

The background of the cover features a close-up, high-angle shot of numerous yellow, oval-shaped capsules scattered across a white surface. A large, dark blue circular graphic, composed of several concentric arcs, overlaps the right side of the image, creating a modern, professional look.

# ***Star Combo Pharma Limited***

—— Australia ——

## ***2020 Annual Report***

ASX: S66



## Chairman's Letter

23 October 2020

### Dear Shareholders

I am pleased to present Star Combo Pharma Limited's 2020 Annual Report.

Before I comment on the FY20 performance and achievements of the Company I would first like to extend my sincere thanks to our management team and staff for going the extra distance in these difficult and challenging times. No one could have imagined the impact of a COVID19 global pandemic on the health and wellbeing of our communities both here in Australia and around the world. The social and economic impact is significant and will be felt for some time to come. At Star Combo, our management team continue to work hard to maintain the health, safety and wellbeing of our staff while continuing to focus on creating value for our customers and shareholders.

FY20 was a transformational year and one of significant growth with revenue up 81% to \$38.8m and EBITA (excluding significant one-off costs) of \$1.8m up from \$0.3m in FY19 establishing a clear path to profitability as we implement our core strategy to grow our high margin contract manufacturing business. This strategy is underpinned by an investment of approximately \$22m in expanded manufacturing capabilities at the Smithfield factory, the acquisition of an adjacent property and the building of a modern research and product development centre. While the full benefit of these investments will not be realized until FY22, they will progressively enhance the market competitiveness of our contract manufacturing business and deliver improved earnings from the 4<sup>th</sup> quarter of FY21. The overall expected return on this investment is both significant and value creating for shareholders.

I am delighted to welcome Goldenmax International Technology Limited (Goldenmax) as a strategic investor with a recent private placement of \$33.32m. Goldenmax is a public company listed on the Shenzhen stock exchange with a market capitalisation of approximately CNY ¥6 billion. Goldenmax have a pharmaceutical materials division in China and this strategic partnership provides Star Combo with access to their sales and marketing expertise as well as an extensive distribution network to support future growth opportunities in the Chinese market. Further, I welcome two new directors onto the Board, Mr Jialong Ding and Ms Wei Han, both representing the investment by Goldenmax. I am pleased to have these two seasoned directors join the Board to help guide our strategy as well as leveraging their extensive pharmaceutical and commercial experience.

On behalf of the Board and the management team at Star Combo, I would like to thank you, our shareholders for your ongoing support. I look forward to updating you on our progress in the year ahead.

**Richard Allely**  
Chairman  
Star Combo Pharma Limited

**STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES**  
**ABN 38 615 728 375**

**FINANCIAL REPORT 2020**

**TABLE OF CONTENTS**

|                                                                      |    |
|----------------------------------------------------------------------|----|
| Directors' report                                                    | 4  |
| Remuneration report                                                  | 12 |
| Auditor's independence declaration                                   | 18 |
| Financial statements                                                 | 19 |
| Directors' declaration                                               | 64 |
| Independent auditor's report to the members of Star Combo Pharma Ltd | 65 |

## Directors' Report

for the year ended 30 June 2020

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Star Combo Pharma Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2020.

### **DIRECTORS**

The following persons were directors of Star Combo Pharma Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Richard Allely – Chairman, Non-executive  
Mr Jinxing (Star) Zhang – Managing Director  
Miss Su Zhang – Chief Executive Officer  
Mr Craig Bottomley – Non-executive Director (resigned 16 August 2019)  
Dr Ziye Sui – Non-executive Director  
Mr Jialong Ding – appointed 29 May 2020  
Ms Wei Han – appointed 29 May 2020

Particulars of each director's skills, experience and qualifications are set out below:

#### **Richard Allely** **Chairman, Non-executive**

##### **Qualifications**

- MBA (Finance Major)
- DipCM
- FCPA
- FAICD

##### **Experience and expertise**

Richard was appointed to the Board in 2018 as an independent Non-Executive Director and Chairman. Richard currently sits on the boards of the Australasian Medical Publishing Co Pty Limited (Chairman). Richard has previously held non-executive roles on the boards of Perisher Blue Pty Ltd, Australian Property Monitors Pty Ltd and Source Financial Inc. (a USA Public Company). He has also been an independent member of Work Cover Authority of NSW and an advisory board member of Renoir Consulting Group.

Richard was the Managing Director and CEO of PMP Limited (PMP) until 2012, when he stepped down from the position, after serving just over 10 years with the company (7 years as CFO). PMP is the largest printing and distribution company in Australia and New Zealand with a turnover in excess of \$A1 billion.

Prior to this, Richard held senior executive roles with a number of leading Australian and International companies including Tenix Pty Limited (formerly Transfield Pty Limited), John Fairfax Holdings Limited, Boral Limited, James Hardie Industries Limited and Fanner-PLP Pty Limited. Richard has significant experience in the manufacturing, building & construction and publication and media sectors within Australia and South East Asia.

##### **Interest in shares and options**

Options over ordinary shares: 1,000,000

Ordinary shares: None.

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**Other current directorships**

- Australasian Medical Publishing Co Pty Limited

**Former directorships of listed companies in last three years**

None.

**Special responsibilities**

None

**Star (Jinxing) Zhang  
Managing Director****Qualifications**

- Bachelor of Science (Biochemistry major)

**Experience and expertise**

Star was appointed to the Board in 2016 as Managing Director. Star is the founder of Star Combo and has a strong background in the pharmaceutical industry. After graduation from university, Star worked for 10 years at a medical research company in China which produced hard gel capsules, tablets and injections. While there, he pioneered the extraction and purification of hyaluronic acid, important as a lubricant in ocular surgery.

Furthermore, he developed methods to separate low molecular weight hyaluronic acid, which is used in cosmetics. Star then immigrated to New Zealand, where he studied Commerce at the University of Auckland for one year. Upon returning to Australia, Star incorporated Star Combo in 2004 to address the need for high quality and affordable Australian made health foods in the market.

**Interest in shares and options**

Options over ordinary shares: None.

Ordinary shares: 38,165,510

**Other current directorships**

- Antoine International Pty Ltd

**Former directorships of listed companies in last three years**

None.

**Special responsibilities – Managing Director.****Su Zhang  
Chief Executive Officer****Qualifications**

- Master of Business Administration
- Graduate Certificate in Commerce
- Bachelor of Pharmacy

**Experience and expertise**

Su has been working in the pharmaceutical industry for over 10 years, starting her career with Terry White Chemists after graduating in 2006. Upon leaving Terry White Chemists, Su worked for 3 years at Abbott Australia. She commenced at Abbott Australia as a Senior Drug Safety Associate and later moved into the role of Asia Pacific Regional Manager. In 2009, Su commenced employment with Star Combo, initially focusing her efforts on obtaining a TGA license for Costar Pharma. Su's responsibilities within Star Combo include quality control and compliance, operational management, production planning and sales cycle management.

**Interest in shares and options**

Options over ordinary shares: None.

Ordinary shares: 11,448,980

**Other current directorships**

None.

**Former directorships of listed companies in last three years**

None.

**Special responsibilities**

None.

**Dr Ziyue Sui****Non-executive Director****Qualifications**

- M.D., Ph.D.

**Experience and expertise**

As a senior manager in the Medical Device industry, Dr. Sui has extensive knowledge and experience in Medical Device production, regulation, sales and marketing in both Chinese and international market. With recent experience in pharmaceutical wholesale and retail business, she managed to build up a B2C platform of homecare medical devices and healthcare products, which could be helpful for Costar products introduction in Chinese market.

**Interest in shares and options**

Options over ordinary shares: None.

Ordinary shares: None.

**Other current directorships**

- Vice President: Lepu Medical Technology (Beijing) Co., Ltd
- Board Director: Hainan MSD Pharmaceutical Co., Ltd
- Chief Technology Officer (CTO): Comed BV
- Chief Executive Officer (CEO): Lepu Hushengtang Internet Technology Co., Ltd

**Former directorships of listed companies in last three years**

None.

**Special responsibilities**

None.

**Mr Jialong Ding**  
**Non Executive Director****Qualifications**

- Senior Technician (in Pharmaceutical Marketing and Human Resource)

**Experience and expertise**

As the vice president of the Pharmaceutical business in Goldenmax International, Mr. Ding has over 30 years of experience in Pharmaceutical distribution, production and compliance. Prior to this, Mr. Ding holds senior executive roles in a number of Chinese pharmaceutical companies including subsidiaries of Shanghai Pharma.

Mr. Ding was vice president of China Nonprescription Medicines Association (CNMA) and vice president of Shanghai Pharmaceutical Profession Association (SPPA).

**Interest in shares and options**

Options over ordinary shares: None.

Ordinary shares: None.

**Other current directorships**

None.

**Former directorships of listed companies in last three years**

None.

**Special responsibilities**

None.

**Ms Wei Han**  
**Non Executive Director****Qualifications**

- Qualified professional statistician
- Board Secretary of Listed Company

**Experience and expertise**

As the vice Chairman and director of Goldenmax International, Ms. Han has wide knowledge and experience in company governance of listed company, compliance and finance management. Prior to joining in Goldenmax International, Ms. Han has more than 30 years of specialized experience in company governance and accounting, providing professional services in Chinese food and consuming industry.

**Interest in shares and options**

Options over ordinary shares: None.

Ordinary shares: None.

**Other current directorships**

Goldenmax International Technology Limited

**Former directorships of listed companies in last three years**

None.

**Special responsibilities**

None.

**COMPANY SECRETARY**

**Patrick Raper**

**Qualifications**

- FCPA
- FAICD

**Experience and expertise**

Patrick has over 25 years of experience as CFO and Company Secretary of ASX listed entities specialising in establishing finance, administration and governance infrastructure to enable fast growing and newly listed entities.

**Interest in shares and options**

Options over ordinary shares: None

Ordinary shares: None.

**CHIEF FINANCIAL OFFICER**

**Daniel Zheng**

**Qualifications**

- Executive MBA
- CA

**Experience and expertise**

Daniel joined Star Combo in April 2019. He is responsible for the finance, tax, legal, IT functions across the Group and assisting the Board with strategy execution. Daniel has 20 years of experience in global professional chartered accounting, IPO preparation, merger and acquisition, business integration & transformation, and financial management in a wide portfolio of private, listed, multinational companies and industry sectors. Daniel spent 5 years in two of the Big-Four accounting firms both in China and Australia, where he worked as a manager in the audit division. More recently Daniel spent 7 years in Head of Finance role with the Australian subsidiary of a leading UK listed construction and infrastructure services company.

**Interest in shares and options**

Options over ordinary shares: None

Ordinary shares: None.

**MEETINGS OF DIRECTORS**

During the financial year, 11 meetings of directors (including committees of directors) were held. Attendance by each director during the year was as follows:

|                      | Directors' Meetings       |                 |
|----------------------|---------------------------|-----------------|
|                      | Number eligible to attend | Number attended |
| Richard Allely       | 11                        | 11              |
| Star (Jinxing) Zhang | 11                        | 11              |
| Su Zhang             | 11                        | 11              |
| Craig Bottomley      | 1                         | 1               |
| Ziye Sui             | 11                        | 9               |
| Jialong Ding         | 2                         | 2               |
| Wei Han              | 2                         | 2               |

**PRINCIPAL ACTIVITIES**

The principal activities of the group during the financial year were the manufacture and distribution of health food products and nutritional supplements. The group made a placement of 49m shares for \$33.32m to Goldenmax to facilitate the development and future growth of its manufacturing facilities in Sydney. No other significant change in the nature of the Group activities occurred during the year.

**REVIEW OF OPERATIONS**

During the FY20 financial year, Star Combo Pharma focused on implementing and transitioning its strategy to become a leading contract manufacturer in Australia's vitamin and health supplements sector.

During the year, the Group earned revenues from ordinary activities of \$38.8 million (FY19: \$21.4 million), representing an increase of 81 percent year-on-year. This was primarily driven by its contract manufacturing and retail division which saw strong growth during the onset on the pandemic. Overall, the Company incurred a loss after income tax of \$0.3 million, down from a loss of \$1.7 million in FY19.

In terms of its contract manufacturing division, the ongoing COVID-19 pandemic has put health and wellness on the forefront of the minds of customers, both domestically and abroad. As a result, the Company has seen strong demand from customers seeking contract manufacturing, particularly in the final quarter of the financial year. This includes orders from new clients as well as increased orders from existing clients. During the year, revenues from this division was \$13.4 million (FY19: \$11.3 million).

The Company's retail division (Austoyou.com and Koala Mall) was stable in terms of revenue, with total revenue from the division being \$25.4 million (FY19: \$10.1 million from February 2019 when acquired by Star Combo, or proforma revenue of \$25.9 million). This was mostly due to consumer demand for health and wellness products and bulk orders which were made on the onset of the pandemic both in Australia and China.

From the onset of the COVID-19 pandemic, Star Combo Pharma enacted its strict infection control measures to ensure a COVID-safe environment for all its staff, and ensured its products and manufacturing lines were not adversely affected. Throughout this time, the Company has maintained continuous operations and its manufacturing staff continue to work on-site in accordance with strict health and safety guidelines.

|                                 | FY19 Group revenue (\$m) | FY20 Group revenue (\$m) | Percentage increase |
|---------------------------------|--------------------------|--------------------------|---------------------|
| Star Combo revenue              | \$11.3                   | \$13.4                   | 19%                 |
| Austoyou and Koala Mall revenue | \$10.1                   | \$25.4                   | 151%                |
| <b>Total Group Revenue</b>      | <b>\$21.4</b>            | <b>\$38.8</b>            | <b>81%</b>          |

Other non-financial highlights and material variations to the prior year result include:

- Successfully completed a \$33.32 million private placement with Goldenmax, a strategic investor and partner based in China.
- Agreement to terminate Bio-E share sale agreement. The Group continues to manufacture for Bio-E during FY20 financial year.

While lying outside the financial year, the Company recently expanded its manufacturing capabilities with a new milk powder 'blend and pack' facility and determined to not exercise its option to purchase iNature. Furthermore, the Group will invest in the upgrade of the manufacturing capability at 171 Woodpark Road in Smithfield and has completed its purchase of 165 Woodpark Road, in Smithfield, New South Wales, with plans to construct a new R&D facility and test laboratory centre to provide value-added services for contract manufacturing customers.

#### **NET TANGIBLE ASSETS PER ORDINARY SHARE**

Net Tangible Assets per Ordinary Share increased by 100% from \$0.11 to \$0.22.

#### **DIVIDENDS**

No dividends were declared or paid during the year (2019: Nil).

#### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Star Combo has successfully completed a \$33.32 million private placement with Goldenmax, a strategic investor and partner based in China.

Star Combo has decided not to exercise its option for the proposed acquisition to acquire 51% of Australian Inature Organic Care Pty Ltd.

#### **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

##### **Acquisition of iNature – Option not exercised**

Star Combo has announced on 16 July 2020 that the Group decided not to exercise its option for the proposed acquisition to acquire 51% of Australian Inature Organic Care Pty Ltd (iNature).

Under the Agreement the Option period expired on 30 June 2020 and the Option Fee of \$250,000 that was paid is refundable. The decision follows the recent \$33.32 million placement to Goldenmax, the development of increased production capacity and a new R&D facility at Smithfield, and pursuit of access to the significant sales and distribution network of Goldenmax across China.

##### **Purchase of 165 Woodpark Road, Smithfield**

Star Combo has completed the purchase of land located at 165 Woodpark Road Smithfield New South Wales for \$3.7 million in July 2020. The site totals 3700m<sup>2</sup> and is located adjacent to the Company's existing Therapeutic Goods Administration (TGA) licensed manufacturing facility.

The site will accommodate the construction of a modern, purpose-built R&D and Test Laboratory Centre which supports the company's strategy to become a leading OEM supplier of premium vitamins & dietary supplements, primarily in the Australian market.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR (CONTINUED)**Release of Escrow Shares**

Star Combo has released 14,215,405 fully paid ordinary shares previously held under escrow on 28 July 2020 in accordance with Listing Rule 3.10A.

The release of these shares does not change the issued capital of the Company or the voting.  
The shares released from escrow are as follows:

| Shareholder Name | Escrow Period | No of Shares | Action Taken        |
|------------------|---------------|--------------|---------------------|
| MISS SU ZHANG    | May-20        | 11,448,980   | Release from Escrow |
| YANFEN SONG      | May-19        | 100,000      | Release from Escrow |
| LIANG ZUO        | Feb-20        | 1,066,570    | Release from Escrow |
| DW & RL PTY LTD  | Feb-20        | 1,599,855    | Release from Escrow |

Further, the Escrow periods for the following shares have been extended

| Shareholder Name    | Escrow Period | No of Shares | Action Taken                     |
|---------------------|---------------|--------------|----------------------------------|
| JINXING(STAR) ZHANG | May-20        | 38,165,510   | Extend Escrow Period to May 2021 |
| DW & RL PTY LTD     | Feb-20        | 494,479      | Extend Escrow Period to Feb 2021 |
| LIANG ZUO           | Feb-20        | 329,653      | Extend Escrow Period to Feb 2021 |

**ENVIRONMENTAL REGULATION**

The directors recognise the importance of environmental and occupational health and safety issues. The directors are committed to compliance with all relevant regulations to ensure the protection of the environment, the community and the health and safety of employees. The operations of the Group are not subject to any particular and significant environmental regulation under the law of the Commonwealth of Australia or any of its states or territories or New Zealand.

**REMUNERATION REPORT (AUDITED)**

This remuneration report forms part of the directors' report for the year ended 30 June 2020 and details the nature and amount of remuneration for director, non-executive directors and other key management personnel ("KMP") of Star Combo Pharma Ltd and controlled entities.

**REMUNERATION POLICY**

The remuneration policy of the Group has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and bonuses issued at the discretion of the board of the company. The Board of Directors of the Group believes the remuneration policy to be appropriate and effective in its ability to attract and retain key management personnel to run and manage the company, as well as create goal congruence between directors, executives and shareholders.

All remuneration paid to key management personnel (directors and others) is valued at the cost to the company and expenses or where appropriate transferred to capital items. Shares issued to key management personnel are valued as the difference between the market price of those shares and the amount paid by the key management person. Share options are valued using the binomial option or Black Scholes valuation methodology. Shares and options granted to key management personnel (directors and others) are subject to any necessary approvals required by the ASX Listing Rules.

**DIRECTORS AND KEY MANAGEMENT PERSONNEL**

The term "key management" as used in this remuneration report refers to the following directors and executives:

***Directors***

The following persons acted as directors of the Company during the financial year or up to the date of this report:

|                                           |                           |
|-------------------------------------------|---------------------------|
| Richard Allely                            | (Chairman)                |
| Star (Jinxing) Zhang                      | (Managing Director)       |
| Su Zhang                                  | (Chief Executive Officer) |
| Craig Bottomley (resigned 16 August 2019) | (Non-executive Director)  |
| Dr. Ziye Sui                              | (Non-executive Director)  |
| Jialong Ding (appointed 28 May 2020)      | (Non-executive Director)  |
| Wei Han (appointed 28 May 2020)           | (Non-executive Director)  |

***Management***

|              |                           |
|--------------|---------------------------|
| Daniel Zheng | (Chief Financial Officer) |
|--------------|---------------------------|

The company does not consider any other employees or consultants to be Key Management Personnel.

**ENGAGEMENT OF REMUNERATION CONSULTANTS**

There is no engagement of remuneration consultants.

**PERFORMANCE-BASED REMUNERATION**

At this point, there is no performance-based remuneration, other than options issued to non-executive directors and employee options issued to certain key employees. The issue of options is designed to align the interest of non-executive directors, key employees and shareholders.

**PERFORMANCE CONDITIONS LINKED TO REMUNERATION**

There are no performance conditions linked to remuneration.

**Directors' Report – Remuneration (continued)****for the year ended 30 June 2020****CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO THE YEAR END**

There have been no changes in Directors and Executives subsequent to year end.

**KEY MANAGEMENT PERSONNEL EMPLOYMENT DETAILS**

The following table provides employment details of persons who were, during the financial year, members of KMP of the Group. The table also illustrates the proportion of remuneration that is performance and non-performance based.

|                         | Position held as at 30 June 2020 and during the year | Contract details (duration and termination)                | Proportion of remuneration related to performance (Other than options issued) |        | Proportion of remuneration not related to performance |
|-------------------------|------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------------------------|--------|-------------------------------------------------------|
| <i>Group KMP</i>        |                                                      |                                                            | Non-salary cash-based incentives                                              | Shares | Fixed Salary/Fees                                     |
| <i>Directors</i>        |                                                      |                                                            | %                                                                             | %      | %                                                     |
| Mr Richard Allely       | Chairman                                             | No fixed term. Two months' notice required to terminate.   | -                                                                             | -      | 100                                                   |
| Dr Ziyi Sui             | Non-executive Director                               | No fixed term. Two months' notice required to terminate.   | -                                                                             | -      | 100                                                   |
| Mr Star (Jinxing) Zhang | Managing Director                                    | No fixed term. Three months' notice required to terminate. | -                                                                             | -      | 100                                                   |
| Ms Su Zhang             | Chief Executive Officer                              | No fixed term. Two months' notice required to terminate.   | -                                                                             | -      | 100                                                   |
| Mr Jialong Ding         | Non-executive Director                               | No fixed term.                                             | -                                                                             | -      | n/a                                                   |
| Ms Wei Han              | Non-executive Director                               | No fixed term.                                             | -                                                                             | -      | n/a                                                   |
| <i>Management</i>       |                                                      |                                                            |                                                                               |        |                                                       |
| Mr Daniel Zheng         | Chief Financial Officer                              | No fixed term. Three months' notice required to terminate. | 2.7%                                                                          | -      | 97.3%                                                 |

The employment terms and conditions of all key management personnel are formalised in contracts of employment.

## Directors' Report – Remuneration (continued)

for the year ended 30 June 2020

### KEY MANAGEMENT PERSONNEL REMUNERATION EXPENSE DETAILS FOR THE YEAR ENDED 30 JUNE 2020

The following table of benefits and payments represents the components of the current year and comparative year remuneration expenses for each member of KMP of the consolidated group. Such amounts have been calculated in accordance with Australian Accounting Standards.

|                          |             | Salary, Fees and Leave | Pension and Super-annuation | Cash bonus   | Long service leave | Shares/ Units | Options/ Rights | Total          |
|--------------------------|-------------|------------------------|-----------------------------|--------------|--------------------|---------------|-----------------|----------------|
| <i>Group KMP</i>         | Year        | \$                     | \$                          | \$           | \$                 | \$            | \$              | \$             |
| Mr Richard Allely        | 2020        | 135,236                | 8,097                       | -            | -                  | -             | -               | 143,333        |
|                          | 2019        | 54,792                 | 5,205                       | -            | -                  | -             | -               | 59,997         |
| Mr Craig Bottomley       | 2020        | 10,197                 | 969                         | -            | -                  | -             | -               | 11,166         |
|                          | 2019        | 40,788                 | 3,875                       | -            | -                  | -             | -               | 44,663         |
| Ms Ziye Sui              | 2020        | 20,164                 | -                           | -            | -                  | -             | -               | 20,164         |
|                          | 2019        | 20,400                 | -                           | -            | -                  | -             | -               | 20,400         |
| Mr Jialong Ding          | 2020        | -                      | -                           | -            | -                  | -             | -               | -              |
| Ms Wei Han               | 2020        | -                      | -                           | -            | -                  | -             | -               | -              |
| Mr Star (Jinxing) Zhang  | 2020        | 183,645                | 17,446                      | -            | -                  | -             | -               | 201,091        |
|                          | 2019        | 183,630                | 17,445                      | -            | -                  | -             | -               | 201,075        |
| Ms Su Zhang              | 2020        | 152,905                | 14,526                      | -            | 1,205              | -             | -               | 168,636        |
|                          | 2019        | 149,913                | 14,242                      | -            | 294                | -             | -               | 164,448        |
| Mr Daniel Zheng (Note 1) | 2020        | 182,430                | 17,806                      | 5,000        | 418                | -             | -               | 205,654        |
|                          | 2019        | 33,805                 | 3,212                       | -            | 26                 | -             | -               | 37,043         |
| <b>Total</b>             | <b>2020</b> | <b>684,577</b>         | <b>58,844</b>               | <b>5,000</b> | <b>1,623</b>       |               |                 | <b>750,044</b> |
| <b>Total</b>             | <b>2019</b> | <b>483,328</b>         | <b>43,979</b>               |              | <b>320</b>         |               |                 | <b>527,626</b> |

Note 1: The cash bonus paid to the Mr Daniel Zheng in FY20 was discretionary.

### KEY MANAGEMENT PERSONNEL SHAREHOLDING MOVEMENTS

The number of ordinary shares in Star Combo Pharma Ltd held by each director and member of key management personnel of the Group during the financial year are as follows:

| <i>Group KMP</i>        | Balance at beginning of the year | Granted as remuneration during the year | Issued on exercise of options during | Other changes during the year | Balance at end of the year |
|-------------------------|----------------------------------|-----------------------------------------|--------------------------------------|-------------------------------|----------------------------|
| Mr Richard Allely       | -                                | -                                       | -                                    | -                             | -                          |
| Mr Craig Bottomley      | -                                | -                                       | -                                    | -                             | -                          |
| Ms Ziye Sui             | -                                | -                                       | -                                    | -                             | -                          |
| Mr Jialong Ding         | -                                | -                                       | -                                    | -                             | -                          |
| Ms Wei Han              | -                                | -                                       | -                                    | -                             | -                          |
| Mr Star (Jinxing) Zhang | 38,165,510                       | -                                       | -                                    | -                             | 38,165,510                 |
| Ms Su Zhang             | 11,448,980                       | -                                       | -                                    | -                             | 11,448,980                 |
| Mr Daniel Zheng         | -                                | -                                       | -                                    | -                             | -                          |

**Directors' Report – Remuneration (continued)****for the year ended 30 June 2020****KEY MANAGEMENT PERSONNEL OPTIONS AND RIGHTS HELD**

The numbers of options to purchase ordinary shares held at the date of this report by each Director of Star Combo Pharma Ltd and each of the other key management personnel are listed below. On exercise, each option is convertible into one ordinary share of Star Combo Pharma Ltd. All of the options vested on the date of grant.

|                              | Balance at the beginning of the year |                | Exercised or lapsed or forfeited during the year |                  | Balance at the end of the year |                |
|------------------------------|--------------------------------------|----------------|--------------------------------------------------|------------------|--------------------------------|----------------|
|                              | No.                                  | Value.<br>\$   | No.                                              | Value<br>\$      | No.<br>Exercisable             | Value<br>\$    |
| <b>Group KMP</b>             |                                      |                |                                                  |                  |                                |                |
| Mr Richard Allely<br>Note 1  | 1,000,000                            | 129,091        | -                                                | -                | 1,000,000                      | 129,091        |
| Mr Craig Bottomley<br>Note 2 | 800,000                              | 103,273        | (800,000)                                        | (103,273)        | -                              | -              |
| Ms Ziye Sui                  | -                                    | -              | -                                                | -                | -                              | -              |
| Mr Jialong Ding              | -                                    | -              | -                                                | -                | -                              | -              |
| Ms Wei Han                   | -                                    | -              | -                                                | -                | -                              | -              |
| Mr Jinxing Zhang             | -                                    | -              | -                                                | -                | -                              | -              |
| Ms Su Zhang                  | -                                    | -              | -                                                | -                | -                              | -              |
| Mr Daniel Zheng              | -                                    | -              | -                                                | -                | -                              | -              |
| <b>TOTAL</b>                 | <b>1,800,000</b>                     | <b>232,364</b> | <b>(800,000)</b>                                 | <b>(103,273)</b> | <b>1,000,000</b>               | <b>129,091</b> |

Note 1 – Grant Date = 16 Feb 2018, Expiry Date = 16 May 2021, Exercise price = \$0.625

Note 2 – Grant Date = 17 April 2018, Expiry Date = 16 May 2021, Exercise Price = \$0.625, Forfeited on resignation

See Note 22 of the financial statements for further information on share options.

**KEY MANAGEMENT PERSONNEL OTHER RELATED PARTY TRANSACTIONS**

There have been no other transactions involving equity instruments apart from those described in the tables above relating to options, rights and shareholdings.

*Rental lease*

During the financial year, \$399,072 (2019: \$430,733) was paid to Antoine International Pty Ltd in respect of an operating lease for the Star Combo premises. Antoine International Pty Ltd is a related party by virtue of Jinxing (Star) Zhang being a common director.

*Consultancy services*

During the financial year, \$45,500 (2019: \$22,500) was paid to Richlink Capital Pty Ltd in respect of consultancy services provided.

*Placement of Shares*

During the financial year, the company issued 49,000,000 ordinary shares to Goldenmax for an amount of \$33,320,000.

**KEY MANAGEMENT PERSONNEL LOANS TO / FROM**

As at 30 June 2020, Mr Zhang owed Star Combo Australia Pty Ltd \$8,693 (2019: Star Combo Australia Pty Ltd owed Mr Zhang \$102,153). The loan to Mr Zhang was repaid in full by Mr Zhang on 14 August 2020.

This concludes the Remuneration Report which has been audited.

**Directors' Report (continued)****for the year ended 30 June 2020****SHARE OPTIONS RIGHTS OUTSTANDING**

As at the date of this report there are 2,500,000 options outstanding in relation to Star Combo ordinary shares.

Holders of outstanding share options in relation to Star Combo ordinary shares do not have any rights under the share options to participate in any share issue or interest of Star Combo.

|                            | Balance at 30 June<br>2019 | Expired during the<br>year | Options Exercised<br>during the year | Balance at 30 June<br>2020 |
|----------------------------|----------------------------|----------------------------|--------------------------------------|----------------------------|
| Directors Options (Note 1) | 1,800,000                  | (800,000)                  | -                                    | 1,000,000                  |
| Staff Options (Note 2)     | 1,500,000                  | (390,000)                  | -                                    | 1,110,000                  |
| <b>Total</b>               | <b>3,300,000</b>           | <b>(1,190,000)</b>         | <b>-</b>                             | <b>2,110,000</b>           |

Note 1: Exercise Price is \$0.625. Expiry Date is 16 May 2021.

Note 2: Exercise Price is \$0.50. Expiry Date is 15 June 2023.

**INDEMNITY AND INSURANCE OF OFFICERS****Indemnification**

Under the Star Combo Constitution, unless prohibited by statute, Star Combo indemnifies current and former directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the financial period, Star Combo has paid premiums in respect of contracts insuring the directors and officers of Star Combo against any liability of this nature.

Star Combo has not, during or since the end of the financial period, indemnified or agreed to indemnify an officer or auditor of Star Combo or any related entity against a liability as such by an officer or auditor except to the extent permitted by law.

**Insurance premiums**

In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of liabilities insured against and the amount of the premiums paid are confidential.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

**AUDITOR**

BDO East Coast Partnership continues in office in accordance with section 327 of the *Corporations Act 2001*.

**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

**NON-AUDIT SERVICES**

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important.

Details of the amounts paid or payable to the auditor (BDO East Coast Partnership) for non-audit services provided during the financial year are outlined in Note 28 to the financial statements.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in the relevant professional requirement, including reviewing and auditing the auditor's own work, acting in a management or a decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing economic risks and rewards.

**ROUNDING OF AMOUNTS**

The Company is of a kind referred to the Australian Securities and Investments Commission Corporations Instrument 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Act.

On behalf of the Directors



**Richard Allely**  
**Chairman**

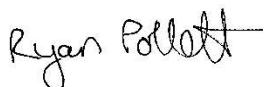
**25 August 2020**

## DECLARATION OF INDEPENDENCE BY RYAN POLLETT TO THE DIRECTORS OF STAR COMBO PHARMA LTD

As lead auditor of Star Combo Pharma Ltd for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Star Combo Pharma Ltd and the entities it controlled during the period.



Ryan Pollett  
Partner

**BDO East Coast Partnership**

Sydney

25 August 2020



## FINANCIAL STATEMENTS

### TABLE OF CONTENTS

|                                                                          |    |
|--------------------------------------------------------------------------|----|
| Consolidated Statement of Profit and Loss and Other Comprehensive Income | 20 |
| Consolidated Statement of Financial Position                             | 21 |
| Consolidated Statement of Changes in Equity                              | 22 |
| Consolidated Statement of Cash Flows                                     | 23 |
| Notes to Consolidated Financial statements                               | 24 |
| Directors' declaration                                                   | 64 |
| Independent auditor's report                                             | 65 |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED  
30 JUNE 2020**

|                                                                                    |      | 2020<br>\$       | 2019<br>\$         |
|------------------------------------------------------------------------------------|------|------------------|--------------------|
|                                                                                    | Note |                  |                    |
| Revenue                                                                            | 4    | 38,835,502       | 21,409,384         |
| Other income                                                                       | 4    | 1,466,072        | 183,525            |
| Cost of sales                                                                      | 5    | (35,025,184)     | (17,940,775)       |
| Impairment (loss)/gain on trade receivables                                        |      | (38,921)         | 278,919            |
| Distribution expense                                                               |      | (42,925)         | (129,125)          |
| Marketing and selling costs                                                        |      | (964,812)        | (1,739,532)        |
| Administrative expenses                                                            |      | (4,724,045)      | (4,510,045)        |
| Finance costs                                                                      |      | (393,874)        | (26,616)           |
| Foreign exchange (loss)/gain                                                       |      | (18,226)         | 136,293            |
| <b>Loss before income tax</b>                                                      |      | <b>(906,413)</b> | <b>(2,337,972)</b> |
| Income tax benefit                                                                 | 6    | 557,725          | 611,201            |
| <b>Loss for the year</b>                                                           |      | <b>(348,688)</b> | <b>(1,726,771)</b> |
| <b>Other comprehensive income</b>                                                  |      |                  |                    |
| Items that may be reclassified subsequently to profit or loss:                     |      |                  |                    |
| Foreign currency translation of foreign operations                                 |      | (1,477)          | 1,035              |
| <b>Total comprehensive income attributable to Members of Star Combo Pharma Ltd</b> |      | <b>(350,165)</b> | <b>(1,725,736)</b> |
| <b>Earnings per share</b>                                                          |      | Cents            | Cents              |
| Basic loss per share (cents)                                                       | 9    | (0.004)          | (0.02)             |
| Diluted loss per share (cents)                                                     | 9    | (0.004)          | (0.02)             |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

|                                      |             | 30 June 2020      | 30 June 2019<br>(Restated) |
|--------------------------------------|-------------|-------------------|----------------------------|
|                                      |             | \$                | \$                         |
| <b>ASSETS</b>                        | <b>Note</b> |                   |                            |
| <b>Current assets</b>                |             |                   |                            |
| Cash and cash equivalents            | 10          | 26,600,929        | 4,621,024                  |
| Trade and other receivables          | 11          | 2,525,281         | 2,815,981                  |
| Inventories                          | 12          | 5,379,458         | 4,937,951                  |
| Current tax assets                   | 7           | 172,217           | 52,357                     |
| Receivables due to share reductions  | 23          | 420,306           | -                          |
| Other assets                         |             | 241,419           | 350,425                    |
| <b>Total current assets</b>          |             | <b>35,339,610</b> | <b>12,777,738</b>          |
| <b>Non-current assets</b>            |             |                   |                            |
| Property, plant and equipment        | 13          | 5,418,713         | 2,941,931                  |
| Intangible assets and goodwill       | 14          | 9,229,706         | 9,534,492                  |
| Right-of-use assets                  | 15          | 3,267,522         | -                          |
| Receivables due to share reductions  | 23          | -                 | 420,306                    |
| Deferred tax assets                  | 7           | 1,460,629         | 1,112,221                  |
| <b>Total non-current assets</b>      |             | <b>19,376,570</b> | <b>14,008,950</b>          |
| <b>Total assets</b>                  |             | <b>54,716,180</b> | <b>26,786,688</b>          |
| <b>LIABILITIES</b>                   |             |                   |                            |
| <b>Current liabilities</b>           |             |                   |                            |
| Trade and other payables             | 16          | 2,818,767         | 3,368,621                  |
| Lease liabilities                    | 17          | 180,892           | -                          |
| Deferred consideration               | 18          | 1,037,710         | 1,403,493                  |
| Borrowings                           | 19          | 484,558           | 10,119                     |
| Provisions                           |             | 142,528           | 88,991                     |
| <b>Total current liabilities</b>     |             | <b>4,664,455</b>  | <b>4,871,224</b>           |
| <b>Non-current liabilities</b>       |             |                   |                            |
| Lease liabilities                    | 17          | 3,362,219         | -                          |
| Deferred consideration               | 18          | -                 | 1,052,743                  |
| Borrowings                           | 19          | 1,586,293         | 47,739                     |
| Provisions                           |             | 27,154            | 13,361                     |
| Deferred tax liabilities             | 7           | 577,475           | 729,856                    |
| <b>Total non-current liabilities</b> |             | <b>5,553,141</b>  | <b>1,843,699</b>           |
| <b>Total liabilities</b>             |             | <b>10,217,596</b> | <b>6,714,923</b>           |
| <b>Net assets</b>                    |             | <b>44,498,584</b> | <b>20,071,765</b>          |
| <b>EQUITY</b>                        |             |                   |                            |
| Issued capital                       | 21          | 67,742,699        | 42,760,654                 |
| Group reorganisation reserve         | 1(B)        | (25,498,900)      | (25,498,900)               |
| Share based payment reserve          | 22          | 1,020,412         | 1,436,855                  |
| FX Reserve                           |             | (442)             | 1,035                      |
| Retained earnings                    |             | 1,234,815         | 1,372,121                  |
| <b>Total equity</b>                  |             | <b>44,498,584</b> | <b>20,071,765</b>          |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

|                                                               | Ordinary<br>share capital | Group<br>Reorganisation<br>reserve | Share<br>Based<br>Payment<br>reserve | Foreign<br>Currency<br>Translation<br>reserve | Retained<br>earnings | Total<br>Equity    |
|---------------------------------------------------------------|---------------------------|------------------------------------|--------------------------------------|-----------------------------------------------|----------------------|--------------------|
|                                                               | \$                        | \$                                 | \$                                   | \$                                            | \$                   | \$                 |
| <b>Balance at 1 July 2018</b>                                 | <b>37,325,236</b>         | <b>(25,498,900)</b>                | <b>1,856,279</b>                     | <b>-</b>                                      | <b>2,908,156</b>     | <b>16,590,771</b>  |
| Impact of adoption of AASB 9                                  | -                         | -                                  | -                                    | -                                             | (300,865)            | (300,865)          |
| Foreign currency translation reserve                          | -                         | -                                  | -                                    | 1,035                                         | -                    | 1,035              |
| Loss for the year                                             | -                         | -                                  | -                                    | -                                             | (1,726,771)          | (1,726,771)        |
| <b>Total comprehensive income for the year</b>                | <b>-</b>                  | <b>-</b>                           | <b>-</b>                             | <b>1,035</b>                                  | <b>(1,726,771)</b>   | <b>(1,725,736)</b> |
| Transactions with equity holders in their capacity as owners: |                           |                                    |                                      |                                               |                      |                    |
| Share options exercised                                       | -                         | -                                  | (419,424)                            | -                                             | 419,099              | (325)              |
| Share issued                                                  | 5,445,369                 | -                                  | -                                    | -                                             | -                    | 5,445,369          |
| Share issue costs                                             | (9,951)                   | -                                  | -                                    | -                                             | -                    | (9,951)            |
| <b>Balance at 30 June 2019</b>                                | <b>42,760,654</b>         | <b>(25,498,900)</b>                | <b>1,436,855</b>                     | <b>1,035</b>                                  | <b>1,299,619</b>     | <b>19,999,263</b>  |
| <b>Balance at 30 June 2019 (Restated – Note 23)</b>           | <b>42,760,654</b>         | <b>(25,498,900)</b>                | <b>1,436,855</b>                     | <b>1,035</b>                                  | <b>1,299,619</b>     | <b>19,999,263</b>  |
| Adjustment made for business combination                      | -                         | -                                  | -                                    | -                                             | 72,502               | 72,502             |
| <b>Balance at 1 July 2019 (Restated)</b>                      | <b>42,760,654</b>         | <b>(25,498,900)</b>                | <b>1,436,855</b>                     | <b>1,035</b>                                  | <b>1,372,121</b>     | <b>20,071,765</b>  |
| Impact of adoption of AASB 16 Leases                          | -                         | -                                  | -                                    | -                                             | (205,061)            | (205,061)          |
| Foreign Currency Translation Reserve                          | -                         | -                                  | -                                    | (1,477)                                       | -                    | (1,477)            |
| Loss after income tax for the year                            | -                         | -                                  | -                                    | -                                             | (348,688)            | (348,688)          |
| <b>Total comprehensive income for the year</b>                | <b>-</b>                  | <b>-</b>                           | <b>-</b>                             | <b>(1,477)</b>                                | <b>(348,688)</b>     | <b>(350,165)</b>   |
| Transactions with equity holders in their capacity as owners: |                           |                                    |                                      |                                               |                      |                    |
| Share options expired                                         | -                         | -                                  | (416,443)                            | -                                             | 416,443              | -                  |
| Share issued                                                  | 33,320,000                | -                                  | -                                    | -                                             | -                    | 33,320,000         |
| Share issue costs                                             | (8,337,955)               | -                                  | -                                    | -                                             | -                    | (8,337,955)        |
| <b>Balance at 30 June 2020</b>                                | <b>67,742,699</b>         | <b>(25,498,900)</b>                | <b>1,020,412</b>                     | <b>(442)</b>                                  | <b>1,234,815</b>     | <b>44,498,584</b>  |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

|                                                               |      | 2020               | 2019               |
|---------------------------------------------------------------|------|--------------------|--------------------|
|                                                               | Note | \$                 | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |      |                    |                    |
| Receipts from customers (Inclusive of GST)                    |      | 42,971,876         | 24,424,398         |
| Payments to suppliers and employees (Inclusive of GST)        |      | (44,106,543)       | (26,794,085)       |
| Interest and other income received                            |      | 26,473             | 87,924             |
| Interest and other financial cost paid                        |      | (66,379)           | -                  |
| Government grant and financial support                        |      | 219,333            | -                  |
| Income tax (paid)/received                                    |      | (62,924)           | 96,611             |
| <b>Net cash used in operating activities</b>                  | 26   | <b>(1,018,164)</b> | <b>(2,185,152)</b> |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |      |                    |                    |
| Payment for plant and equipment                               |      | (2,718,057)        | (678,244)          |
| Payment for intangible assets                                 |      | (64,092)           | (3,560,369)        |
| Payments for business combination                             |      | (594,907)          | -                  |
| Cash from acquired subsidiaries                               |      | -                  | 315,800            |
| Payment for option fee                                        |      | (250,000)          | -                  |
| <b>Net cash used in investing activities</b>                  |      | <b>(3,627,056)</b> | <b>(3,922,813)</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |      |                    |                    |
| Proceeds from borrowings                                      |      | 2,062,413          | 47,739             |
| Repayments of borrowings                                      |      | (49,419)           | (135,551)          |
| Repayment of lease liabilities                                |      | (369,914)          | -                  |
| Proceeds from issue of shares                                 |      | 33,320,000         | 1,885,000          |
| Costs of raising equity                                       |      | (8,337,955)        | (9,995)            |
| <b>Net cash from financing activities</b>                     |      | <b>26,625,125</b>  | <b>1,787,193</b>   |
| Net increase/(decrease) in cash and cash equivalents          |      | 21,979,905         | (4,320,772)        |
| Cash at the beginning of the financial year                   |      | 4,621,024          | 8,941,796          |
| <b>Cash and cash equivalents at end of the financial year</b> | 10   | <b>26,600,929</b>  | <b>4,621,024</b>   |

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of Star Combo Pharma Ltd and its subsidiaries.

### (A) BASIS OF PREPARATION

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

The financial report is presented in Australian dollars which is the Group's functional and presentation currency.

#### *Compliance with IFRS*

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the financial report of Star Combo Pharma Ltd complies with the International Financial Reporting Standards (IFRS).

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention.

#### *Comparative information and presentation*

The Group presents reclassified comparative information, where required, for consistency with the current period's presentation. When required by Accounting Standards, comparative figures have been adjusted to conform changes in presentation for the current financial year.

#### *Rounding of amounts*

The Company is of a kind referred to the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to 'rounding-off'. Amounts in this report have been rounded to the nearest dollar.

### (B) GROUP REORGANISATION

Star Combo Pharma Ltd (the Company) was incorporated on 4 November 2016. During January and February 2018, the shareholders of the Company, the Directors and management undertook a group reorganisation process, through which Star Combo Pharma Ltd became the legal parent of the following entities:

- Star Combo Australia Pty Ltd (acquired 25 January 2018)
- Costar Pharma Laboratory Pty Ltd (acquired 1 February 2018)

The reorganisation was made in connection with the upcoming initial public offering ('IPO') which was successfully completed on 16 May 2018. The reorganisation represents a business combination of entities or businesses under common control and therefore the requirements of AASB 3 *Business Combinations* do not apply.

The Directors have elected to account for the restructure as a capital re-organisation. In the Directors' judgement, the continuation of existing accounting values is consistent with the accounting that would have occurred if the assets and liabilities had already been included in a structure suitable to IPO, and most appropriately reflects the substance of the internal restructure.

## **(C) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company or which are subject to common control. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it 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. A list of the subsidiaries is provided in Note 18.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. The Group is in the process of reviewing the accounting policies of subsidiaries to identify any changes and adjustments might be necessary to ensure uniformity of the accounting policies adopted by the Group.

### **Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

## **(C) PRINCIPLES OF CONSOLIDATION (CONTINUED)**

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### **Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of any identifiable assets acquired and liabilities assumed.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored and not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

## **(D) FINANCIAL INSTRUMENTS**

### ***Recognition and measurement***

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Trade receivables and debt securities issued are recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is measured at the transaction price.

### ***Classification and subsequent measurement***

#### **Financial assets**

Financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

## **(D) FINANCIAL INSTRUMENTS (CONTINUED)**

A financial asset is measured at amortised cost if it meets both of the following conditions and not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **Financial liabilities**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### ***Derecognition***

#### **Financial assets**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

## **(D) FINANCIAL INSTRUMENTS (CONTINUED)**

### **Financial liabilities**

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### ***Offsetting***

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### ***Impairment of financial assets***

The expected credit loss' (ECL) impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

## **(E) IMPAIRMENT OF ASSETS**

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assets that are subject to depreciation (amortisation) are tested for impairment whenever changes in circumstances indicate that the asset's carrying amount may exceed its recoverable amount. An impairment charge is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Assets that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

### **Non-derivative financial assets**

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

## **(E) IMPAIRMENT OF ASSETS (CONTINUED)**

### **Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

## **(F) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

### *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Australian dollars, which is Group's functional and presentation currency.

### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into AUD at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into AUD at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

## **(G) GOODS AND SERVICES TAX (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

## (H) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the preparation of the financial report management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the bases of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is reviewed if the revision affects only that period, or in the period of this revision and future periods if the revision affects both current and future periods.

### ***Key estimates and judgements***

#### *Impairment - Intangibles*

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions. The directors do not consider any impairment should be recognised in respect of the Living Healthy brand, Austoyou and Koala Mall during the financial year based on future cash flow projections which have been discounted appropriately.

#### *Provision for impairment of receivables*

Included in trade receivables at the end of the reporting period are some receivables over 90 days from sales made to a number of customers during the current financial year. Management have estimated the provision for impairment of receivables based on payment and communication histories of these customers including records of payments received post balance date; and informed credit assessment and including forward-looking information.

#### *Measurement of fair values*

The Group overseas significant fair value measurements required for accounting policies and disclosures. The Group regularly reviews significant unobservable inputs and valuation adjustments and assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of AASB, including the level in the fair value hierarchy in which the valuations should be classified. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- *Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.*
- *Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).*
- *Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).*

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 14 – Intangible assets and goodwill
- Note 15 – Leases (group as a lessee)
- Note 17 – Lease liabilities
- Note 18 – Deferred consideration
- Note 22 – Share option reserve
- Note 23 – Business combination

**(I) AASB 16 LEASES**

Details of the impact of the new lease standard to the Group can be found under Note 15. The Group has elected to apply the transition under the modified retrospective approach option 2A.

**(J) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS**

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group have not assessed the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

## **NOTE 2 – CAPITAL AND FINANCIAL RISK MANAGEMENT**

### **Capital management**

The Group's objectives when managing share capital, reserves and retained earnings, which represents the Group's capital, are to:

- Maintain a sustainable debt to equity ratio;
- Generating long-term shareholder value; and
- Ensure that the group can fund its future operations as a going concern.

The Group's potential debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

### **Financial risk management**

The Group's activities expose it to a variety of financial risks; credit risk, liquidity risk and market risk. The Group uses different methods to measure different types of risk to which it is exposed. There have been no substantive changes in the types of risk the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

#### ***Credit risk***

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counter parties. The class of assets described as " Trade and other receivables" is considered to be the main source of credit risk related to the Group.

The Group has no formal policy with regards to past due trade receivables and each receivable is evaluated individually by management. Jinxing (Star) Zhang is considered to be central to the Group's credit risk assessment and management procedures given his strong relationships with the customers of the Star Combo Group. Please refer to Note 11 on Expected Credit Loss on trade receivables.

## NOTE 2 – CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

### *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flows.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

|                        | Up to 6 months   | 6-12 months      | 1-3 years      | 3+ years         | Total            |
|------------------------|------------------|------------------|----------------|------------------|------------------|
| Trade payables         | 1,967,882        | 65,468           | -              | -                | 2,033,350        |
| Borrowings             | 1,967,057        | 10,776           | 93,018         | -                | 2,070,851        |
| Leases                 | 180,818          | 152,980          | 795,000        | 3,613,363        | 4,742,161        |
| Deferred consideration | 180,284          | 857,426          | -              | -                | 1,037,710        |
| <b>Total</b>           | <b>4,296,041</b> | <b>1,086,650</b> | <b>888,018</b> | <b>3,613,363</b> | <b>9,884,072</b> |

### *Market risk*

#### *(i) Interest rate risk*

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments. The Group is primarily exposed to this risk on cash and cash equivalents.

During 2020, the Group has borrowed \$2m bank loan from CBA bank for the acquisition of new machinery. The term of the equipment loan is 5 years fully amortised with nil residual. The interest rate is fixed 4.46% per annum plus 0.25% establishment fees (Note 19). Due to the excessive available cash at 30 June 2020, the Group has paid \$2,003,162 to CBA bank on 2 July 2020 to fully settled the bank loan through the early payout arrangement with CBA bank. As a result, the Group is not materially affected by interest rate risk at year end.

#### *(ii) Foreign exchange risk*

Foreign exchange risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. Foreign currency risk is managed by retaining majority of its cash and payables in Australian currency. Products sales are received in USD and RMB with short term credit terms.

A reasonably possible strengthening (weakening) of RMB (Chinese Yuan) against AUD at 30 June 2020 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

| <i>Effect in \$</i> | Profit or loss |           | Equity, net of tax |           |
|---------------------|----------------|-----------|--------------------|-----------|
|                     | Strengthening  | Weakening | Strengthening\$    | Weakening |
| <b>30 June 2020</b> |                |           |                    |           |
| RMB (5% movement)   | (6,770)        | 7,483     | (26,179)           | 28,935    |

### NOTE 3 – OPERATING SEGMENTS

During the 2020 financial year, the Group operated in two operating segments being Star Combo the business of development, manufacturing, marketing and sales of natural health supplements and skin care products, and Austoyou retail business made up of the Australia-China e-commerce platform that offers over 5,000 high-demand product lines directly to Chinese health product consumers; and Koala Mall's two retail stores in Sydney. The Group considers Austoyou and Koala Mall as one segment due to their operations consisting mainly in retail business and the common business platform shared by the two. The Group has sold to both Australian and China markets during the financial year. In 2019 financial year, the Group operated in the same two operating segments and sold to both Australian and China markets.

#### ***Accounting policy***

##### **a. Accounting policies adopted**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's management to make decisions about resources to be allocated to the segment and assess its performance. Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

##### **b. Intersegment transactions**

An internally determined transfer price is set for all intersegment sales. This price is reset annually and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If intersegment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

##### **c. Segment assets**

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of the economic value from the asset. In most instances, segment assets are clearly identifiable on the basis of their nature and physical location.

##### **d. Segment liabilities**

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

##### **e. Unallocated items**

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- income tax expense;
- deferred tax assets and liabilities;
- current tax liabilities; and
- other financial liabilities.

### NOTE 3 – OPERATING SEGMENTS (CONTINUED)

#### f. Segment information

(i) *Segment performance*

|                                                                          | Star Combo<br>business | Austoyou<br>retail | Total             |
|--------------------------------------------------------------------------|------------------------|--------------------|-------------------|
|                                                                          | \$                     | \$                 | \$                |
| <b>30 June 2020</b>                                                      |                        |                    |                   |
| <b>Revenue</b>                                                           |                        |                    |                   |
| External sales                                                           | 13,401,394             | 25,421,461         | 38,822,855        |
| Intersegment sales                                                       | 12,647                 | -                  | 12,647            |
| Interest revenue                                                         | 1,024                  | -                  | 1,024             |
| Other revenue/income                                                     | 1,295,714              | 169,334            | 1,465,048         |
| <b>Total segment revenue</b>                                             | <b>14,710,779</b>      | <b>25,590,795</b>  | <b>40,301,574</b> |
| <b>Total group revenue</b>                                               | <b>14,710,779</b>      | <b>25,590,795</b>  | <b>40,301,574</b> |
| <b>Segment net (loss) / profit from continuing operations</b>            | (911,291)              | 562,951            | (348,340)         |
| - depreciation and amortisation                                          | (473,282)              | (84,791)           | (558,073)         |
| <b>Segment net (loss) / profit from continuing operations before tax</b> | <b>(1,384,573)</b>     | <b>478,160</b>     | <b>(906,413)</b>  |
| Reconciliation of segment result to group net profit/loss before tax     |                        |                    |                   |
| i. Amounts not included in segment result but reviewed by the Board:     |                        |                    |                   |
| - corporate charges                                                      |                        |                    | -                 |
| ii. Unallocated items:                                                   |                        |                    |                   |
| - others                                                                 |                        |                    | -                 |
| <b>Net profit before tax from continuing operations</b>                  |                        |                    | <b>(906,413)</b>  |

### NOTE 3 – OPERATING SEGMENTS (CONTINUED)

**f. Segment information (continued)**

**(i) Segment performance (continued)**

|                                                                          | <b>Star Combo<br/>business</b> | <b>Austoyou retail</b> | <b>Total</b>       |
|--------------------------------------------------------------------------|--------------------------------|------------------------|--------------------|
|                                                                          | <b>\$</b>                      | <b>\$</b>              | <b>\$</b>          |
| <b>30 June 2019</b>                                                      |                                |                        |                    |
| <b>Revenue</b>                                                           |                                |                        |                    |
| External sales                                                           | 11,346,561                     | 10,062,823             | 21,409,384         |
| Intersegment sales                                                       | -                              | -                      | -                  |
| Interest revenue                                                         | 87,481                         | -                      | 87,481             |
| Other revenue                                                            | 87,924                         | 8,120                  | 96,044             |
| <b>Total segment revenue</b>                                             | <b>11,515,966</b>              | <b>10,076,943</b>      | <b>21,592,909</b>  |
| <b>Total group revenue</b>                                               | <b>11,515,966</b>              | <b>10,076,943</b>      | <b>21,592,909</b>  |
| <b>Segment net (loss) / profit from continuing operations</b>            | <b>(2,448,833)</b>             | <b>281,402</b>         | <b>(2,167,431)</b> |
| - depreciation and amortisation                                          | (170,541)                      | -                      | (170,541)          |
| <b>Segment net (loss) / profit from continuing operations before tax</b> | <b>(2,619,374)</b>             | <b>281,402</b>         | <b>(2,337,972)</b> |
| Reconciliation of segment result to group net profit/loss before tax     |                                |                        |                    |
| i. Amounts not included in segment result but reviewed by the Board:     |                                |                        |                    |
| - corporate charges                                                      |                                |                        | -                  |
| ii. Unallocated items:                                                   |                                |                        |                    |
| - others                                                                 |                                |                        | -                  |
| <b>Net profit before tax from continuing operations</b>                  |                                |                        | <b>(2,337,972)</b> |

### NOTE 3 – OPERATING SEGMENTS (CONTINUED)

f. Segment information (continued)

(ii) Segment assets

|                                                  | Star Combo<br>business | Austoyou retail | Total             |
|--------------------------------------------------|------------------------|-----------------|-------------------|
|                                                  | \$                     | \$              | \$                |
| <b>30 June 2020</b>                              |                        |                 |                   |
| <b>Segment assets</b>                            |                        |                 |                   |
| Segment assets include                           | 44,431,197             | 8,824,354       | 53,255,551        |
| Reconciliation of segment assets to group assets |                        |                 |                   |
| Intersegment eliminations                        |                        |                 |                   |
| Unallocated assets:                              |                        |                 |                   |
| - deferred tax assets                            |                        |                 | 1,460,629         |
| <b>Total group assets</b>                        |                        |                 | <b>54,716,180</b> |
| <b>30 June 2019</b>                              |                        |                 |                   |
| <b>Segment assets</b>                            |                        |                 |                   |
| Segment assets include                           | 17,580,137             | 8,094,330       | 25,674,467        |
| Reconciliation of segment assets to group assets |                        |                 |                   |
| Intersegment eliminations                        |                        |                 |                   |
| Unallocated assets:                              |                        |                 |                   |
| - deferred tax assets                            |                        |                 | 1,112,221         |
| <b>Total group assets</b>                        |                        |                 | <b>26,786,688</b> |

### NOTE 3 – OPERATING SEGMENTS (CONTINUED)

#### f. Segment information (continued)

##### (iii) Segment liabilities

|                                                       | Star Combo<br>business | Austoyou<br>retail | Total             |
|-------------------------------------------------------|------------------------|--------------------|-------------------|
|                                                       | \$                     | \$                 | \$                |
| <b>30 June 2020</b>                                   |                        |                    |                   |
| <b>Segment liabilities</b>                            |                        |                    |                   |
| Segment liabilities include                           | 8,883,012              | 757,110            | 9,640,122         |
| Reconciliation of segment assets to group liabilities |                        |                    |                   |
| Intersegment eliminations                             |                        |                    |                   |
| Unallocated liabilities:                              |                        |                    |                   |
| - deferred tax liabilities                            |                        |                    | 577,475           |
| - current tax liabilities                             |                        |                    | -                 |
| <b>Total group liabilities</b>                        |                        |                    | <b>10,217,597</b> |

|                                                       | Star Combo<br>business | Austoyou<br>retail | Total            |
|-------------------------------------------------------|------------------------|--------------------|------------------|
|                                                       | \$                     | \$                 | \$               |
| <b>30 June 2019</b>                                   |                        |                    |                  |
| <b>Segment liabilities</b>                            |                        |                    |                  |
| Segment liabilities include                           | 5,577,140              | 407,927            | 5,985,067        |
| Reconciliation of segment assets to group liabilities |                        |                    |                  |
| Intersegment eliminations                             |                        |                    |                  |
| Unallocated liabilities:                              |                        |                    |                  |
| - deferred tax liabilities                            |                        |                    | 729,856          |
| - current tax liabilities                             |                        |                    | -                |
| <b>Total group liabilities</b>                        |                        |                    | <b>6,714,923</b> |

## NOTE 4 – REVENUE AND OTHER INCOME

|                                                   | Consolidated      |                   |
|---------------------------------------------------|-------------------|-------------------|
|                                                   | 2020              | 2019              |
|                                                   | \$                | \$                |
| Sales of goods                                    | 38,835,502        | 21,409,384        |
| <b>Total revenue</b>                              | <b>38,835,502</b> | <b>21,409,384</b> |
| Reversal of over-accrued contingent consideration | 1,216,677         | -                 |
| Other revenue                                     | 248,371           | 96,044            |
| Interest income                                   | 1,024             | 87,481            |
| <b>Total other income</b>                         | <b>1,466,072</b>  | <b>183,525</b>    |

### *Revenue from contracts with customers*

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

| Type of product                                              | Nature and timing of satisfaction of performance obligations, including significant payment terms                                                                                                                                                                                                                                                                                                                                                                                                      | Revenue recognition under AASB 15                                                                                                                                                                                                                                                                          |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Star Combo manufactured products                             | Customers obtain control of products when the goods are delivered to their premises. Invoices are generated at that point in time. Invoices are paid within the agreed trading terms. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.                                                                                                                                                                        | Revenue is recognised when the goods are delivered to the customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. |
| Austoyou retail products                                     | The goods are delivered to the customers by a third-party delivery company after the customer confirms the order and makes payment. Customers obtain control of products when the goods are dispatched from the Group's warehouse. Customers pay the delivery costs and track the delivery through the delivery company's website with a tracking reference number. If the goods lost in transit, the delivery company provide a certain amount of compensation to the customer up to a capped amount. | Revenue is recognised when the goods are dispatched from the Group's warehouse.                                                                                                                                                                                                                            |
| Revenue from contracts with customers (Terry White Chemmart) | Star Combo has an agreed arrangement to sell the Living Healthy Brand in Australia exclusively through Terry White Chemmart's nominated distributor.                                                                                                                                                                                                                                                                                                                                                   | Revenue is recognised when the goods are dispatched from Star Combo's warehouse                                                                                                                                                                                                                            |



## NOTE 6 – INCOME TAX EXPENSE

|                                                                                                                         |      | Consolidated     |                  |
|-------------------------------------------------------------------------------------------------------------------------|------|------------------|------------------|
|                                                                                                                         | Note | 2020<br>\$       | 2019<br>\$       |
| <b>(a) Components of the income tax expense</b>                                                                         |      |                  |                  |
| Current tax expense                                                                                                     | 6(b) | (551,610)        | (582,991)        |
| Deferred tax expense                                                                                                    | 6(d) | (6,115)          | (28,210)         |
|                                                                                                                         |      | <b>(557,725)</b> | <b>(611,201)</b> |
| <b>(b) Reconciliation of prima facie income tax expense</b>                                                             |      |                  |                  |
| The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to income tax as follows: |      |                  |                  |
| Loss from continuing operations before income tax expense                                                               |      | (906,413)        | (2,337,972)      |
| Prima facie tax payable at 27.5% (2019:27.5%)                                                                           |      | (249,264)        | (642,942)        |
| Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:                                 |      |                  |                  |
| Over-provision for income tax in prior year                                                                             |      | -                | -                |
| Non-deductible expenses                                                                                                 |      | 6,350            | -                |
| Non-assessable income                                                                                                   |      | (314,811)        | -                |
| Movement in temporary differences                                                                                       |      | -                | 31,741           |
| <b>Income tax benefit</b>                                                                                               |      | <b>(557,725)</b> | <b>(611,201)</b> |
| <b>(c) Income tax (receivable)/payable – current</b>                                                                    |      |                  |                  |
| Income tax receivable                                                                                                   |      | (172,217)        | (52,357)         |
| <b>(d) Deferred tax – non-current</b>                                                                                   |      |                  |                  |
| Deferred tax asset                                                                                                      |      | 1,460,629        | 1,112,221        |
| Deferred tax liabilities                                                                                                |      | (577,475)        | (729,856)        |
|                                                                                                                         |      | <b>883,154</b>   | <b>382,365</b>   |

### Accounting policy

#### Tax consolidation

The Company and its wholly-owned subsidiaries have formed a tax-consolidated group and are therefore taxed as a single entity from 1 February 2018. The head entity within the tax-consolidated group is Star Combo Pharma Ltd. Austoyou Group Pty Ltd and Koala Mall Pty Ltd joined the tax-consolidated group on 19 February 2019. The members of the tax-consolidated group are identified in Note 24. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

#### Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income for the current period. Current tax liabilities are measured at the amounts expected to be paid to the relevant taxation authority using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

## NOTE 7 DEFERRED TAX

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

The recognition of deferred tax assets aligns with the Group's forecast on the positive net profit generated by the acquired Austoyou and Koala Mall business and the positive contribution from the currently under development of milk formula powder production line that the availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised.

| Note                                                     | Consolidated     |                  |
|----------------------------------------------------------|------------------|------------------|
|                                                          | 2020<br>\$       | 2019<br>\$       |
| <b>Deferred tax assets</b>                               |                  |                  |
| Tax Losses carried forward*                              | 862,964          | 619,854          |
| Temporary differences attributable to:                   |                  |                  |
| Provisions                                               | 224,661          | 149,309          |
| S440 expenditure                                         | 214,602          | 308,074          |
| Other                                                    | 158,405          | 34,984           |
| <b>Total deferred tax assets</b>                         | <b>1,460,629</b> | <b>1,112,221</b> |
| Deferred tax assets not recognised in the balance sheet* | <b>469,694</b>   | <b>161,193</b>   |

\*Deferred tax assets are recognised for tax losses carried forward and deductible temporary differences to the extent that the realisation of the related tax benefit through future taxable profits is probable.

| Note                                  | Consolidated   |                |
|---------------------------------------|----------------|----------------|
|                                       | 2020<br>\$     | 2019<br>\$     |
| <b>Deferred tax liabilities</b>       |                |                |
| Intangibles                           | 567,690        | 651,506        |
| Other                                 | 9,785          | 78,350         |
| <b>Total deferred tax liabilities</b> | <b>577,475</b> | <b>729,856</b> |

## NOTE 8 – DIVIDENDS

Dividends paid during the financial year were as follows:

|                                                                                                      | 2020<br>\$ | 2019<br>\$ |
|------------------------------------------------------------------------------------------------------|------------|------------|
| <b>Dividends</b>                                                                                     |            |            |
| Dividends paid for the year ended 30 June 2020 of \$nil (2019: \$nil) per ordinary share             | -          | -          |
| <b>Franking credits</b>                                                                              |            |            |
| Franking credits available for subsequent financial years based on a tax rate of 27.5% (2019: 27.5%) | 2,089,358  | 2,167,721  |

## NOTE 9 – EARNINGS PER SHARE

Basic earnings per share (cents)  
Diluted earnings per share (cents)

**Reconciliation of earnings used in calculating earnings per share**  
Net (loss)/profit for the year

**Reconciliation of shares used in calculating earnings per share**  
**Basic and diluted earnings per share**

Opening balance of shares for the year  
Shares issued during the year  
Closing balance of shares for the year  
Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share

| Consolidated  |               |
|---------------|---------------|
| 2020          | 2019          |
| (0.003)       | (0.02)        |
| (0.003)       | (0.02)        |
| 2020          | 2019          |
| \$            | \$            |
| (348,688)     | (1,725,736)   |
| 2020          | 2019          |
| No. of shares | No. of shares |
| 86,616,601    | 75,505,315    |
| 49,000,000    | 11,111,286    |
| 135,616,601   | 86,616,601    |
| 91,418,290    | 82,140,936    |

*Note: Options are excluded from diluted EPS as they would be anti-dilution.*

## NOTE 10 – CASH AND CASH EQUIVALENTS

Cash at bank and on hand  
Term Deposits  
**Cash and Cash Equivalents**

| Consolidated      |                  |
|-------------------|------------------|
| 2020              | 2019             |
| \$                | \$               |
| 6,600,929         | 3,618,995        |
| 20,000,000        | 1,002,029        |
| <b>26,600,929</b> | <b>4,621,024</b> |

### **Accounting policy**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within borrowings in current liabilities on the statement of financial position.

Star Combo has invested \$20m short-term term deposit with CBA bank on 26 June 2020. The interest rate of the term deposit is 0.58% per annum.

## NOTE 11 – TRADE AND OTHER RECEIVABLES - CURRENT

|                                                       | Consolidated     |                  |
|-------------------------------------------------------|------------------|------------------|
|                                                       | 2020             | 2019             |
|                                                       | \$               | \$               |
| <b>Current</b>                                        |                  |                  |
| Trade receivables                                     | 2,666,541        | 2,872,226        |
| Provision for impairment                              | (333,246)        | (385,373)        |
| Other receivables                                     | 183,293          | 226,975          |
| Amounts receivable from related parties (Note 25)     | 8,693            | 102,153          |
| <b>Trade and other receivables</b>                    | <b>2,525,281</b> | <b>2,815,981</b> |
| Provision for impairment at the beginning of the year | (385,373)        | (300,865)        |
| Decrease/(increase) for the year                      | 52,127           | (84,508)         |
| <b>Provision for impairment at 30 June 2020</b>       | <b>(333,246)</b> | <b>(385,373)</b> |

### *Change in significant accounting policies*

The Group applies the AASB9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses, trade receivables are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group's historical credit losses experienced over the two-year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the gross domestic product (GDP), unemployment rate and inflation rate as the key macroeconomic factors in the countries that the Group sells to.

At 30 June 2020 the lifetime expected loss provision for trade receivables is as follows:

|                                | Sales payments outstanding |               |               |               |                |                | Total     |
|--------------------------------|----------------------------|---------------|---------------|---------------|----------------|----------------|-----------|
|                                | as current                 | after 30 days | after 60 days | after 90 days | after 180 days | after 365 days |           |
| Receivables Outstanding        | 1,012,329                  | 1,007,853     | 420,505       | 78,486        | 58,289         | 89,079         | 2,666,541 |
| Default rate                   | 3.52%                      | 2.15%         | 3.36%         | 6.36%         | 100%           | 100.00%        |           |
| Additional ECL due to Covid-19 |                            |               | 8.54%         | 93.64%        |                |                |           |
| Lifetime ECL                   | 35,640                     | 21,687        | 50,064        | 78,488        | 58,288         | 89,079         | 333,246   |

## NOTE 11 – TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

At 30 June 2019 the lifetime expected loss provision for trade receivables is as follows:

|                         | Sales payments outstanding |               |               |               |                |                | Total     |
|-------------------------|----------------------------|---------------|---------------|---------------|----------------|----------------|-----------|
|                         | as current                 | after 30 days | after 60 days | after 90 days | after 180 days | after 365 days |           |
| Receivables Outstanding | 1,339,361                  | 673,275       | 217,962       | 231,224       | 198,222        | 212,182        | 2,872,226 |
| Default rate            | 6.17%                      | 2.45%         | 3.88%         | 6.69%         | 25.31%         | 100.00%        |           |
| Lifetime ECL            | 82,632                     | 16,475        | 8,457         | 15,459        | 50,168         | 212,182        | 385,373   |

The Group has implemented a number of initiatives for timely recovery of aged trade receivables, which have reduced the 365+ aged receivable balances by 58% against last year and improved the overall aged trade receivable balances at 30 June 2020.

The Group has made additional ECL for trade receivables based on forward-looking information on macroeconomic factors affecting the Group's customers. The Group has identified the negative impact of the Covid-19 as the key risk factor. The additional ECL represent 33% of \$333,246 ECL for 30 June 2020.

### **Accounting policy**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

The financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes a breach of contract such as a default or being more than 180 days past due.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group has a policy of writing off the gross carrying amount when the financial asset is 180 days (previously 365 days) past due based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

## NOTE 11 – TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

## NOTE 12 – INVENTORIES

|                            | Consolidated     |                  |
|----------------------------|------------------|------------------|
|                            | 2020             | 2019             |
|                            | \$               | \$               |
| Raw materials              | 3,357,363        | 3,365,795        |
| Finished goods             | 2,022,095        | 1,572,156        |
| Provision for obsolescence | -                | -                |
| <b>Inventories</b>         | <b>5,379,458</b> | <b>4,937,951</b> |

Inventories recognised as an expense during the year ended 30 June 2020 amounted to \$30,011,079 (2019: \$14,333,666). No provision for obsolete inventories was necessary for the year ended 30 June 2020 (2019: \$nil).

### Accounting policy

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate proportion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on a first-in, first-out basis.

## NOTE 13 – PROPERTY, PLANT & EQUIPMENT

| Consolidated                   | Plant and equipment<br>\$ | Leasehold Improvements<br>\$ | Plant Under development<br>\$ | Total<br>\$      |
|--------------------------------|---------------------------|------------------------------|-------------------------------|------------------|
| <b>At 30 June 2019</b>         |                           |                              |                               |                  |
| Cost                           | 2,763,087                 | 986,930                      | 497,684                       | 4,247,701        |
| Accumulated depreciation       | (1,213,464)               | (92,306)                     | -                             | (1,305,770)      |
| <b>Net book amount</b>         | <b>1,549,623</b>          | <b>894,624</b>               | <b>497,684</b>                | <b>2,941,931</b> |
| <b>Year ended 30 June 2019</b> |                           |                              |                               |                  |
| Opening net book amount        | 1,620,317                 | 900,885                      | -                             | 2,521,202        |
| Additions                      | 171,574                   | 16,364                       | 497,684                       | 685,622          |
| Disposals                      | (7,418)                   | -                            | -                             | (7,418)          |
| Depreciation                   | (234,850)                 | (22,625)                     | -                             | (257,475)        |
| <b>Closing net book amount</b> | <b>1,549,623</b>          | <b>894,624</b>               | <b>497,684</b>                | <b>2,941,931</b> |
| <b>At 30 June 2020</b>         |                           |                              |                               |                  |
| Cost                           | 2,801,091                 | 1,006,563                    | 3,158,105                     | 6,965,759        |
| Accumulated depreciation       | (1,432,184)               | (114,862)                    | -                             | (1,547,046)      |
| <b>Net book amount</b>         | <b>1,368,907</b>          | <b>891,701</b>               | <b>3,158,105</b>              | <b>5,418,713</b> |
| <b>Year ended 30 June 2020</b> |                           |                              |                               |                  |
| Opening net book amount        | 1,549,623                 | 894,624                      | 497,684                       | 2,941,931        |
| Additions                      | 38,005                    | 19,632                       | 2,660,421                     | 2,718,058        |
| Disposals                      | -                         | -                            | -                             | -                |
| Depreciation                   | (218,721)                 | (22,555)                     | -                             | (241,276)        |
| <b>Closing net book amount</b> | <b>1,368,907</b>          | <b>891,701</b>               | <b>3,158,105</b>              | <b>5,418,713</b> |

## NOTE 13 – PROPERTY, PLANT & EQUIPMENT (CONTINUED)

### *Accounting policy*

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are as follows:

|                        |       |
|------------------------|-------|
| Leasehold improvements | 4–5%  |
| Plant and equipment    | 5–33% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise.

### **Plant Under Development**

The Group has been in the final stage for the development of a milk formula powder plant at the premises in Smithfield during the year. Star Combo expects the milk formula powder production line will be ready to use in early 2021 financial year. The costs incurred up to 30 June 2020 totalled \$2.8m including purchase of plant facilities and the development costs mainly the direct related engineering consulting and project management costs.

The Group has paid deposit and the associated cost of \$343,014 for the purchase of land located at 165 Woodpark Road Smithfield during the year. The cost of 165 Woodpark Road is \$3.7m. The site totals 3700m<sup>2</sup> and is located adjacent to the Company's existing TGA licensed manufacturing facility.

Under development is not depreciated during the financial year. It commences the depreciation when the development project is completed, and the milk formula powder production line is ready to use.

## NOTE 14 – INTANGIBLE ASSETS AND GOODWILL

|                                            | Brand Name<br>Living Healthy<br>\$ | Brand Name<br>ATY&KOM<br>\$ | Technology Platform<br>\$ | Customer Relationships<br>\$ | Licences<br>\$ | ERP<br>\$     | Goodwill<br>\$   | Total<br>\$      |
|--------------------------------------------|------------------------------------|-----------------------------|---------------------------|------------------------------|----------------|---------------|------------------|------------------|
| <b>At 30 June 2019</b>                     |                                    |                             |                           |                              |                |               |                  |                  |
| <b>Cost</b>                                | 664,587                            | 1,325,287                   | 733,602                   | 432,114                      | 163,020        | -             | 6,337,772        | 9,656,382        |
| Accumulated amortisation                   | -                                  | (44,175)                    | (48,907)                  | (28,808)                     | -              | -             | -                | (121,890)        |
| <b>Net book amount</b>                     | <b>664,587</b>                     | <b>1,281,112</b>            | <b>684,695</b>            | <b>403,306</b>               | <b>163,020</b> | <b>-</b>      | <b>6,337,772</b> | <b>9,534,492</b> |
| <b>Year ended 30 June 2019</b>             |                                    |                             |                           |                              |                |               |                  |                  |
| <b>Opening net book amount</b>             | 664,587                            | -                           | -                         | -                            | -              | -             | -                | 664,587          |
| Additions                                  | -                                  | 1,325,287                   | 733,602                   | 432,114                      | 163,020        | -             | 7,477,121        | 10,131,144       |
| Disposals                                  | -                                  | -                           | -                         | -                            | -              | -             | -                | -                |
| Amortisation                               | -                                  | (44,175)                    | (48,907)                  | (28,808)                     | -              | -             | -                | (121,890)        |
| Business combination adjustments (Note 23) | -                                  | -                           | -                         | -                            | -              | -             | (1,139,349)      | (1,139,349)      |
| <b>Closing net book amount</b>             | <b>664,587</b>                     | <b>1,281,112</b>            | <b>684,695</b>            | <b>403,306</b>               | <b>163,020</b> | <b>-</b>      | <b>6,337,772</b> | <b>9,534,492</b> |
| <b>At 30 June 2020</b>                     |                                    |                             |                           |                              |                |               |                  |                  |
| <b>Cost</b>                                | 664,587                            | 1,325,287                   | 733,602                   | 432,114                      | 163,020        | 64,092        | 6,337,772        | 9,720,474        |
| Accumulated amortisation                   | -                                  | (176,705)                   | (195,627)                 | (115,231)                    | -              | (3,205)       | -                | (490,768)        |
| <b>Net book amount</b>                     | <b>664,587</b>                     | <b>1,148,582</b>            | <b>537,975</b>            | <b>316,883</b>               | <b>163,020</b> | <b>60,887</b> | <b>6,337,772</b> | <b>9,229,706</b> |
| <b>Year ended 30 June 2020</b>             |                                    |                             |                           |                              |                |               |                  |                  |
| <b>Opening net book amount</b>             | 664,587                            | 1,281,112                   | 684,695                   | 403,306                      | 163,020        | -             | 6,337,772        | 9,534,491        |
| Additions                                  | -                                  | -                           | -                         | -                            | -              | 64,092        | -                | 64,092           |
| Disposals                                  | -                                  | -                           | -                         | -                            | -              | -             | -                | -                |
| Amortisation                               | -                                  | (132,530)                   | (146,720)                 | (86,423)                     | -              | (3,205)       | -                | (368,878)        |
| <b>Closing net book amount</b>             | <b>664,587</b>                     | <b>1,148,582</b>            | <b>537,975</b>            | <b>316,883</b>               | <b>163,020</b> | <b>60,887</b> | <b>6,337,772</b> | <b>9,229,706</b> |

On 19 February 2019, the Group acquired 100% of the shares and voting interests in Austoyou Group Pty Ltd and Koala Mall Pty Ltd. The Group has engaged an external expert to undertake an assessment of the fair value of the identifiable intangible assets acquired pursuant to the acquisition of Austoyou and Koala Mall.

The fair value measurements for the intangible assets have been categorised as level 2 fair values based on the inputs to the valuation techniques used. The table below summarises the key input used for the fair value assessment:

|                        | Brand<br>Austoyou and<br>Koala Mall | Technology<br>platform        | Licenses                  | Customer<br>relationships       |
|------------------------|-------------------------------------|-------------------------------|---------------------------|---------------------------------|
| Valuation method       | Relief from<br>royalty method       | Relief from<br>royalty method | Active market<br>approach | Multi-period excess<br>earnings |
| Post-tax discount rate | 15%                                 | 14%                           | NA                        | 14.5%                           |

The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of Austoyou Group Pty Ltd and Koala Mall Pty Ltd.

## NOTE 14 – INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

### Accounting policy

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortised.

The Group consider that both the brand name of Living Healthy and the licenses of Austoyou to operate the e-commerce business have indefinite useful lives. The licenses have the potential to be renewed indefinitely which the Group plan to utilise. The Living Health brand is made up of list of product registrations, which have the potential to be renewed indefinitely that the Group plan to utilise.

The brand name of the newly acquired Austoyou and Koala Mall (see Note 19) are considered to have definite useful lives.

The estimated useful lives for each class are as follows:

|                                       |          |
|---------------------------------------|----------|
| Brand names (Austoyou and Koala Mall) | 10 years |
| Technology platform (Austoyou)        | 5 years  |
| Customer relationships (Austoyou)     | 5 years  |

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Cash Generating Units

Goodwill is allocated to cash-generating units which are based on the Group's reporting segments:

|                               | Consolidated     |                  |                  |                  |                  |                  |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                               | 2020             |                  |                  | 2019             |                  |                  |
|                               | Goodwill         | Intangibles      | Total            | Goodwill         | Intangibles      | Total            |
|                               | \$               | \$               | \$               | \$               | \$               | \$               |
| Star Combo CGU                | -                | 725,474          | 725,474          | -                | 664,587          | 664,587          |
| Milk formula powder plant CGU | -                | --               |                  | -                | -                | -                |
| Austoyou CGU                  | 6,337,772        | 2,166,460        | 8,504,232        | 6,337,772        | 2,532,133        | 8,869,905        |
|                               | <b>6,337,772</b> | <b>2,891,934</b> | <b>9,229,706</b> | <b>6,337,772</b> | <b>3,196,720</b> | <b>9,534,492</b> |

### Impairment review

A comprehensive impairment review was conducted at 30 June 2020. The recoverable amount of the intangible assets are determined based on net present value of future cash inflows, using management budgets and forecasts for a five-year period, after adjusting for central overheads. Beyond 5 years are at growth rates of a same 3% which is similar to the long-term average growth rate for the industry in which the brand name is being operated

The forecasted revenue of Austoyou CGU included a conservative decrease of 27% for Austoyou business in FY21 compared to FY20 due to the considered negative impact of Covid-19. The Austoyou CGU anticipates a recovery in FY22 to a similar sales level as FY20 and a 10% growth rate for three years from FY23 to FY25.

There has been no noticeable effect on the Living Healthy Brand from COVID-19, therefore no alterations were made to forecasts in relation to this

A post-tax discount rate of 13% was used, which is considered to reflect the specific risks relating to the relevant segments in which they operate.

Any reasonable change to these key assumptions would not cause the carrying value of Austoyou CGU or the brand name to materially exceed its recoverable amount.

## Note 15 – LEASES (GROUP AS A LESSEE)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group has used 5% as the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used) .
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Under the modified retrospective approach – option 2A, comparative amounts are not restated and the lease liabilities are calculated at the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. The right-of-use assets are measured as if AASB 16 had been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application.

## Note 15 – LEASES (GROUP AS A LESSEE) (CONTINUED)

The Group leases a number of properties being the main site at Smithfield for the manufacturing and the under production Milk Powder Facility, as well as commercial shops. It is customary for lease contracts to provide for payments to increase each year by inflation or/and in others to be reset periodically to market rental rates. All contracts for the Group are incur periodic market rental uplifts.

It is customary for lease contracts to include extension options. The Group has chosen to use the extension option within their transition calculation. There are no immediate plans to leave the properties being leased and it is reasonable to presume the Group will continue to extend per the option.

### Right-of-use assets

|                                                              | Buildings        | Total            |
|--------------------------------------------------------------|------------------|------------------|
|                                                              | \$               | \$               |
| <b>Costs</b>                                                 |                  |                  |
| At 1 July 2019                                               |                  |                  |
| AASB 16 Leases (modified retrospective approach – option 2A) | 4,148,607        | 4,148,607        |
| Additions                                                    | -                | -                |
| <b>At 30 June 2020</b>                                       | <b>4,148,607</b> | <b>4,148,607</b> |

### Accumulated depreciation

|                                                              |                  |                  |
|--------------------------------------------------------------|------------------|------------------|
| At 1 July 2019                                               |                  |                  |
| AASB 16 Leases (modified retrospective approach – option 2A) | (626,460)        | (626,460)        |
| Charge for the year                                          | (254,625)        | (254,625)        |
| <b>At 30 June 2020</b>                                       | <b>(881,085)</b> | <b>(881,085)</b> |

|                        | Buildings        | Total            |
|------------------------|------------------|------------------|
|                        | \$               | \$               |
| <b>Carrying amount</b> |                  |                  |
| At 30 June 2019        | -                | -                |
| At 30 June 2020        | <b>3,267,522</b> | <b>3,267,522</b> |

|                                                | 2020    | Consolidated<br>2019 |
|------------------------------------------------|---------|----------------------|
|                                                | \$      | \$                   |
| <b>Amounts recognised in profit and loss</b>   |         |                      |
| Depreciation expense on right-of-use assets    | 254,625 | -                    |
| Interest expense on lease liabilities          | 183,792 | -                    |
| Expense relating to leases of low value assets | 7,449   | -                    |
| Income from sub-leasing right-of-use assets    | 25,449  | -                    |

## Note 15 – LEASES (GROUP AS A LESSEE) (CONTINUED)

The impact of adoption of AASB 16 Leases:

On transition

### At 1 July 2019

AASB 16 Leases (modified retrospective approach – option 2A)

Lease payment cash element

Finance costs

**Lease liability carried forward**

| <b>Lease liabilities</b> | <b>Total</b>       |
|--------------------------|--------------------|
| \$                       | \$                 |
| (3,727,209)              | (3,727,209)        |
| 184,731                  | 184,731            |
| (93,180)                 | (93,180)           |
| <b>(3,635,658)</b>       | <b>(3,635,658)</b> |

## NOTE 16 – TRADE AND OTHER PAYABLES - CURRENT

### Current

*Unsecured liabilities:*

*Trade payables*

*Sundry payables and accrued expenses*

|                  | <b>Consolidated</b> |
|------------------|---------------------|
| <b>2020</b>      | <b>2019</b>         |
| \$               | \$                  |
| 2,033,350        | 2,373,359           |
| 785,417          | 995,262             |
| <b>2,818,767</b> | <b>3,368,621</b>    |

### **Accounting policy**

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability, with the amounts normally paid within 30-60 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

## Note 17 – LEASE LIABILITIES

### Maturity analysis

Year 1  
Year 2  
Year 3  
Year 4  
Year 5  
Onwards

Less: unearned interest

### Analysed as:

Current  
Non-current

|                         | 2020             | Consolidated<br>2019 |
|-------------------------|------------------|----------------------|
|                         | \$               | \$                   |
| Year 1                  | 180,892          | -                    |
| Year 2                  | 133,789          | -                    |
| Year 3                  | 141,643          | -                    |
| Year 4                  | 149,928          | -                    |
| Year 5                  | 158,686          | -                    |
| Onwards                 | 2,778,173        | -                    |
|                         | <b>3,543,111</b> | -                    |
| Less: unearned interest | -                | -                    |
|                         | <b>3,543,111</b> | -                    |
| Current                 | 180,892          | -                    |
| Non-current             | 3,362,219        | -                    |
|                         | <b>3,543,111</b> | -                    |

## NOTE 18 – DEFERRED CONSIDERATION

### Current

Deferred consideration

### Non-current

Deferred consideration

|                        | 2020             | Consolidated<br>2019 |
|------------------------|------------------|----------------------|
|                        | \$               | \$                   |
| Deferred consideration | 1,037,710        | 1,403,493            |
|                        | <b>1,037,710</b> | <b>1,403,493</b>     |
| Deferred consideration | -                | 1,052,743            |
|                        | -                | <b>1,052,743</b>     |

The deferred consideration is a level 3 recurring fair value measurement. It is based on future period's NPAT as estimated by the management. There were no changes to the valuation techniques of this level 3 fair value measurements in the year.

### Deferred consideration – change in estimates

#### Opening deferred consideration – Year 1

Finance cost  
Reduction in deferred consideration Year 1  
Paid

**Outstanding as at 30 June 2020**

#### Opening deferred consideration – Year 2

Finance cost  
Re-estimation in deferred consideration Year 2

**Outstanding as at 30 June 2020**

|                                                | 2020           | Consolidated<br>2019 (restated) |
|------------------------------------------------|----------------|---------------------------------|
|                                                | \$             | \$                              |
| Opening deferred consideration – Year 1        | 1,345,741      | 1,179,072                       |
| Finance cost                                   | -              | 224,421                         |
| Reduction in deferred consideration Year 1     | (895,031)      | -                               |
| Paid                                           | (270,426)      | -                               |
| <b>Outstanding as at 30 June 2020</b>          | <b>180,284</b> | <b>1,403,493</b>                |
| Opening deferred consideration – Year 2        | 1,096,901      | 1,052,743                       |
| Finance cost                                   | 249,741        | -                               |
| Re-estimation in deferred consideration Year 2 | (489,216)      | -                               |
| <b>Outstanding as at 30 June 2020</b>          | <b>857,426</b> | <b>1,052,743</b>                |

## NOTE 19 – BORROWINGS

The book value of loans and borrowings are as follows:

|                            | 2020             | Consolidated<br>2019 |
|----------------------------|------------------|----------------------|
|                            | \$               | \$                   |
| <b>Current</b>             |                  |                      |
| Bank Loans                 | 463,006          | -                    |
| Finance loan ERP system    | 14,532           | -                    |
| Finance loan Motor Vehicle | 7,020            | 10,119               |
|                            | <b>484,558</b>   | <b>10,119</b>        |
| <b>Non-current</b>         |                  |                      |
| Bank Loan                  | 1,493,275        | -                    |
| Finance loan ERP system    | 58,954           | -                    |
| Finance loan Motor Vehicle | 34,064           | 47,739               |
|                            | <b>1,586,293</b> | <b>47,739</b>        |

During the year, the Group obtained an equipment loan of \$2m from the bank (2019: nil). The loan bears an interest rate of 4.46% and the term of the loan is 5 years. The loan is for the purchase of plant facilities for the Milk Formula Powder Plant currently under development. Due to the excessive available cash at 30 June 2020, the Group has paid \$2,003,162 to CBA bank on 2 July 2020 to fully settled the bank loan through the early payout arrangement with CBA bank.

A loan of \$73k was obtained by the Group during the period for the purchase of ERP system to be operated for the production process. The loan bears an interest rate of 6.3% and the term of the loan is 5 years.

## NOTE 20 – FINANCIAL INSTRUMENTS

The Group's financial instruments consist mainly of deposits with banks, account receivable and payable, deferred consideration and leases.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

|                                                             |      | Consolidated      |                  |
|-------------------------------------------------------------|------|-------------------|------------------|
|                                                             | Note | 2020              | 2019             |
|                                                             |      | \$                | \$               |
| <b>Financial assets</b>                                     |      |                   |                  |
| <b><i>Amortised cost</i></b>                                |      |                   |                  |
| Cash and cash equivalents                                   | 10   | 26,600,929        | 4,621,024        |
| Trade and receivables                                       | 11   | 2,525,281         | 2,815,981        |
| <b>Total financial assets at amortised cost</b>             |      | <b>29,126,210</b> | <b>7,437,005</b> |
| <b>Financial Liabilities</b>                                |      |                   |                  |
| <b><i>Other financial liabilities at amortised cost</i></b> |      |                   |                  |
| Trade and other payables                                    | 16   | 2,818,767         | 3,368,621        |
| Deferred consideration                                      | 18   | 1,037,710         | 2,456,236        |
| Borrowings                                                  | 19   | 2,070,851         | 57,858           |
| Lease liabilities                                           | 15   | 3,543,111         |                  |
| <b>Total other financial liabilities at amortised cost</b>  |      | <b>9,470,439</b>  | <b>5,882,715</b> |

## NOTE 21 – ISSUED CAPITAL

|                                                                | Consolidated      |                    |
|----------------------------------------------------------------|-------------------|--------------------|
|                                                                | 2020              | 2019               |
|                                                                | \$                | \$                 |
| 135,616,601 fully paid ordinary shares (2019: 86,616,601)      | 67,742,699        | 42,760,654         |
|                                                                |                   |                    |
|                                                                | Value of shares   | Number of shares   |
|                                                                | \$                |                    |
| <i>Movement in fully paid ordinary shares</i>                  |                   |                    |
| <i>Opening balance at 1 July 2019</i>                          | 42,760,654        | 86,616,601         |
| <i>Capital raising costs on private placement to Goldenmax</i> | (8,337,955)       | -                  |
| <i>Issue of share on private placement to Goldenmax</i>        | 33,320,000        | 49,000,000         |
| <b>Closing balance at 30 June 2020</b>                         | <b>67,742,699</b> | <b>135,616,601</b> |

### *Issue of shares on private placement to Goldenmax*

Star Combo has received the \$33,320,000 proceeds of the private placement from Goldenmax International Technology Ltd (Goldenmax), and as approved by shareholders at the Extraordinary General Meeting (EGM) held on the 23<sup>rd</sup> April 2020 has issued 49,000,000 fully paid ordinary shares at \$0.68 each to Goldenmax.

### **Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value.

## NOTE 22 – SHARE OPTION RESERVE

Star Combo Pharma Ltd has not issued share options to both employees and consultants (non-employees) during the 2020 financial year.

|                                     | Consolidated            |                                         |
|-------------------------------------|-------------------------|-----------------------------------------|
|                                     | Share options<br>Number | Share based<br>payment<br>reserve<br>\$ |
| <b>Opening reserve 1 July 2018</b>  | 7,730,171               | 1,856,279                               |
| Expense in the year                 | -                       | -                                       |
| Granted                             | -                       | -                                       |
| Exercised                           | (4,130,171)             | (419,424)                               |
| Forfeited                           | -                       | -                                       |
| Expired                             | (300,000)               | -                                       |
| <b>Closing reserve 30 June 2019</b> | <b>3,300,000</b>        | <b>1,436,855</b>                        |
| <b>Opening reserve 1 July 2019</b>  | <b>3,300,000</b>        | <b>1,436,855</b>                        |
| Expense in the year                 | -                       | -                                       |
| Granted to employees                | -                       | -                                       |
| Granted to non-employees            | -                       | -                                       |
| Exercised                           | -                       | -                                       |
| Forfeited                           | -                       | -                                       |
| Expired                             | (1,190,000)             | (416,443)                               |
| <b>Closing reserve 30 June 2020</b> | <b>2,110,000</b>        | <b>1,020,412</b>                        |

The expected dividend yield for all options granted in FY20 was \$nil. The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the volatility of comparable listed entities, which may not be the actual outcome.

### **Accounting policy**

Equity-settled share-based compensation benefits may be provided to contractors or employees in exchange for the rendering of services. The cost of equity-settled transactions is measured at fair value on grant date. Grant date is the date that both contracting parties have a clear understanding of the terms and conditions attached to the share-based payment arrangement. Fair value is independently determined using the binomial option valuation method. The cost of the payment is charged to the profit and loss over its vesting period, being the period in which the service is rendered. Where non-market based vesting conditions are not satisfied and the underlying equity instrument lapses, is cancelled or forfeited, the amount previously charged to the profit and loss is credited back.

## NOTE 23 – BUSINESS COMBINATIONS

### Acquisition of Controlled Entities

On 19 February 2019, Star Combo Pharma Ltd acquired 100% of the shares and voting interests in Austoyou Group Pty Ltd and Koala Mall Pty Ltd (the Companies). Purchase price is \$8.8m plus Net Financial Position (NFP), representing a 10x multiple on FY18 Net Profit After Tax (NPAT) of \$0.9m and the surplus net assets and liabilities of the Companies calculated at the completion date in excess of \$250,000 respectively.

Austoyou is a well-established Australia-China e-commerce platform that offers over 5,000 high-demand product lines directly to Chinese health product consumers. This direct-to-consumer platform provides the Group with an opportunity to significantly increase product sales and accelerate its China growth strategy. Austoyou can provide the Group with customer demand feedback and will allow the Group to enhance its product lines according to changing customer demand trends. Austoyou gives the Group an immediate competitive advantage in the high-demand market for Australian vitamins, skincare and health supplements into the large China consumer market.

The Koala Mall business provides a retail brand and premium shopping experience to showcase the range of the Group's vitamins, skincare, milk products and health supplements at two highly visible retail stores in Sydney.

Austoyou and Koala Mall were acquired via the Shares Sales and Purchase Agreement dated 5 February 2019 and will be completed in stages:

- Stage 1. Immediate payment on settlement of 70% of the Purchase Amount structured as 50% cash payment and 50% in shares issued at \$0.51 and the payment of NFP calculated at the completion date.
- Stage 2. 12 months post settlement, a further 15% of the Purchase Amount. If any shares are to be issued for this payment, they will be issued at a 10% discount from the VWAP in the 10 days prior to payment.
- Stage 3. 24 months post settlement, a further 15% of the Purchase Amount. If any shares are to be issued for this payment, they will be issued at a 10% discount from the VWAP in the 10 days prior to payment

### Provisional Accounting

The initial acquisition accounting of Austoyou and Koala Mall was provisionally determined in the annual financial report ended 30 June 2019. The Group have worked with the external valuation expert to gather evidence around the values, to reflect any new information. An adjustment was made to Austoyou FY18 NPAT. The purchase consideration has been adjusted to reflect the changes. The value of the identifiable net assets of Austoyou and Koala Mall have now been finalised. Had the purchase accounting been finalised the annual financial report ended 30 June 2019 would have been differed to those previously reported as below:

- The purchase consideration would have been \$1.1m lower due to an adjustment made to Austoyou FY18 NPAT, with a corresponding decrease in the cost of goodwill.
- The \$1.1m decrease in purchase consideration represents the corresponding decrease in \$420k cash payment, \$420k shares issued and \$300k of the two 15% deferred payment consideration as referred to under stage 3 above. The cancellation of \$420k shares issued will be completed at the Group next shareholders annual general meeting. The \$420k has been presented as current receivables in the 31 December 2019 consolidated half year financial reports and non-current receivables in the 30 June 2019 annual financial reports.
- The decrease in net assets acquired has been fully offset by the same amount of an increase in NFP.

## NOTE 23 – BUSINESS COMBINATIONS (CONTINUED)

|                                                             | Reported<br>value<br>\$ | Restated<br>adjustment<br>\$ | Restated fair<br>value<br>\$ |
|-------------------------------------------------------------|-------------------------|------------------------------|------------------------------|
| <b>Purchase consideration:</b>                              |                         |                              |                              |
| – cash                                                      | 3,560,369               | (420,306)                    | 3,140,062                    |
| – fully paid ordinary shares                                | 3,560,369               | (420,306)                    | 3,140,062                    |
| – NFP                                                       | 717,729                 | 27,498                       | 744,727                      |
| – contingent consideration year 1                           | 1,336,895               | (157,823)                    | 1,179,072                    |
| – contingent consideration year 2                           | 1,193,656               | (140,913)                    | 1,052,743                    |
|                                                             | 10,368,516              | (1,111,850)                  | 9,256,666                    |
| <b>Less:</b>                                                |                         |                              |                              |
| Cash                                                        | 315,800                 | -                            | 315,800                      |
| Receivables                                                 | 354,592                 | 99,999                       | 454,591                      |
| Inventories                                                 | 1,125,138               | -                            | 1,125,138                    |
| Brand name – Austoyou                                       | 1,026,018               | -                            | 1,026,018                    |
| Brand name – Koala Mall                                     | 299,269                 | -                            | 299,269                      |
| Technology platform - Austoyou                              | 733,602                 | -                            | 733,602                      |
| Licenses – Austoyou                                         | 163,020                 | -                            | 163,020                      |
| Customer relationships – Austoyou                           | 432,114                 | -                            | 432,114                      |
| Payables                                                    | (828,302)               | (72,500)                     | (900,802)                    |
| Deferred Tax Liability                                      | (729,856)               | -                            | (729,856)                    |
| <b>Identifiable assets acquired and liabilities assumed</b> | <b>2,891,395</b>        | <b>27,499</b>                | <b>2,918,894</b>             |
| <b>Goodwill</b>                                             | <b>7,477,121</b>        | <b>(1,139,349)</b>           | <b>6,337,772</b>             |

- (i) The consideration paid to acquire the Companies includes 6,156,983 fully paid ordinary shares at \$0.51 each issued to the vendors of the Companies. The shares are not restricted securities within the meaning of the Listing Rules; and 50% of the shares are subject to a 12 months escrow as contemplated in the Voluntary Escrow Deed.
- (ii) The consideration paid to acquire the Companies consisted of \$3,140,062 in cash, and an additional \$744,727 NFP.
- (iii) The directors believe the receivables are fully recoverable and no provision for impairment is required.
- (iv) The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of the Companies.  
No amount of the goodwill is deductible for tax purposes.
- (v) There are temporary differences between the carrying value of the intangible assets acquired in a business combination and the tax bases which resulted in the recognition of deferred tax liabilities in the consolidated accounts.

## NOTE 24 – INTERESTS IN SUBSIDIARIES

| Name of subsidiary                    | Place of incorporation and operation | Proportion of ownership interest and voting power held by the group |      |
|---------------------------------------|--------------------------------------|---------------------------------------------------------------------|------|
|                                       |                                      | 2020                                                                | 2019 |
| CoStar Pharma Laboratory Pty Ltd      | Australia                            | 100%                                                                | 100% |
| Star Combo Australia Pty Ltd          | Australia                            | 100%                                                                | 100% |
| Chongqing Linggang Business Co., Ltd. | China                                | 100%                                                                | 100% |
| Austoyou Group Pty Ltd                | Australia                            | 100%                                                                | 100% |
| Koala Mall Pty Ltd                    | Australia                            | 100%                                                                | 100% |

The registered office of Star Combo Pharma Limited is 171-177 Woodpark Road, Smithfield NSW Australia.

## NOTE 25 – RELATED PARTY TRANSACTIONS

### **Key management personnel**

Any person having authority or responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group are considered as key management personnel.

Disclosures relating to key management personnel are set out in the Directors' report pages 12-15.

|                                                               | Consolidated   |                |
|---------------------------------------------------------------|----------------|----------------|
|                                                               | 2020           | 2019           |
|                                                               | \$             | \$             |
| <b>Remuneration of Directors and Key management Personnel</b> |                |                |
| Short-term employee benefits                                  | 689,577        | 483,328        |
| Long-term employee benefits                                   | 1,623          | 320            |
| Post-employment benefits                                      | 58,844         | 43,979         |
|                                                               | <b>750,044</b> | <b>527,626</b> |

### **Controlled entities**

Detailed of the percentage of ordinary shares held in controlled entities is disclosed in Note 24. All inter-company loans and balances are eliminated on consolidation. These loans are all interest free, with no set repayment terms.

### **Transactions with other related parties**

#### *Rental lease*

During the financial year, \$399,072 (2019: \$430,733) was paid to Antoine International Pty Ltd in respect of an operating lease for the Star Combo premises. Antoine International Pty Ltd is a related party by virtue of Jinxing (Star) Zhang being a common director.

#### *Consultancy services*

During the financial year, \$45,500 (2019: \$22,500) was paid to Richlink Capital Pty Ltd in respect of consultancy services provided.

#### *Placement of Shares*

During the financial year, the company issued 49,000,000 ordinary shares to Goldenmax for an amount of \$33,320,000.

## NOTE 25 – RELATED PARTY TRANSACTIONS (CONTINUED)

### *Related party receivables/payables*

During the year ended 30 June 2020, a shareholder loan was advanced to Mr Zhang for costs related to Antoine International Pty Ltd and the balance outstanding as at 30 June 2020 was \$8,693, which was fully repaid on 14 August 2020. The balance outstanding as at 30 June 2019 was \$102,153, which was fully repaid in early 2020. No interest was charged in respect of the loan during the 2020 and 2019 financial year.

No other loans were made to key management personnel, including their personally related entities, during the financial year ended 30 June 2020 or 30 June 2019.

## NOTE 26 – NOTES TO THE STATEMENT OF CASH FLOWS

### Reconciliation of loss for the year to net cash flows from operating activities

|                                                         | Consolidated       |                    |
|---------------------------------------------------------|--------------------|--------------------|
|                                                         | 2020               | 2019               |
|                                                         | \$                 | \$                 |
| Loss for the year                                       | (348,688)          | (1,726,771)        |
| <i>Non-cash and non-operating cash items:</i>           |                    |                    |
| Depreciation and amortisation                           | 864,778            | 377,529            |
| Impairment on trade and other receivables (AASB 9)      | 288,921            | (278,919)          |
| Other income due to reduction in deferred consideration | (1,148,100)        | -                  |
| Finance costs on lease liabilities                      | 185,817            | -                  |
| Disposal of assets                                      | -                  | (7,418)            |
| Unrealised foreign exchange gain                        | (1,477)            | -                  |
| <i>Changes in assets and liabilities:</i>               |                    |                    |
| Decrease in trade and other receivables                 | 251,780            | 592,926            |
| Increase in inventories                                 | (441,507)          | (342,799)          |
| Increase in deferred tax assets                         | (500,788)          | (514,590)          |
| Decrease in other assets                                | 109,005            | (207,304)          |
| Decrease in provisions                                  | 67,330             | -                  |
| Decrease in trade and other payables                    | (119,860)          | -                  |
| <b>Net cash used in operating activities</b>            | <b>(225,375)</b>   | <b>(77,806)</b>    |
|                                                         | <b>(1,018,164)</b> | <b>(2,185,152)</b> |

## NOTE 27 – PARENT COMPANY INFORMATION

The following information has been extracted from the books and records of the financial information of the parent entity, being Star Combo Pharma Ltd, set out below and has been prepared in accordance with Australian Accounting Standards.

|                                   | 2020<br>\$         | 2019<br>\$         |
|-----------------------------------|--------------------|--------------------|
| <b>Financial Position</b>         |                    |                    |
| <b>Assets</b>                     |                    |                    |
| Current assets                    | 24,706,819         | 339,447            |
| Non-current assets                | 41,913,212         | 43,956,549         |
| <b>Total assets</b>               | <b>66,620,031</b>  | <b>44,295,996</b>  |
| <b>Liabilities</b>                |                    |                    |
| Current liabilities               | 1,637,899          | 1,592,133          |
| Non-current liabilities           | 732,886            | 3,009,632          |
| <b>Total liabilities</b>          | <b>2,370,785</b>   | <b>4,601,765</b>   |
| <b>Net assets</b>                 | <b>64,249,246</b>  | <b>39,694,231</b>  |
| <b>Equity</b>                     |                    |                    |
| Issues capital                    | 67,742,700         | 42,760,654         |
| Share based payment reserve       | 1,020,412          | 1,436,855          |
| Retained earnings                 | (4,513,866)        | (4,503,278)        |
| <b>Total equity</b>               | <b>64,249,246</b>  | <b>39,694,231</b>  |
| <b>Financial Performance</b>      |                    |                    |
| Loss for the year                 | (1,038,231)        | (1,605,523)        |
| <b>Total comprehensive income</b> | <b>(1,038,231)</b> | <b>(1,605,523)</b> |

### a) Explanation of loss for the financial year

During the financial year ended 30 June 2020, cost of \$526,000 (FY19: \$749,000) were incurred in respect of professional fees for acquisition transactions which are expensed and \$225,000 (FY19: \$320,000) accounting and audit fees.

### b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2020 or 2019.

### c) Commitments and contingent liabilities of the parent entity

The parent entity did not have any commitments or contingent liabilities as at 30 June 2020 or 30 June 2019.

## NOTE 28 – AUDITOR’S REMUNERATION

Remuneration of the auditor for:

Audit and review – BDO East Coast Partnership

Independent expert report

Taxation services

| Consolidated   |                |
|----------------|----------------|
| 2020           | 2019           |
| \$             | \$             |
| 161,500        | 164,000        |
| 42,000         | -              |
| 21,000         | 17,850         |
| <b>224,500</b> | <b>181,850</b> |

## NOTE 29 – COMMITMENTS AND CONTINGENCIES

### *Commitments*

There are no commitments for the milk formula powder production line at 30 June 2020 (2019: \$1,856,213)

### *Contingencies*

There are no contingent liabilities or assets that require disclosure in the financial statements at 30 June 2020 (2019: None).

## NOTE 30 – EVENTS AFTER THE BALANCE SHEET DATE

### Acquisition of iNature – Option not exercised

Star Combo has announced on 16 July 2020 that the Group decided not to exercise its option for the proposed acquisition to acquire 51% of Australian iNature Organic Care Pty Ltd (iNature).

Under the Agreement the Option period expired on 30 June 2020 and the Option Fee of \$250,000 that was paid is refundable. The decision follows the recent \$33.32 million placement to Goldenmax, the development of increased production capacity and a new R&D facility at Smithfield, and pursuit of access to the significant sales and distribution network of Goldenmax across China.

### Purchase of 165 Woodpark Road, Smithfield

Star Combo has completed the purchase of land located at 165 Woodpark Road Smithfield New South Wales for \$3.7 million in July 2020. The site totals 3700m<sup>2</sup> and is located adjacent to the Company's existing Therapeutic Goods Administration (TGA) licensed manufacturing facility.

The site will accommodate the construction of a modern, purpose-built R&D and Test Laboratory Centre which supports the company's strategy to become a leading OEM supplier of premium vitamins & dietary supplements, primarily in the Australian market.

### Release of Escrow Shares

Star Combo has released 14,215,405 fully paid ordinary shares previously held under escrow on 28 July 2020 in accordance with Listing Rule 3.10A.

The release of these shares does not change the issued capital of the Company or the voting.

The shares released from escrow are as follows:

| Shareholder Name | Escrow Period | No of Shares | Action Taken        |
|------------------|---------------|--------------|---------------------|
| MISS SU ZHANG    | May-20        | 11,448,980   | Release from Escrow |
| YANFEN SONG      | May-19        | 100,000      | Release from Escrow |
| LIANG ZUO        | Feb-20        | 1,066,570    | Release from Escrow |
| DW & RL PTY LTD  | Feb-20        | 1,599,855    | Release from Escrow |

Further, the Escrow periods for the following shares have been extended

| Shareholder Name    | Escrow Period | No of Shares | Action Taken                     |
|---------------------|---------------|--------------|----------------------------------|
| JINXING(STAR) ZHANG | May-20        | 38,165,510   | Extend Escrow Period to May 2021 |
| DW & RL PTY LTD     | Feb-20        | 494,479      | Extend Escrow Period to Feb 2021 |
| LIANG ZUO           | Feb-20        | 329,653      | Extend Escrow Period to Feb 2021 |

## DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Allely', with a large, stylized loop at the beginning.

Richard Allely  
Chairman  
25 August 2020  
Sydney

## INDEPENDENT AUDITOR'S REPORT

To the members of Star Combo Pharma Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Star Combo Pharma Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

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

### Carrying value of goodwill -impairment assessment

| <i>Key audit matter</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <i>How the matter was addressed in our audit</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>The Group is required to perform an annual impairment test on the carrying value of goodwill in accordance with AASB 136 <i>Impairment of Assets</i>.</p> <p>The Group has tested goodwill for impairment at the reporting date by comparing the carrying value to its recoverable amount. Recoverable amount has been determined through a value in use calculation. The Group's assessment of the value in use involves significant judgements such as the future results of the business, and the discount and growth rates applied to the future cash flows. Consequently, we considered this a key audit matter.</p> <p>Refer to Note 14 in the financial report for key disclosures relating to the impairment assessment of goodwill.</p> | <p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>➤ An assessment of the historical accuracy of management's forecasts in the context of the value in use model;</li> <li>➤ Evaluating the key inputs and assumptions used in the value in use model, in particular those relating to forecast revenue, and the growth and discount rates applied;</li> <li>➤ Assessing the sensitivity of the key assumptions for reasonably possible changes in the value in use model prepared by the Group; and</li> <li>➤ Assessing the adequacy of the Group's disclosures in Note 14 in relation to the impairment testing performed and management's assessment of the sensitivity with respect to changes to key assumptions.</li> </ul> |

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report 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 report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group 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 to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

### **Report on the Remuneration Report**

#### **Opinion on the Remuneration Report**

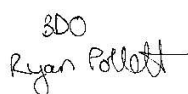
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Star Combo Pharma Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **BDO East Coast Partnership**



Ryan Pollett  
Partner

Sydney, 25 August 2020

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Smithfield, NSW, 2164  
Ph: +612 9756 6555  
[sales@starcombo.com.au](mailto:sales@starcombo.com.au)

## ASX Additional Information for Listed Public Companies

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 13 October 2020.

## Corporate Governance Statement

The corporate governance statement is located on the Company's website at the following URL [http://investors.starcombo.com.au/investors/corporate\\_governance/](http://investors.starcombo.com.au/investors/corporate_governance/)

## Statement of Issued Shares

The total number of shareholders is 664. There are 135,616,601 ordinary fully paid shares listed on the Australian Securities Exchange. The twenty largest shareholders hold 94.36% of issued capital.

## Twenty Largest Holders of Equity Securities

| Rank                | Name                                              | 13 Oct 2020 | %IC    |
|---------------------|---------------------------------------------------|-------------|--------|
| 1                   | GOLDENSTAR PHARMACEUTICAL INVESTMENT LIMITED      | 49,000,000  | 36.13  |
| 2                   | JINXING(STAR) ZHANG                               | 38,165,510  | 28.14  |
| 3                   | MISS SU ZHANG                                     | 11,448,980  | 8.44   |
| 4                   | LEPU MEDICAL (EUROPE) COOPERATIEF U.A.            | 11,000,000  | 8.11   |
| 5                   | CERTES CT PTY LTD                                 | 6,278,447   | 4.63   |
| 6                   | LIANG ZUO                                         | 2,792,446   | 2.06   |
| 7                   | DW & RL PTY LTD                                   | 2,163,335   | 1.60   |
| 8                   | DW & RL PTY LTD                                   | 2,094,334   | 1.54   |
| 9                   | MR JIXIANG SHI                                    | 1,439,000   | 1.06   |
| 10                  | EUREKA TECHNOLOGY INNOVATION & INVESTMENT PTY LTD | 623,000     | 0.46   |
| 11                  | MR STEVE HOU                                      | 472,238     | 0.35   |
| 12                  | MS LISHA HUANG                                    | 455,000     | 0.34   |
| 13                  | MR HUILIN LU                                      | 400,510     | 0.30   |
| 14                  | MR XING KANG JIN                                  | 349,000     | 0.26   |
| 15                  | MR LINGPEI SHI                                    | 250,000     | 0.18   |
| 16                  | MISS JIAYI SHI                                    | 220,000     | 0.16   |
| 17                  | MRS FENGQIN ZHU                                   | 207,779     | 0.15   |
| 18                  | OZCN GROUP PTY LTD                                | 206,000     | 0.15   |
| 19                  | MR BRIAN ALBERT DONNELLY                          | 200,370     | 0.15   |
| 20                  | MRS AIPING RUAN                                   | 200,000     | 0.15   |
| Total               |                                                   | 127,965,949 | 94.36  |
| Balance of register |                                                   | 7,650,652   | 5.64   |
| Grand total         |                                                   | 135,616,601 | 100.00 |

## Substantial shareholders

| Rank | Name                                         | 13 Oct 2020 | %IC   |
|------|----------------------------------------------|-------------|-------|
| 1    | GOLDENSTAR PHARMACEUTICAL INVESTMENT LIMITED | 49,000,000  | 36.13 |
| 2    | JINXING(STAR) ZHANG                          | 38,165,510  | 28.14 |
| 3    | MISS SU ZHANG                                | 11,448,980  | 8.44  |
| 4    | LEPU MEDICAL (EUROPE) COOPERATIEF U.A.       | 11,000,000  | 8.11  |

## Shareholders of Quoted Equities subject to Escrow

| Rank | Name                | 13 Oct 2020 | %IC   |
|------|---------------------|-------------|-------|
| 1    | JINXING(STAR) ZHANG | 38,165,510  | 28.14 |
| 2    | DW & RL PTY LTD     | 494,479     | .01   |
| 10   | LIANG ZUO           | 329,653     | .01   |

## Voting rights

**Ordinary Shares** - On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Share Options** – No voting rights

## On-Market Buyback

There is no current on-market buyback.

## Distribution of equity security holders

| Holding          | Shares     | Share Options |
|------------------|------------|---------------|
| 1 - 1,000        | 131        |               |
| 1,001 - 5,000    | 255        |               |
| 5,001 - 10,000   | 114        |               |
| 10,001 - 100,000 | 132        |               |
| 100,000 and over | 32         | 1             |
| <b>Total</b>     | <b>664</b> | <b>1</b>      |

## Unmarketable Parcels

The number of shareholders holding less than a marketable parcel of 1,430 ordinary shares is 149 (\$0.35 on 13 October.) In total they hold 88,612 shares.

## Securities exchange

The Company is listed on the Australian Securities Exchange.

## Corporate Information

### Offices

**Australia & registered office:**

171-177 Woodpark Rd,  
Smithfield, NSW, 2164

**China**

1402, Building A,  
SOHO Building,  
Xiyong Avenue,  
Shapingba District,  
Chongqing

### Directors & Officers

|                   |                          |
|-------------------|--------------------------|
| Mr Richard Allely | – Chairman               |
| Mr Star Zhang     | - Managing Director      |
| Ms Su Zhang       | - CEO                    |
| Dr Ziye Sui       | - Non Executive Director |
| Mr Jialong Ding   | - Non Executive Director |
| Ms Wei Han        | - Non Executive Director |
| Mr Patrick Raper  | - Company Secretary      |

### Auditors

BDO East Coast Partnership  
Level 11, 1 Margaret Street, Sydney NSW 2000, Australia

### Share Register

Link Market Services Pty Limited  
Level 12, 225 George Street, Sydney NSW 2000  
Phone: +61 1300 555 475  
**Website** [www.starcombo.cme.au](http://www.starcombo.cme.au)



***Star Combo Pharma Ltd***  
– Australia –