



TBG Diagnostics Ltd

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Quarterly Activities Report and Appendix 4C

- **The Group earned total revenues of \$2.5 mil (unaudited) during the first quarter ended 31 March 2021**
- **Establishment of wholly-owned subsidiary TDL Holding Co.**
- **Appointment of new non-executive director to replace exiting non-executive director**
- **Signed Letter of Intent (LOI) between the Company and a Potential Overseas Investor ('the Buyer') for the Sale and Purchase of Shares in TBG Inc**

Melbourne, Australia, 3 May 2021: TBG Diagnostics Limited (ASX: TDL) ("TDL" or "the Company"), releases today its Quarterly Activities Report and Appendix 4C for the quarter ended 31 March 2021.

Revenues and other income

At 31 March 2021, the Group had total consolidated revenues of \$2.5 mil (unaudited). Of the total amount, sales revenues amounted to \$968k (unaudited) of which 24% represent sales to its parent entity in Taiwan and its associate in China, Medigen Biotechnology Corp and TBG Biotechnology (Xiamen) Inc., respectively.

During the quarter, sales revenues derived from HLA testing kits/services remained strong at 61% for a total of \$588k (unaudited). Sales revenues from Covid-19 testing kits totalled \$139k (unaudited) which makes up 14% of total sales revenues.

Other income from collection of previously impaired receivables and interest income amounted to \$1.5 mil (unaudited). This is 61% of total consolidated revenues during the quarter just ended.

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, real-time PCR, SBT and NGS.
- 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 occur within 2021.
- The group is continuously optimizing utilisation of its COVID19 PCR and Rapid Test products with a focus on meeting market demand in the US where widespread routine COVID19 surveillance and antibody monitoring of vaccinated individuals may be the key to recovery.

Establishment of wholly-owned subsidiary TDL Holding Co.

On 4 February 2021, the Group established a new wholly owned offshore subsidiary, TDL Holding Co., in Cayman Islands ("TDLH") under TBG Diagnostics Limited. Under the new structure, 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 TDLH who will then hold 100% of the equity capital of TBG Taiwan and TBG Texas. TBG Inc will continue to hold 48.23% 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 group still holds 100% of the equity capital of TBG Taiwan and TBG Texas and 48.23% of the equity capital of TBG Xiamen.

The purpose of the proposed group restructure is to allow TBG Inc to have freedom to serve as listing entity for Initial Public Offering (IPO) on international stock exchanges, facilitating fundraising of the group.

Board Changes

On 23 March 2021, the Company announced the resignation of Mr. Hsi-Kai (C. K. Wang) as Non-executive director of the Company. Following his resignation, Mr Bing-Cheng Liu as was also appointed as Non-Executive Director of the Company. The resignation and appointment of each director took effect on 22 March 2021.

Signed Letter of Intent (LOI) between the Company and a Potential Overseas Investor ("the Buyer") for the Sale and Purchase of Shares in TBG Inc

During the quarter, the Company signed a Letter of Intent (LOI) with a potential overseas investor ("the Buyer") whereby the Company intends to sell to the Buyer certain shares ("the Sale Shares") of TBG Inc., not exceeding 5% equity interests in TBG Inc., and the Buyer intends to purchase from the Company the Sale Shares (the "Transaction") for an estimated total consideration not less than \$1,000,000, subject to the Buyer obtaining all necessary approvals as conditions precedent pursuant to the signed LOI.

Post completion of the transaction, the Company's ownership interest in TBG Inc will be reduced by a percentage not exceeding 5% of its equity in TBG Inc. The transaction will also have a future impact on TBG Inc's shareholding interest in the Group's investee company in China, TBG Xiamen.

ASX Suspension

The Company's shares have remained suspended from trading on Australian Stock Exchange (ASX) since March 2020. ASX has issued queries and has requested for information to the Group to which the Group have responded to. There were no further queries from ASX received as at the date of this report. ASX has advised it will be issuing further queries to TDL.

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 to an Executive Chairman and three (3) Non-executive Directors of \$50k;
- Management consultancy fees to a Non-executive director of \$18k; and
- Payment of purchases of inventories and consumables of \$612k to TBG Biotechnology (Xiamen) Inc., the Group's investee company in China.

Summary of operating expenditures during the quarter

| Item | Category | Amount (\$A'000) |
|------|--|---------------------|
| (a) | research and development | (8) |
| (b) | product manufacturing and operating costs ¹ | (871) |
| (c) | advertising and marketing | (33) |
| (d) | leased assets | (88) |
| (e) | staff costs | (542) |
| (f) | administration and corporate costs ² | (1,653) |
| | Total | (3,195) |

¹ This pertain 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 group restructuring costs, audit fees and legal fees.

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 and particularly in China.

Authorised by Jitto Arulampalam – Chairman

On behalf of the Board of Directors

Contact: +61 421 617 766

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")

31 March 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 2,325 | 2,325 |
| 1.2 Payments for | | |
| (a) research and development | (8) | (8) |
| (b) product manufacturing and operating costs | (871) | (871) |
| (c) advertising and marketing | (33) | (33) |
| (d) leased assets | (88) | (88) |
| (e) staff costs | (542) | (542) |
| (f) administration and corporate costs | (1,653) | (1,653) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 2 | 2 |
| 1.5 Interest and other costs of finance paid | (11) | (11) |
| 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 | (879) | (879) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (4) | (4) |
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (f) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 2.2 | Proceeds from disposal of: | | |
| | (a) entities | - | - |
| | (b) businesses | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | - |
| | (e) intellectual property | - | - |
| | (f) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | 394 | 394 |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (provide details if material) – Advances from related party | 1,039 | 1,039 |
| 2.6 | Net cash from / (used in) investing activities | 1,429 | 1,429 |

| | | | |
|-------------|---|--------------|--------------|
| 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 | 921 | 921 |
| 3.6 | Repayment of borrowings | (960) | (960) |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (provide details if material) | (63) | (63) |
| 3.10 | Net cash from / (used in) financing activities | (102) | (102) |

| | | | |
|-----------|--|------------|------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | 448 | 448 |
| 4.1 | Cash and cash equivalents at beginning of period | 3,777 | 3,777 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (879) | (879) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 1,429 | 1,429 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (102) | (102) |
| 4.5 | Effect of movement in exchange rates on cash held | (83) | (83) |
| 4.6 | Cash and cash equivalents at end of period | 4,142 | 4,142 |

| 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 | 2,882 | 2,882 |
| 5.2 | Call deposits | 500 | 500 |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) – restricted cash | 760 | 760 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,142 | 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 | (680) |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |
| <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.</i> <i>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 | 3,225 | 3,174 |
| 7.2 | Credit standby arrangements | - | - |
| 7.3 | Other (please specify) | - | - |
| 7.4 | Total financing facilities | 3,225 | 3,174 |
| 7.5 | Unused financing facilities available at quarter end | | 51 |
| 7.6 | <p>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 31 March 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: 11 November 2020 to 31 October 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) | (879) |
| 8.2 | Cash and cash equivalents at quarter end (item 4.6) | 4,142 |
| 8.3 | Unused finance facilities available at quarter end (item 7.5) | 51 |
| 8.4 | Total available funding (item 8.2 + item 8.3) | 4,193 |
| 8.5 | Estimated quarters of funding available (item 8.4 divided by item 8.1) | 4.77 |
| <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: 30/4/21

Authorised by: Jitto Arulampalam - Chairman
(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.