The results and financial position of operations that have a functional currency different from the presentation currency ("A\$") ("Foreign Operation") are translated into A\$ as follows:

- (a) Assets and liabilities for each statement of financial position presented are translated at the closing rate prevailing at the reporting date;
- (b) Income and expenses for each income statement are translated at the exchange rate at the date of the transactions or an average rate that approximates those rates; and
- (c) All resulting exchange differences are taken to the FCTR within other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations, translated at the closing rate at the reporting date.

If the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

3.3 PROPERTY, PLANT AND EQUIPMENT

i) Recognition And Measurement

Property, plant and equipment are measured at costs less any accumulated depreciation and any accumulated impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The costs of self-constructed assets also include the costs of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” or “other expenses” respectively in profit or loss.

ii) Subsequent Costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. The estimated useful lives, as follows:

	<u>Rate</u>
Computer	33%
Lab equipment	20%
Motor vehicles	20%
Office equipment	20%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted where appropriate.

3.4 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group and the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the 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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash generating unit) is reduced to its recoverable amount.

An impairment loss is recognised immediately in the profit and loss, unless the relevant asset is carried at a revalued amount in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent the increased carrying amount does not exceed the carrying amount that would have been determined had no impairments loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.5 INTANGIBLE ASSETS

Intangible assets are recognised when it is probable that expected future economic benefits that are attributable to the assets will flow to the Group and the Company, the cost or value of the assets can be measured reliably and the assets do not result from expenditure incurred internally on an intangible item.

Intangible assets acquired separately are measured at cost initially. Subsequently, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Intellectual property rights are amortised on a straight-line method over the estimated useful lives of 10 years. The amortisation period and method are reviewed if there is an indication of a significant change in factors affecting the residual value, useful life or asset consumption pattern since the last annual reporting date.

3.6 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.7 FINANCIAL INSTRUMENTS

i) Initial Recognition And Measurement

The Group recognises a financial asset or a financial liability (including derivative instruments) in the statement of financial position when, and only when, an entity in the Group becomes a party to the contractual provisions of the instrument.

If a contract, whether financial or non-financial, contains an embedded derivative, the Group assesses whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Group becomes a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Group does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial asset out of the fair value through profit or loss category.

On initial recognition, all financial assets and financial liabilities (including government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

ii) *Derecognition Of Financial Instruments*

For derecognition purposes, the Group first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial asset, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Group transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Group acts only as a collecting agent of the transferee, and retains no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Group considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

iii) *Subsequent Measurement Of Financial Assets And Financial Liabilities*

For the purpose of subsequent measurement, the Group classifies trade and other receivables, advances to related parties, and cash and cash equivalents in the category of loans and receivables. The Group has no other categories of financial assets.

After initial recognition, the Group measures:

- (a) financial assets in the loans and receivables category as at amortised cost using the effective interest method; and
- (b) financial liabilities comprise trade and other payables and advances from related parties. After initial recognition, the Group measures all financial liabilities at amortised cost using the effective interest method.

iv) *Recognition Of Gains And Losses*

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

v) *Impairment And Uncollectibility Of Financial Assets*

The Group applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Group examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidence of trigger loss events include:

- (a) significant difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payment;
- (c) granting exceptional concession to a customer;
- (d) it is probable that a customer will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at its original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in an allowance account. Any subsequent reversal of impairment loss of the financial asset is reversed in profit or loss with a corresponding adjustment to the allowance account, subject to the limit that the reversal should not result in the revised carrying amount of the financial asset exceeding the amount that would have been determined had no impairment loss been recognised previously.

For short-term trade and other receivables, where the effect of discounting is immaterial, impairment loss is tested for each individually significant receivable wherever there is any indication of impairment. Individually significant receivables for which no impairment loss is recognised are grouped together with all other receivables by classes based on credit risk characteristics and aged according to their past due periods. A collective allowance is estimated for a class group based on the Group's experience of loss ratio in each class, taking into consideration current market conditions.

3.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value.

3.9 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND DISTRIBUTIONS

The Group and the Company classifies and presents an issued financial instrument (or its component parts), on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument.

i) Share Capital

Ordinary shares and non-redeemable preference shares issued that carry no mandatory contractual obligation:

- (a) to deliver cash or another financial asset; or
- (b) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group and the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, they are recorded at the issue price.

When ordinary shares and other equity instruments are issued as consideration transferred in a business combination or as settlement of an existing financial liability, they are measured at fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity.

ii) *Compound Financial Instruments*

The Group and the Company evaluates the terms of an issued financial instrument to determine whether it contains both a liability and an equity component. The proceeds of a convertible bond or other compound instruments are allocated to the liability component measured at fair value, using the discounted cash flow method, and balance to the equity component. Transaction costs are allocated pro rata based on the relative carrying amounts. Any tax effect arising from temporary differences of the liability component is charged or credited to the equity component.

iii) *Distributions*

The Group and the Company establishes a distribution policy whereby cash dividends can only be paid out of retained profits.

Distributions to holders of an equity instrument are debited directly in equity, net of any related income tax benefit.

A dividend declared is recognised as a liability only after it has been appropriately authorised, which is the date when the Management declares an interim dividend, or in the case of a proposed final dividend, the date the shareholders of the Company approve the proposed final dividend in an annual general meeting of shareholders.

3.10 PROVISIONS

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risk and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.11 LEASES

Finance leases, which transfer to the Group and the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the lease asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rent, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the profit and loss on a straight-line basis over the lease term. The aggregated benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

3.12 REVENUE AND OTHER INCOME RECOGNITION

Revenue and other income are recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue and other income can be reliably measured. Revenue and other income are measured at fair value of consideration received or receivable. The following specific recognition criteria must also be met before revenue and other income are recognised:

i) Sale of goods

Revenue is recognised net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

ii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

iii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

3.13 EMPLOYMENT BENEFITS

i) Short-Term Employment Benefits

Short-term employment benefits, such as wages, salaries and social security contributions, are recognised as an expense in the year in which the associated services are rendered by employees of the Group and the Company.

Short-term accumulating compensated absences, such as paid annual leave, are recognised when the employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves, are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as the additional amount expected to be paid as a result of the unused entitlement that has accumulated at the balance sheet date.

Profit-sharing and bonus plans are recognised when the Group and the Company has a present legal or constructive obligation to make payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when, and only when the Group and the Company has no realistic alternative but to make the payments.

ii) Defined Contribution Plan

Contributions to the statutory pension scheme are recognised as an expense in profit or loss in the year to which they relate.

3.14 INCOME TAX

A current tax for current and prior periods, to the extent unpaid, is recognised as a current tax liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as a current tax asset.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- i)** the initial recognition of goodwill; or
- ii)** the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for initial recognition differences include items of property, plant and equipment that do not qualify for depreciation allowances for tax purposes.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset 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, affect neither accounting profit nor tax taxable profit (or tax losses).

A deferred tax asset is recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Current and deferred taxes are measured using tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The measurement of deferred taxes reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

At the end of each reporting period, the carrying amount of a deferred tax asset is reviewed, and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

A current or deferred tax is recognised as income or expense in profit or loss for the period, except to the extent that the tax arises from items recognised outside profit or loss. For an income or expense item recognised in other comprehensive income, the current or deferred tax expense or tax income is recognised in other comprehensive income. For items recognised directly in equity, the related tax effect is also recognised directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.15 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.16 CONTINGENT LIABILITIES

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.17 FAIR VALUE MEASUREMENT

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.18 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate.

When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

4.1 IMPAIRMENT OF LOANS AND RECEIVABLES

The Group and the Company recognises impairment losses for receivables using the expected credit losses model. At the end of each reporting period, the Group and the Company assesses whether there is any objective evidence that loans and receivables is impaired. Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. The actual eventual losses may be different from the allowance made and this may affect the Group and the Company's financial position and results.

4.2 IMPAIRMENT OF GOODWILL AND INTANGIBLE ASSET

The Group assesses whether there are any indicators of impairment of goodwill and intangible assets at each reporting date. Goodwill is tested for impairment annually and at any other time when such indicators exist. Intangible assets are tested for impairment when there are indicators that their carrying values may exceed the recoverable amounts. When value in use calculations are undertaken, management estimates the expected future cash flows from the asset or cash generating unit and chooses a suitable discount rate in order to calculate the present value of those cash flows. The preparation of the estimated future cash flows involves significant judgement and estimations. While the Group believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable amounts and may lead to future impairment losses. Further details of the key assumptions applied in the impairment assessment of goodwill are given in Note 8. The carrying amount of intangible asset is disclosed in Note 6.

4.3 INVENTORIES

Inventories are stated at the lower of cost and net realisable value (NRV). NRV for finished goods is assessed with reference to existing prices at the reporting date less the estimated direct cost necessary to make the sale, which represent the Company's best estimation of the value recoverable through sale.

4.4 MEASUREMENT OF INCOME TAXES

Significant judgment is required in determining the Group and the Company's provision for current and deferred taxes. When the final outcome of the taxes payable is determined with the tax authorities, the amount might be different from the initial estimates of the taxes payable. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will adjust for the differences as over or under provision of current or deferred taxes in the current period in which those differences arise.

5 PROPERTY, PLANT AND EQUIPMENT**Group**

	As at 1 July 2018	Additions	Exchange difference	As at 30 June 2019
2019	A\$	A\$	A\$	A\$
<u>Cost</u>				
Computer	4,719	-	127	4,846
Lab equipment	11,067	4,799	297	16,163
Motor vehicles	71,010	-	1,911	72,921
Office equipment	1,441	515	39	1,995
	<u>88,237</u>	<u>5,314</u>	<u>2,374</u>	<u>95,925</u>

	As at 1 July 2018	Charges for the year	Exchange difference	As at 30 June 2019
	A\$	A\$	A\$	A\$
<u>Accumulated Depreciation</u>				
Computer	3,336	879	90	4,305
Lab equipment	5,048	3,233	134	8,415
Motor vehicles	37,729	14,786	1,015	53,530
Office equipment	1,013	360	28	1,401
	<u>47,126</u>	<u>19,258</u>	<u>1,267</u>	<u>67,651</u>

	2019 A\$
<u>Carrying Amounts</u>	
Computer	541
Lab equipment	7,748
Motor vehicles	19,391
Office equipment	<u>594</u>
	<u>28,274</u>

<u>2018</u>	As at 1 July 2017 A\$	Additions A\$	Exchange difference A\$	As at 30 June 2018 A\$
<u>Cost</u>				
Computer	3,736	576	407	4,719
Lab equipment	9,978	-	1,089	11,067
Motor vehicles	64,022	-	6,988	71,010
Office equipment	1,299	-	142	1,441
	<u>79,035</u>	<u>576</u>	<u>8,626</u>	<u>88,237</u>

	As at 1 July 2017 A\$	Charges for the year A\$	Exchange difference A\$	As at 30 June 2018 A\$
<u>Accumulated Depreciation</u>				
Computer	2,023	1,092	221	3,336
Lab equipment	2,556	2,213	279	5,048
Motor vehicles	21,035	14,398	2,296	37,729
Office equipment	654	288	71	1,013
	<u>26,268</u>	<u>17,991</u>	<u>2,867</u>	<u>47,126</u>

	2018 A\$
<u>Carrying Amounts</u>	
Computer	1,383
Lab equipment	6,019
Motor vehicles	33,281
Office equipment	<u>428</u>
	<u>41,111</u>

The carrying amounts of the property, plant and equipment under finance lease of the Group is as follows:

	Group	
	2019	2018
	A\$	A\$
Motor vehicles	19,391	33,281

6 INTANGIBLE ASSET

GROUP	Intellectual property rights A\$	Total A\$
<u>Cost</u>		
At beginning of the year	310,218	310,218
Exchange difference	7,026	7,026
At end of the year	<u>317,244</u>	<u>317,244</u>
<u>Accumulated amortisation</u>		
At beginning of the year	29,436	29,436
Amortisation charges for the year	31,509	31,509
At end of the year	<u>60,945</u>	<u>60,945</u>
<u>Carrying amounts</u>		
As at 30 June 2019	<u>256,299</u>	<u>256,299</u>
COMPANY	Intellectual property rights A\$	Total A\$
<u>Cost</u>		
At beginning of the year	310,214	310,214
Exchange difference	7,026	7,026
At end of the year	<u>317,240</u>	<u>317,240</u>
<u>Accumulated amortisation</u>		
At beginning of the year	29,436	29,436
Amortisation charges for the year	31,509	31,509
At end of the year	<u>60,945</u>	<u>60,945</u>
<u>Carrying amounts</u>		
As at 30 June 2019	<u>256,295</u>	<u>256,295</u>

GROUP	Intellectual property rights A\$	Total A\$
<u>Cost</u>		
At beginning of the year	281,276	281,276
Exchange difference	28,942	28,942
At end of the year	<u>310,218</u>	<u>310,218</u>
<u>Accumulated amortisation</u>		
Amortisation charges for the year	29,436	29,436
At end of the year	<u>29,436</u>	<u>29,436</u>
<u>Carrying amounts</u>		
As at 30 June 2018	<u>280,782</u>	<u>280,782</u>
COMPANY	Intellectual property rights A\$	Total A\$
<u>Cost</u>		
At beginning of the year	281,273	281,273
Exchange difference	28,941	28,941
At end of the year	<u>310,214</u>	<u>310,214</u>
<u>Accumulated amortisation</u>		
Amortisation charges for the year	29,436	29,436
At end of the year	<u>29,436</u>	<u>29,436</u>
<u>Carrying amounts</u>		
As at 30 June 2018	<u>280,778</u>	<u>280,778</u>

7 INVESTMENT IN SUBSIDIARY

	Company	
	2019	2018
	A\$	A\$
Unquoted shares – At cost		
At beginning of the year	335,458	302,444
Exchange difference	9,025	33,014
At end of the year	<u>344,483</u>	<u>335,458</u>

The subsidiary is Virgin Greens X Sdn. Bhd., a Company incorporated in Malaysia. Its principal activities are engaged in research, development and commercialisation of food and agriculture related technologies with its business activities covering microbial product and biological process development, manufacturing and marketing of its proprietary solutions designed for the food and agriculture sector. There have been no significant changes in the nature of the activities during the year. The Company's effective ownership interest and voting interest in the subsidiary is 100% (2018: 100%).

8 GOODWILL

	Group	
	2019	2018
	A\$	A\$
At beginning of the year	9,840	8,872
Exchange difference	265	968
At end of the year	<u>10,105</u>	<u>9,840</u>

The carrying amount of goodwill arising from the acquisition of Virgin Greens X Sdn. Bhd (i.e. Cash Generating Units ("CGU")) was tested for impairment using the value in use ("VIU") method.

Based on the impairment assessment performed by the Group, no impairment is required for the goodwill.

The recoverable amount of the CGU in respect of the goodwill was determined based on VIU calculations. Cash flow projections used in these calculations were based on financial budgets approved by the management covering a five (5) years period (financial years 2020 to 2024).

Key assumptions used in the VIU calculations for the goodwill impairment assessment is as follows:

	2019	2018
Gross margin	63%	63%
Discount rate (pre-tax)	7 %	7 %

9 INVENTORIES

	Group	
	2019	2018
	A\$	A\$
At cost:		
Biotech products (finished goods)	7,076	16,655
Packaging material	13,749	11,427
	<u>20,825</u>	<u>28,082</u>
Inventories recognised as cost of sales in statement of comprehensive income	<u>182,125</u>	<u>315,709</u>

10 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group	
	2019	2018
	A\$	A\$
Other receivables	381,049	315,574
Deposits	362	1,493
Prepayments	2,548	1,954
	<u>383,959</u>	<u>319,021</u>

Other receivable of A\$380,059 (2018: A\$314,913) is owing by a company controlled by two Directors of the Company.

11 SHARE CAPITAL

	Group		Company	
	2019	2018	2019	2018
Issued and Paid-up:				
Number of ordinary shares (units)	<u>106,823,000</u>	<u>106,823,000</u>	<u>106,823,000</u>	<u>106,823,000</u>
(A\$)				
At beginning/end of the year	<u>691,390</u>	<u>691,390</u>	<u>691,390</u>	<u>691,390</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meeting of the Company.

12 FOREIGN CURRENCY TRANSLATION RESERVE

Foreign currency translation reserve comprises all foreign exchange differences arising from translation of the financial statements of the Company and foreign operations with different functional currencies from that of the Group's presentation currency.

13 DEFERRED INCOME

	Group	
	2019	2018
	A\$	A\$
At beginning of the year	80,795	66,147
Exchange difference	808	7,220
Government grant received during the year	-	14,855
Amount recognised for the year	<u>(81,603)</u>	<u>(7,427)</u>
At end of the year	<u>-</u>	<u>80,795</u>

Deferred income represents cradle fund received by the subsidiary from the Malaysian Government to assist the subsidiary in commercialising its product and services. The Cradle Fund Agreement was dated on 8 December 2015.

On 8 June 2017, the subsidiary has completed the disbursement period and entered into monitoring period of 18 months, which ended in this financial year. During the funding period, the subsidiary did not achieve the Success Trigger Point. Hence, the remaining deferred income is fully recognised in the statement of comprehensive income as gratuitous grant even though as at the date of this report, the Company has not received the official consent letter on the conversion from the authority.

14 FINANCE LEASE PAYABLES

	Group	
	2019	2018
	A\$	A\$
Finance lease payables	29,214	41,106
Less: Interest in suspense	<u>(2,711)</u>	<u>(4,214)</u>
	<u>26,503</u>	<u>36,892</u>
 Total principal sums payable		
- within 1 year	6,911	11,083
- more than 1 year but not later than 5 years	<u>19,592</u>	<u>25,809</u>
	<u>26,503</u>	<u>36,892</u>

The Group obtains finance lease facilities to finance acquisition of certain motor vehicles. The average remaining lease term is 3 years as at 30 June 2019. Implicit interest rates of the finance lease range from 2.64%-2.66% (2018: 2.64%-2.66%) are fixed at the date of the agreements, and the amount of lease payments are fixed throughout the lease period. The Group has the option to purchase the assets at the end of the agreement with minimum purchase considerations. There is no significant restriction clauses imposed on the hire purchase arrangements.

Reconciliation of movements of liabilities to cash flows arising from financing activities

	At 1 July 2018 A\$	Net changes from financing cash flows A\$	At 30 June 2019 A\$
Group			
Finance lease payables	<u>36,892</u>	<u>(10,389)</u>	<u>26,503</u>

15 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019 A\$	2018 A\$	2019 A\$	2018 A\$
Other payables	83,243	75,428	9,195	6,517
Accruals	<u>1,533</u>	<u>1,677</u>	<u>1,378</u>	<u>1,006</u>
	<u>84,776</u>	<u>77,105</u>	<u>10,573</u>	<u>7,523</u>

16 AMOUNT OWING TO DIRECTORS

This amount is unsecured, interest free and repayable on demand.

17 AMOUNT OWING TO SUBSIDIARY

This is non-trade amount which is unsecured, interest free and repayable on demand.

18 REVENUE

Revenue of the Group represents sale of goods.

19 LOSS BEFORE TAX**19.1 DISCLOSURE ITEMS**

	Group		Company	
	2019	2018	2019	2018
	A\$	A\$	A\$	A\$
This is arrived at after charging:				
Auditors' remuneration				
- current year	2,863	2,532	1,355	950
- under provision in prior year	1,355	1,962	1,254	1,962
Amortisation of intangible asset	31,509	29,436	31,509	29,436
Depreciation of property, plant and equipment	19,258	17,991	-	-
Directors' remuneration				
- Fees	8,131	6,172	8,131	6,172
- Salaries	114,855	101,069	40,482	36,682
- Defined contribution plan	6,139	5,308	2,222	1,979
Finance lease interest	1,589	2,023	-	-
Loss on foreign exchange	667	1,147	667	811
Rental of lab	8,065	8,081	-	-
Rental of premises	21,414	18,021	-	-
and crediting:				
Gain on foreign exchange (realised)	(109)	-	-	-
Government grant recognised	(81,603)	(7,427)	-	-
Interest income	(150)	(93)	-	-
Rental income	(282)	(361)	-	-

19.2 EMPLOYEES BENEFITS EXPENSES

	Group		Company	
	2019	2018	2019	2018
	A\$	A\$	A\$	A\$
Salaries, wages and bonus	239,296	216,677	48,613	42,854
Defined contribution plan	21,917	21,041	2,222	1,979
Others	1,863	1,782	-	-
	<u>263,076</u>	<u>239,500</u>	<u>50,835</u>	<u>44,833</u>

The number of employees of the Group and the Company at 30 June 2019 is 11 including 2 Directors of the Company.

20 INCOME TAX EXPENSE

No provision has been made for tax of the Company as it is registered in the British Virgin Islands and is exempt from tax. Income tax for the Group's Malaysia operations has been provided at the rate of 24% on the estimated assessable profit derived from Malaysia.

	Group		Company	
	2019	2018	2019	2018
	A\$	A\$	A\$	A\$
Loss before tax	<u>(187,707)</u>	<u>(130,105)</u>	<u>(120,402)</u>	<u>(113,324)</u>
At Malaysian tax rate 24%	(45,050)	(31,225)	(28,896)	(27,198)
Tax effect of expenses not deductible for tax purposes	7,904	5,165	4,366	4,868
Tax exempted loss	22,706	23,336	24,530	22,330
Deferred tax asset not recognised during the year	<u>14,440</u>	<u>2,724</u>	<u>-</u>	<u>-</u>
Tax charge	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group disclosed the corporate income tax rate applicable in the jurisdiction in which the principal subsidiary domiciled which is in Malaysia.

The deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2019	2018	2019	2018
	A\$	A\$	A\$	A\$
Unutilised capital allowance	1,293	1,035	-	-
Unabsorbed tax losses	<u>13,147</u>	<u>1,689</u>	<u>-</u>	<u>-</u>
Tax charge	<u>14,440</u>	<u>2,724</u>	<u>-</u>	<u>-</u>

The subsidiary of the Company has been awarded the BioNexus Status and 100% tax exemption of the statutory income for a period of 5 years effective from 30 March 2015.

21 LOSS PER ORDINARY SHARE

21.1 BASIC EARNINGS PER ORDINARY SHARE

The basic loss per ordinary share is calculated by dividing the Group's loss attributable to owners of the Company of A\$269,309 (2018: A\$130,105) by the weighted average number of ordinary shares outstanding of 106,823,000 (2018: 106,823,000).

21.2 DILUTED EARNING PER ORDINARY SHARE

The diluted loss per ordinary share is the same as the basic loss per ordinary share of the Group, as the Group has no dilutive potential ordinary shares during the current and prior financial years.

22 OPERATING SEGMENT

Segmental reporting is not presented as the Group is principally engaged in research, development and commercialisation of food and agriculture related technologies, which are substantially within a single business segment and this is consistent with the current practice of internal reporting. The Group operates primarily in Malaysia.

23 RELATED PARTY DISCLOSURES

23.1 IDENTIFYING RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors of the Company.

23.2 SIGNIFICANT RELATED PARTY TRANSACTION

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed in Notes 10 and 16, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2019	2018	2019	2018
	A\$	A\$	A\$	A\$
Net advances from Directors	185,739	192,855	-	-
Net advances to a company controlled by two Directors of the Company	65,146	122,036	-	-
Net advances from subsidiary	-	-	93,043	102,054

23.3 Compensation of key management personnel

Compensation of key management personnel is Directors' remuneration which is disclosed in Note 19.

24 FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

- a) Loans and receivables ("LR"); and
- b) Financial liabilities measured at amortised cost ("OL")

Group	Carrying Amount	LR/(OL)
2019	A\$	A\$
Financial Assets		
Trade receivables	48,622	48,622
Other receivables and deposits	381,411	381,411
Cash and bank balances	1,385	1,385
	<u>431,418</u>	<u>431,418</u>
Financial Liabilities		
Trade payables	(56,200)	(56,200)
Other payables and accruals	(84,776)	(84,776)
Amount owing to Directors	(405,647)	(405,647)
Finance lease payables	(26,503)	(26,503)
	<u>(573,126)</u>	<u>(573,126)</u>
2018		
Financial Assets		
Trade receivables	117,550	117,550
Other receivables and deposits	317,067	317,067
Fixed deposits with licensed banks	63,737	63,737
Cash and bank balances	18,838	18,838
	<u>517,192</u>	<u>517,192</u>
Financial Liabilities		
Trade payables	(106,689)	(106,689)
Other payables and accruals	(77,105)	(77,105)
Amount owing to Directors	(219,908)	(219,908)
Finance lease payables	(36,892)	(36,892)
	<u>(440,594)</u>	<u>(440,594)</u>

	Carrying Amount AS	LR/(OL) AS
Company		
2019		
Financial Assets		
Cash and bank balances	<u>136</u>	<u>136</u>
Financial Liabilities		
Other payables and accruals	(10,573)	(10,573)
Amount owing to subsidiary	<u>(312,103)</u>	<u>(312,103)</u>
	<u>(322,676)</u>	<u>(322,676)</u>
2018		
Financial Assets		
Cash and bank balances	<u>146</u>	<u>146</u>
Financial Liabilities		
Other payables	(7,523)	(7,523)
Amount owing to subsidiary	<u>(218,700)</u>	<u>(218,700)</u>
	<u>(226,223)</u>	<u>(226,223)</u>

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk

25.1 CREDIT RISK

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, advances to related parties and deposits with licensed bank.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amounts of the financial assets recorded on the statement of financial position at the reporting date represent the Group's and the Company's maximum exposure to credit risk in relation to financial assets.

The Group has no significant concentration of credit risk as its exposure spread over a large number of customers.

The Group maintains an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

	2019 AS	2018 AS
Not past due	4,373	65,930
Past due 30 – 60 days	9,197	13,615
Past due 61 – 120 days	9,817	5,324
Past due more than 120 days	25,235	32,681
	<u>48,622</u>	<u>117,550</u>

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Company.

As at 30 June 2019, trade receivables of A\$44,249 (2018: A\$51,620) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

25.2 LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and finance lease payables.

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The table below summarises the maturity profile of the Group's and of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments (including interest):

	Carrying amount AS	Contractual cash flows AS	On demand or within a year AS
Group			
2019			
Financial liabilities			
Trade payables	56,200	56,200	56,200
Other payables and accruals	84,776	84,776	84,776
Finance lease payables	26,503	28,092	28,092
	<u>167,479</u>	<u>169,068</u>	<u>169,068</u>
2018			
Financial liabilities			
Trade payables	106,689	106,689	106,689
Other payables and accruals	77,105	77,105	77,105
Finance lease payables	36,892	38,915	38,915
	<u>220,686</u>	<u>222,709</u>	<u>222,709</u>

25.3 INTEREST RATE RISK

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in market interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group	
	2019	2018
	A\$	A\$
Fixed rate instruments		
<i>Financial asset</i>		
Fixed deposits with licensed bank	-	63,737
<i>Financial liability</i>		
Finance lease payables	(26,503)	(36,892)
	<u>(26,503)</u>	<u>26,845</u>

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in market interest rates at the end of the reporting period would not affect profit or loss.

26 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of receivables and payables, cash and cash equivalents and financial lease payables approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

27 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a debt-to-equity ratio. The Group's policy is to maintain a prudent level of debt-to-equity ratio. The debt-to-equity ratio at end of the reporting period are as follows:

	Group	
	2019	2018
	A\$	A\$
Total loans and borrowings	26,503	36,892
Less: Fixed deposits, cash and bank balances	<u>(1,385)</u>	<u>(82,575)</u>
Net debt/(cash)	<u>25,118</u>	<u>(45,683)</u>
 Total equity	 <u>176,343</u>	 <u>357,572</u>
 Debt-to-equity ratio	 <u>0.14</u>	 <u>NA</u>

There were no changes in the Group's approach to capital management during the financial year.

28 AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 11 September 2019.

Company No.: ARBN 612834572

VGX LIMITED
(Incorporated in Malaysia)

DETAILED INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	A\$	A\$
REVENUE	-	-
COST OF SALES	-	-
GROSS PROFIT	-	-
LESS: OPERATING EXPENSES	<u>(120,402)</u>	<u>(113,324)</u>
LOSS BEFORE TAX	<u>(120,402)</u>	<u>(113,324)</u>

This Statement is prepared for the purpose of the Management's use only and does not form part of the statutory audited financial statements.

VGX LIMITED
(Incorporated in Malaysia)

OPERATING EXPENSES
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	A\$	A\$
ADMINISTRATION EXPENSES		
Advertisement	-	7,913
Audit fee		
- current year	1,355	950
- under provision in prior year	1,254	1,962
Bank charges	15	105
Business development services	167	-
Consultant fees	9,145	5,881
Directors' fees	8,131	6,172
Directors' remuneration	42,704	38,661
License and registration fees	6,690	7,079
Listing fees	14,131	14,082
Loss on foreign exchange	667	811
Printing and stationery	438	114
Professional fees	4,005	-
Service tax	136	118
Telephone charges	22	10
Travelling expenses	32	30
	<u>88,893</u>	<u>83,888</u>
OTHER OPERATING EXPENSES		
Amortisation of intangible assets	<u>31,509</u>	<u>29,436</u>
	<u>120,402</u>	<u>113,324</u>

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