



25 March 2020

ASX Announcement

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**Star Combo Extraordinary General Meeting – 23 April 2020**

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We refer to the ASX Announcement on 2 March 2020 regarding a Placement to Goldenmax International Technology Limited and now enclose the Notice of Meeting (NOM) and Explanatory Memorandum (EM) for immediate release to the market.

The NOM and EM are accompanied by a pro forma Proxy Form and an Independent Expert's Report

The Announcement has been approved by the Board of Directors.

For additional information contact Richard Allely on email [richardallely@starcombo.com.au](mailto:richardallely@starcombo.com.au)

Patrick Raper  
**Company Secretary**  
**Star Combo Pharma Limited**

**About Star Combo Pharma**

Star Combo Pharm (ASX: S66) is a leading distributor and manufacturer of branded premium health and natural beauty products. Based in Sydney, our products are distributed to both local Australians and to overseas markets. Star Combo has offices and distribution agreements in China and currently supplies Australian pharmacy lines as well as distribution to over 450 Terry White and Symbion Chemists and wholesale customers in Australia and China. Directed by pharmacists and experts in health supplement manufacturing, Star Combo's vision is to curate health products made from natural ingredients with scientific R&D and manufacturing practices. Since its establishment in 2004, Star Combo has demonstrated strong product and business development and continues its vision to expand our current operations to serve our loyal business partners, customers and employees.



**STAR COMBO PHARMA LIMITED**

**ACN 615 728 375**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**TO BE HELD AT 11:00AM (SYDNEY TIME) ON 23 APRIL 2020**

**AT STAR COMBO CONFERENCE ROOM, 171-177 WOODPARK ROAD**

**SMITHFIELD, NSW 2164**

## STAR COMBO PHARMA LIMITED

ACN 615 728 375

### NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is given that an Extraordinary General Meeting of members of Star Combo Pharma Limited ACN 615 728 375 (**Company** or **Star Combo**) will be held for the purpose of conducting the business of the meeting as itemised in this Notice.

**Venue:** Star Combo Conference Room  
171 – 177 Woodpark Rd, Smithfield, NSW, 2164

**Date:** Thursday 23 April 2020

**Time:** 11:00am (Sydney time)

The Explanatory Memorandum provides additional information on matters to be considered at the Extraordinary General Meeting. The Explanatory Memorandum and the Proxy Form accompanying this Notice form part of this Notice.

The Directors have determined in accordance with regulation 7.11.37 of the Corporations Regulations that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 21 April 2020 at 7.00pm (Sydney time).

Capitalised words and phrases contained in this Notice and the Explanatory Memorandum will, unless the context requires otherwise, have the same meaning as set out in the glossary on page 12 of the Explanatory Memorandum.

### BUSINESS OF THE MEETING

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## Resolution 1 – Approval of placement of Shares to sophisticated and professional investors

To consider, and if thought fit, pass the following resolution as an **ordinary resolution**:

*"That for the purposes of item 7 of section 611 of the Corporations Act 2001 (Cth), and for all other purposes, Shareholders approve the issue of 49,000,000 Shares at an issue price of \$0.68 per Share under the Placement, as set out in the Explanatory Memorandum accompanying this Notice."*

#### Voting Exclusion Statement

The Company will disregard any votes on Resolution 1 by a person who is the person subscribing for the shares under the Placement or their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

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## Resolution 2 – Approval of the appointment of Mr Jialong Ding as a Director of the Company

To consider, and if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, subject to Resolution 1 being approved, Mr Jialong Ding be and is hereby appointed a Director of the Company, to take effect on completion of the Placement as contemplated in Resolution 1."*

### **Voting Exclusion Statement**

The Company will disregard any votes on Resolution 2 by a person who is the person subscribing for the shares under the Placement or their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

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## **Resolution 3 – Approval of the appointment of Ms Wei Han as a Director of the Company**

To consider, and if thought fit, pass the following resolution as an **ordinary resolution**:

*"That, subject to Resolution 1 being approved, Ms Wei Han be and is hereby appointed a Director of the Company, to take effect on completion of the Placement as contemplated in Resolution 1."*

### **Voting Exclusion Statement**

The Company will disregard any votes on Resolution 3 by a person who is the person subscribing for the shares under the Placement or their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form.

### **General**

To consider any other business as may be lawfully put forward in accordance with the Constitution.

### **Other Information**

The Explanatory Memorandum and the Independent Expert Report accompany and form part of this Notice.

All Shareholders should read the Explanatory Memorandum and the Independent Expert Report carefully and in their entirety. Shareholders who are in doubt regarding any part of the business of the Meeting should consult their financial or legal adviser for assistance.

### **Voting by Proxy**

Any Shareholder of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote instead of that Shareholder.

The proxy does not need to be a Shareholder of the Company. A Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the Shareholder's votes (in which case any fractional votes will be disregarded).

Proxies must be:

- (a) lodged at the Company's share registry, Link Market Services; or
- (b) faxed at the fax number specified below,

not later than 11:00am (Sydney time) on 21 April 2020.

#### **Link Market Services (hand deliveries)**

Link Market Services  
Level 12, 680 George Street  
Sydney, NSW 2000

#### **Link Market Services (postal deliveries)**

Link Market Services  
Level 12, 680 George Street,  
Sydney, NSW 2000

#### **Fax number for lodgement**

+61 2 9287 0309

#### **Online**

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

A form of proxy is provided with this Notice.

Proxies given by corporate Shareholders must be executed in accordance with the Corporations Act and their constitutions, or signed by a duly authorised attorney.

A proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on a resolution, the proxy may vote on that item only in accordance with that direction. Any directed proxies which are not voted on a poll will automatically default to the Chair, who must vote the proxies as directed. If a proxy is not directed how to vote on a Resolution, a proxy may vote as they think fit. If a Shareholder appoints the Chair as a Shareholder's proxy and does not specify how the Chair is to vote on one or more Resolutions, the Chair will vote, as proxy for that Shareholder, in favour of each Resolution.

#### **Voting by corporate representatives**

A corporate Shareholder wishing to appoint a person to act as its representative at the Meeting must provide that person with an authority executed in accordance with that company's constitution and the Corporations Act authorising him or her to act as a corporate representative. The authority must be sent to the Company or the Company's share registry, Link Market Services, in advance of the Meeting or be handed in at the Meeting when registering as a corporate representative.

#### **Entitlement to Vote**

The Directors have determined in accordance with regulation 7.11.37 of the Corporations Regulations that all persons registered as Shareholders at 7.00pm (Sydney time) on 21 April 2020 will be eligible to vote and attend the Meeting. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Meeting.

#### **Shareholder questions and comments**

The Chair will provide Shareholders with an opportunity at the Meeting to ask questions and make comments in relation to the Resolutions.

By Order of the Board  
**Star Combo Pharma Limited**



**Patrick Raper**  
**Company Secretary**  
24 March 2020

**STAR COMBO PHARMA LIMITED**  
**ACN 615 728 375**  
**EXPLANATORY MEMORANDUM**

**1. Introduction**

This Explanatory Memorandum should be read in conjunction with and forms part of the Notice for the Extraordinary General Meeting of the Company to be held in the Star Combo Conference Room at 171 – 177 Woodpark Rd, Smithfield, NSW, 2164 on 23 April 2020 at 11:00am (Sydney time) (**Meeting**).

The purpose of this Explanatory Memorandum is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the Resolutions. Among other things, this Explanatory Memorandum provides Shareholders with the information required to be provided to Shareholders by the Corporations Act and Listing Rules.

Capitalised words and phrases contained in this Explanatory Memorandum have the same meaning as set out in the glossary section of this Explanatory Memorandum.

The Resolutions are ordinary resolutions requiring to be passed by a simple majority of votes cast by Shareholders entitled to vote on the Resolutions. Further information regarding each Resolution is set out below.

This Explanatory Memorandum is an important document and should be read in its entirety by all Shareholders.

**2. Background of the Placement**

As announced on ASX on 2 March 2020, the Company has entered into a Share Subscription Agreement with the Subscriber to issue 49,000,000 ordinary Shares in Star Combo ("**Placement**").

The key terms of the Subscription Agreement are as follows:

- (a) Goldenmax or its nominee has subscribed for 49,000,000 shares in Star Combo at the Subscription Price ("**Subscription Shares**");
  - (i) Subscription Price: A\$0.68 per share;
  - (ii) Subscription Method: all cash, in Australian Dollars; and
  - (iii) The exclusivity period is until 29 February 2020.
- (b) On completion of the Proposed Transaction, two representatives of Goldenmax will be appointed as directors of Star Combo.
- (c) Star Combo will seek shareholder approval under item 7 Section 611 of the Corporations Act 2001 ("**Corporations Act**") in relation to the issue of the Subscription Shares to Goldenmax or its nominees.
- (d) There are no escrow or other provisions restricting the on-sale of all or any of the Subscription Shares by the Subscriber.

**3. Overview of Star Combo**

Star Combo is a health and natural beauty product manufacturer and distributor. Its core business comprises the manufacture and distribution of premium health and natural beauty products (including branded vitamins, dietary supplements and skincare/cosmetic products) to Australian and overseas markets.

Star Combo has a particular focus on distribution to Asian markets, and among other things has identified increasing distribution to China as an opportunity for growth.

Through a wholly-owned subsidiary, Star Combo holds a Therapeutic Goods Administration licence that permits it to manufacture soft and hard capsules, powders and tablets, and to provide those facilities to other vitamin companies.

Star Combo owns four brands, being Costar, Amax, J&K and Living Healthy, each targeted at different markets and consumer groups.

Star Combo focuses on developing and manufacturing quality health products from natural ingredients and scientific research.

Star Combo's products are distributed through a variety of channels, including gift shops, duty free stores, supermarkets, pharmacies and online (including the recently acquired 'Austoyou' China/Australia e-commerce platform which offers over 5,000 high demand product lines directly to consumers in China).

#### **4. Overview of Goldenmax**

Goldenmax is a China-based company principally engaged in the research, development, manufacture and sale of copper clad laminates (CCLs).

Goldenmax distributes its products under the brand names of Jin'an and Guoji. Its products are applied in home appliances, computers, lighting, communication equipment and other electronic products. It distributes its products in domestic market and in overseas markets.

Goldenmax has developed a long-term growth strategy to focus on two core businesses, being the existing copper clad laminates business and a new business in the healthcare industry.

Goldenmax has recently acquired a number of pharmaceutical companies in China including two traditional Chinese medicine manufacturers and is now ready to expand internationally with particular interest in health product manufacturers in Australia.

#### **5. Strategic Business Partnership between Star Combo and Goldenmax**

The key benefits of the Placement is the ability for Star Combo to expand its production facilities and strategically leverage Goldenmax's expertise in production management and efficiency and its marketing and distribution networks in China. Examples of the financial and operational benefits and the synergies arising out of the Placement include:

- utilisation of funds from the Placement to significantly expand Star Combo's production facility and capability to become one of the top players in the Australian health product industry;
- opportunity for Star Combo to expand its research and development team for new product development;
- establishment of a dedicated Australian sales and marketing team targeting OEM sales;
- significant improvement in Star Combo's production efficiency and operational cost base; and
- access to Goldenmax's strategic marketing and sales expertise, local market knowledge and distribution network in China.

#### **6. Independent Expert Report**

BDO has been appointed by the Directors of Star Combo to prepare an IER expressing its opinion as to whether or not the proposed Placement is fair and reasonable to the non-associated shareholders of Star Combo.

The IER is attached in full to this Notice and should be read by all shareholders in full in assessing how to vote on the Resolution.

## 7. Effect of issue of Shares

Under the Share Subscription Agreement and the Placement new Shares will be issued to Goldenmax or its nominee as follows:

Issue	Shareholder	Issue Price	Shares to be issued	Subscription Amount
Placement	Goldenmax or it's nominee	\$0.68	49,000,000	\$33,320,000
<b>Total Shares on Issue after the Placement</b>			<b>135,616,601</b>	

At the date of this Notice the number of Shares on issue is **86,616,601**. In the 12 months prior to this Notice, the Company issued 80,000 Shares to a staff member on exercise of staff options.

Prior to the date of the Notice, the highest price of Shares in the Company traded on the ASX in the last 12 months was \$0.82 on 8 July 2019 and the lowest price traded on the ASX during the past 12 months was \$0.42 on 10 September 2019.

### The dilutive impact of Shares issued under the Placement on existing Shareholders?

The transaction contemplates the issue of 49,000,000 Shares under the Placement.

As a consequence of the issue of the new Shares, the number of Shares on issue will increase from 86,616,601 to 135,616,601. Accordingly, the proportional ownership of the existing shareholders of the Company will be reduced quite significantly.

The following table shows the pre and post issue proportional ownership.

Shareholder	Shares Held before the Placement	% of Company Ownership	Shares held after the Placement	% of Company Ownership
Current Shareholders	86,616,601	100.0	86,616,601	63.9
Goldenmax or it's nominee	nil		49,000,000	36.1
Total Shares on Issue	86,616,601	100.0	135,616,601	100.0

## 8. Resolution 1 - Approval of Placement under item 7 section 611 of the Corporations Act

Under Listing Rule 7.1, a company must not, without the approval of its shareholders, issue more than 15% of its equity securities in any 12 month period, unless an exception applies. ASX Listing Rule 7.2 Exception 8 provides that a company may issue securities if that issue of securities is approved for the purposes of item 7 of Section 611 of the Corporations Act.

Resolution 1 seeks Shareholder approval to issue 49,000,000 Shares at an issue price of \$0.68 per Share to Goldenmax or its nominees. The Placement will raise \$33,320,000. The proceeds of the Placement will be used by the Company to:

- significantly expand its production facility and capability to become one of the top players in the Australian health product industry;
- extend its Research and Development team for new product development;
- establish a dedicated Australian sales and marketing team targeting OEM sales; and
- pay the costs of the Placement which are approximately equal to \$8.3 million.

The resolution is an ordinary resolution.



**Information required by the Corporations Act**

In accordance with item 7 section 611 of the Corporations Act, the following information is provided in relation to the Resolution:

#	Requirement	Information
1.	The identity of the person proposing to make the acquisition and their associates	Goldenmax or its nominees
2.	The maximum extent of the increase in that person's voting power in the company that would result from the acquisition	See paragraph 7 above
3.	The voting power that person would have as a result of the acquisition	See paragraph 7 above
4.	The maximum extent of the increase in the voting power of each of that person's associates that would result from the acquisition	Not applicable
5.	The voting power that each of that person's associates would have as a result of the acquisition	Not applicable
6.	Any other information material to the decision of the shareholder in relation to the Resolution	See paragraph 8 above

**Voting exclusion statement**

The Company will disregard any votes on Resolution 1 by a person who is the person subscribing for the shares under the Placement or their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote or an associate as a proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form.

**Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 1.

**9. Resolution 2 and Resolution 3 - Approval of the appointment of Mr Jialong Ding and Ms Wei Han as Directors of the Company.**

The Share Subscription Agreement at Clause 8 provides that for so long as Goldenmax or its holding company or a subsidiary holds in aggregate such number of Shares, options or other Equity Securities convertible into Shares in the Company which is not less than:

- (a) 10% of the Fully Diluted Share Capital of the Company, then the Subscriber may nominate a maximum of one person to be appointed as a director of the Board; or
- (b) 30% of the Fully Diluted Share Capital of the Company, then the Subscriber may nominate a maximum of two persons to be appointed as a director of the Board, (each a **Nominee Director**).

The Share Subscription Agreement further provides that Goldenmax may by notice to the Company:

- (c) remove any Nominee Director nominated under clause 8.1 of the Share Subscription Agreement; and
- (d) in circumstances where a Nominee Director is due to retire by rotation under the Constitution (**Incumbent Nominee Director**), propose a new nominee under clause 8.1, and if such a nomination is made, the Incumbent Nominee Director will not be eligible to offer him or herself for re-election.

If the Subscriber exercises its right to propose a new nominee:

- (e) the Incumbent Nominee Director must retire in accordance with the Constitution; and
- (f) subject to the approval of the new nominee by the nomination committee of the Board, any replacement Nominee Director will be considered for election at the same annual general meeting.

Goldenmax may not nominate a person as a Nominee Director if that person has been removed or, being a director of the Company retiring by rotation, is not re-elected by resolution of shareholders of the Company.

The Share Subscription Agreement also provides at Clause 3 that it is a condition of Completion that the shareholders of the Company approve the appointment of Nominee Director(s) subject to Completion and Goldenmax duly exercising its right under clause 8.1 of the Share Subscription Agreement to nominate the Nominee Director(s).

If Shareholders approve Resolution 1, Goldenmax or its nominee will hold 36.1% of the total shares on issue after the Placement and will therefore be entitled to nominate two persons to be Nominee Directors of the Company.

Goldenmax have nominated Mr Jialong Ding and Ms Wei Han to be Nominee Directors of the Company.

Resolutions 2 and 3, seek shareholder approval for the appointment of these Nominee Directors to the Board of the Company.

The Bios of Mr Jialong Ding and Ms Wei Han are set out below.

#### **Bio - Mr Jialong Ding**

**Nationality:** Chinese

**Qualifications:** Senior technician, Advanced financial management

**Education:** Shanghai Lixin Accounting College – Accounting

#### **Summary:**

- VP of Pharmaceutical Division - Goldenmax International Technology Ltd
- Former director, chairman, CEO and senior executives of a number of large pharmaceutical companies
- Senior VP of Shanghai Pharmaceutical Industry Association, senior executive of a number of Pharmaceutical Industry associations and guest speaker of universities and Economic Forums
- Over 30 years experienced in China pharmaceutical industry, pharmaceutical production and quality management

#### **Job Experience:**

1. 2018 – present: VP of Pharmaceutical Division – Goldenmax International Technology Ltd
2. 2017 – 2018: General Manager of Human Resources – Shanghai Pharmaceutical Co.
3. 2010 – 2017: General Manager – Shanghai ZhongHua Pharmaceutical Co., Ltd.  
During the period, also served as Chairman, CEO of Shanghai Zhonghua Pharmaceutical Nantong Co. Ltd.
4. 2000 – 2010: CEO - Shanghai Glass Factory  
During the period, 2004 – 2010 also served as CEO - Shanghai Glucose Manufacturing Factory
5. 1998 – 2000: Senior VP – Shanghai Pioneer Pharmaceutical Company
6. 1984 – 1998: Deputy General Manager – Shanghai No 6 Pharmaceutical Factory.  
Various roles during the period including deputy finance manager, head of division, assistant general manager before promoted to the Deputy General Manager

## **Social Activities and Achievements**

### **A – Industry Associations**

- Director - Glass Vessel Committee of China Pharmaceutical Packaging Association for two consecutive terms
- Continuously served as VP of Shanghai Pharmaceutical Packaging Association for a number of years
- VP of the China Starch Industry Association for two consecutive terms
- VP of China Non-Prescription Drug Association for a number of years
- VP of China Time-honored Brand Enterprises Shanghai Association from 2010 to present
- Committee member of Shanghai Federation of Industry and Commerce from 2010 to present
- Deputy Director of China Chamber of Commerce Time-honored Brand Committee from 2012 to present
- VP and Senior VP of Shanghai Pharmaceutical Industry Association from 2013 to present
- VP of 2013 since as the "Shanghai Medical Journal" magazine from 2013 to present

### **B – Social Activities**

- Mentor for Pharmaceutical Engineering Post-graduate students at University of Shanghai for Science and Technology since 2013
- Guest speaker, participated in the Brand Management and Marketing Forum held in Shanghai in 2015 attended by 17 universities from China and overseas
- Awarded as an outstanding guest when participated as a guest speaker at the Second Session of the China (Shanghai) Brand Economic Forum in 2016
- Speaker at the Post-graduate Marketing Forum at Shanghai University of Finance and Economics in 2016, presented the topic of Marketing

### **C – Achievements**

- Awarded Advanced Title by the company and Shanghai City industry associations and organisations for many times
- Awarded first prize for Action Learning Case Study, Marketing Model Case Study and other competitions at EMA program of East China University of Science and Technology for many times
- Awarded the “Outstanding CEO” title by the China Time-honoured Brand Enterprises
- Won Silver Award for two times at the National Chinese Time-honoured Brand Enterprise Product Innovation Grand Prix

## **Bio - Ms Wei Han**

**Nationality:** Chinese

**Qualifications:** Statistician

**Education:** Zhejiang University of Finance and Economics Major in Accountancy

### **Summary:**

- Deputy Chairperson – Goldenmax International Technology Ltd
- Executive Director and VP of Goldenmax International Technology Ltd
- Qualified professional statistician
- Over 30 years of experience in business and financial management

### **Job Experience:**

1. 2012 – present: i) Deputy Chairperson – Goldenmax International Technology Ltd  
ii) During the period, also served as VP and Assisting General Manager of Goldenmax International Technology Ltd.  
iii) Director of Goldenmax International Technology Ltd for two consecutive terms
2. 1990 – 2012: Head of Statistics and Operation at Zhejiang Hangzhou Tobacco Company Lin'an Subsidiary Company
3. 1980 – 1990: Worked at Zhejiang Hangzhou Lin'an Food Company

**Voting exclusion statement**

The Company will disregard any votes on Resolutions 2 and 3 by a person who is the person subscribing for the shares under the Placement or their associates. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote or an associate as a proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form.

**Directors' Recommendation**

The Directors recommend that Shareholders vote in favour of Resolutions 2 and 3.

## Glossary

In this Notice and Explanatory Memorandum, unless the context otherwise requires, the singular includes the plural and vice versa, and capitalised terms have the meaning below:

**\$** means Australian Dollars.

**ASX** means ASX Limited ACN 008 624 691 and, where the context requires the financial market known as the Australian Securities Exchange operated by the ASX.

**BDO** means BDO Corporate Finance (East Coast) Pty Ltd.

**Board** means the board of Directors.

**Chair** means the person appointed to chair the Meeting convened by this Notice.

**Company** or **Star Combo** means Star Combo Pharma Limited ACN 615 728 375.

**Completion** means the completion of the subscription for and allotment and issue of the Subscription Shares in accordance with the Share Subscription Agreement, and **Complete** has a corresponding meaning.

**Constitution** means the constitution of the Company.

**Corporations Act** means *Corporations Act 2001* (Cth).

**Corporations Regulations** means the *Corporations Regulations 2001* (Cth).

**Director** means a director of the Company at the date of this Notice.

**Equity Securities** has the meaning given to that term in the listing rules of ASX

**Explanatory Memorandum** means this explanatory memorandum that accompanies and forms part of this Notice.

**Fully Diluted Share Capital** means the total number of Shares plus the number of Shares that would be issued on exercise or conversion of any Equity Securities (other than Shares) which are on issue (or which the Company has agreed or proposes to agree to issue).

**Goldenmax** means Goldenmax International Technology Ltd.

**IER** means the Independent Expert Report prepared by BDO relating to the Placement.

**Listing Rules** means the official listing rules of ASX.

**Meeting** means the extraordinary general meeting of Shareholders to which this Notice relates.

**Notice** means this notice of extraordinary general meeting of Shareholders.

**Placement** means the placement of 49,000,000 Shares at an issue price of \$0.68 per Share to Goldenmax or its nominee.

**Proxy Form** means the proxy form attached to or accompanying this Notice.

**Resolution** means the resolution that is set out in this Notice.

**Shareholder** means a registered holder of at least one Share.

**Shares** means fully paid ordinary shares in the Company.

**Share Consideration** means 49,000,000 Shares to be issued to the Subscriber at an issue price equal to \$0.68 under the Subscription Agreement.

**Share Subscription Agreement** means the Agreement entered into between Star Combo and the Subscriber on 28 February 2020 relating to the Placement.

**Subscriber** means Goldenmax International Technology Ltd and / or its nominee.

**Subscription Shares** means 49,000,000 fully paid Shares.

## LODGE YOUR VOTE



### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)


### BY MAIL

Star Combo Pharma Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



### BY FAX

+61 2 9287 0309



### BY HAND

Link Market Services Limited  
Level 12, 680 George Street, Sydney NSW 2000



### ALL ENQUIRIES TO

Telephone: +61 1300 554 474



X99999999999

## PROXY FORM

I/We being a member(s) of Star Combo Pharma Limited (**Company**) and entitled to attend and vote hereby appoint:

### APPOINT A PROXY



the Chairman of the  
Meeting (mark box)

**OR** if you are **NOT** appointing the Chairman of the Meeting  
as your proxy, please write the name of the person or  
body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the Extraordinary General Meeting of the Company to be held at **11:00am (Sydney time) on Thursday, 23 April 2020 at Star Combo Conference Room, 171 – 177 Woodpark Road, Smithfield, NSW 2164 (the Meeting)** and at any postponement or adjournment of the Meeting.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.**

### VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

#### Resolutions

- Approval of placement of Shares to sophisticated and professional investors
- Approval of the appointment of Mr Jialong Ding as a Director of the Company
- Approval of the appointment of Ms Wei Han as a Director of the Company

For Against Abstain\*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### SIGNATURE OF SHAREHOLDERS – THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Joint Shareholder 2 (Individual)

Joint Shareholder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

## HOW TO COMPLETE THIS SHAREHOLDER PROXY FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a shareholder of the Company.

### DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

### VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- return both forms together.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" must be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

### LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **11:00am (Sydney time) on Tuesday, 21 April 2020**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



#### ONLINE

[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" - Securityholder Reference Number (SRN) or Holder Identification Number (HIN).



#### BY MAIL

Star Combo Pharma Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



#### BY FAX

+61 2 9287 0309



#### BY HAND

delivering it to Link Market Services Limited\*  
Level 12  
680 George Street  
Sydney NSW 2000

\* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE EXTRAORDINARY GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU.  
THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.



# INDEPENDENT EXPERT REPORT

## STAR COMBO PHARMA LIMITED

In relation to the proposed placement of 49,000,000 shares to Goldenmax International Technology Ltd at \$0.68 per share

17 March 2020



## FINANCIAL SERVICES GUIDE

Dated: 17 March 2020

This Financial Services Guide ('FSG') helps you decide whether to use any of the financial services offered by BDO Corporate Finance (East Coast) Pty Ltd ('BDO Corporate Finance, we, us, our').

The FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 247420
- Remuneration that we and/or our staff and any associates receive in connection with the financial services
- Any relevant associations or relationships we have
- Our complaints handling procedures and how you may access them.

### FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice to retail and wholesale clients about securities and certain derivatives (limited to old law securities, options contracts and warrants). We can also arrange for customers to deal in securities, in some circumstances. Whilst we are authorised to provide personal and general advice to retail and wholesale clients, we only provide *general* advice to retail clients.

Any general advice we provide is provided on our own behalf, as a financial services licensee.

### GENERAL FINANCIAL PRODUCT ADVICE

Our general advice is typically included in written reports. In those reports, we provide general financial product advice that is prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees are negotiated and agreed to with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. In this instance, the Company has agreed to pay us \$40,000 for preparing the Report.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of general advice.

All our employees receive a salary. Our employees are eligible for bonuses based on overall company performance but not directly in connection with any engagement for the provision of a report.

### REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### ASSOCIATIONS AND RELATIONSHIPS

BDO Corporate Finance is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The general financial product advice in our report is provided by BDO Corporate Finance and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### COMPLAINTS RESOLUTION

#### Internal Complaints Resolution Process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. Complaints can be in writing, addressed to the Complaints Officer, BDO Corporate Finance, Level 11, 1 Margaret St, Sydney NSW 2001 or by telephone or email, using the contact details at the top of this FSG.

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

#### Referral to External Dispute Resolution Scheme

If a complaint relating to general advice to a retail client is not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority (AFCA). AFCA is an independent company that has been established to impartially resolve disputes between consumers and participating financial services providers.

BDO Corporate Finance is a member of AFCA (Member Number 11843).

Further details about AFCA are available at the AFCA website [www.afca.org.au](http://www.afca.org.au) or by contacting them directly via the details set out below.

Australian Financial Complaints Authority  
GPO Box 3  
MELBOURNE VIC 3001  
Toll free: 1800 931 678  
Email: [info@afca.org.au](mailto:info@afca.org.au)

### COMPENSATION ARRANGEMENTS

BDO Corporate Finance and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDO Corporate Finance or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDO Corporate Finance satisfy the requirements of section 912B of the Corporations Act 2001.

### CONTACT DETAILS

You may provide us with instructions using the details set out at the top of this FSG or by emailing - [cf.ecp@bdo.com.au](mailto:cf.ecp@bdo.com.au)

## SUMMARY OF FINDINGS

The Directors  
Star Combo Pharma Limited  
171-177 Woodpark Road  
Smithfield NSW 2164

17 March 2020

Dear Directors

## INDEPENDENT EXPERT REPORT IN RELATION TO THE PLACEMENT OF 49,000,000 SHARES TO GOLDENMAX INTERNATIONAL TECHNOLOGY LTD

### 1. INTRODUCTION AND PURPOSE

BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170) (**BDOCF, we, us or our**) has been engaged by the directors (**Directors**) of Star Combo Pharma Limited (**Star Combo or the Company**) to prepare an independent expert report (**Report or IER**). This Report sets out our opinion as to whether the proposed issue of 49,000,000 shares to Goldenmax International Technology Ltd (**Goldenmax**)(the **Proposed Transaction**), is fair and reasonable to the shareholders of Star Combo (the **Shareholders**).

#### Proposed Transaction

This Report sets out our opinion as to whether the Proposed Transaction is fair and reasonable to the Shareholders. The Proposed Transaction involves the issuance of 49,000,000 new shares at \$0.68 per share (**Gross placement price**) as outlined in the notice of meeting dated on or about 24 April 2020 (the **Transaction Document**). The total consideration to be received by Star Combo is \$33.3m. Post the Proposed Transaction, Goldenmax will hold 36.1% of all Star Combo shares. Goldenmax will also be entitled to appoint two directors on Star Combo's Board.

As a direct result of the Proposed Transaction, Star Combo will incur transaction fees of \$8.3m, including a fee payable to GF Capital (Hong Kong) Limited (**GF Capital**) of \$8.1m. The net proceeds after transaction costs are \$25.1m, or \$0.51 per share (**Net placement price**).

Full details of the Proposed Transaction are set out in the notice of meeting to be sent to the shareholders of Star Combo in respect of an extra-ordinary general meeting of Star Combo to be held in April 2020.

The Proposed Transaction is subject to a number of conditions precedents including, but not limited to Star Combo Shareholders approving the Proposed Transaction under the Corporations Act (including section 611 item 7).

### 2. APPROACH

In preparing our IER, we have considered the requirements of:

- ▶ ASIC Regulatory Guide 111 Content of expert reports (**RG 111**); and
- ▶ ASIC Regulatory Guide 112 Independence of experts (**RG 112**).

RG 111 establishes guidelines in respect of independent expert reports under the Act. This regulatory guide provides guidance as to what matters an independent expert should consider to assist shareholders to make informed decisions about transactions.

RG 111 states that there should be a separate assessment of fairness and reasonableness.

## 2.1. Fairness

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer. The comparison must be made assuming:

- ▶ a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length; and
- ▶ 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

Based on our interpretation of RG111.11, we have compared:

- ▶ The fair market value (FMV) of a Star Combo share pre transaction on a control basis (being the value of the securities the subject of the offer, per RG 111.11); and
- ▶ The FMV of a Star Combo share post transaction on a minority basis (being the offer price or consideration per RG111.11).

## 2.2. Reasonableness

In accordance with paragraph 60 of RG111, an offer is 'reasonable' if it is 'fair'. It might also be 'reasonable' if, despite being 'not fair', the expert believes there are sufficient reasons to vote for the proposal.

When deciding whether a transaction is 'reasonable', factors an expert might consider include:

- ▶ the financial situation and solvency of the entity;
- ▶ the alternative options available to the entity;
- ▶ the entity's bargaining position;
- ▶ whether there is selective treatment of any shareholder; and
- ▶ any special value of the transaction to the purchaser.

## 3. SUMMARY OF OPINION

**We have concluded that the Proposed Transaction is not fair but reasonable to the Shareholders.**

A summary of our analysis in forming the above opinion is provided below. This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

In undertaking our assessment of fairness, we have had regard to the ASIC RG 111.

The Proposed Transaction will be fair if the FMV of a Star Combo share post the Proposed Transaction (on a minority basis) is equal to or greater than the FMV of a Star Combo share pre transaction on a controlling interest basis.

We have assessed the FMV of Star Combo (and its underlying shares) using the net asset value method (NAV) and quoted market price (QMP) method.

### 3.1. Fairness Assessment

Our analysis has been performed by comparing the value of the:

- ▶ a Star Combo share pre transaction on a control basis; and
- ▶ a Star Combo share post transaction on a minority basis.

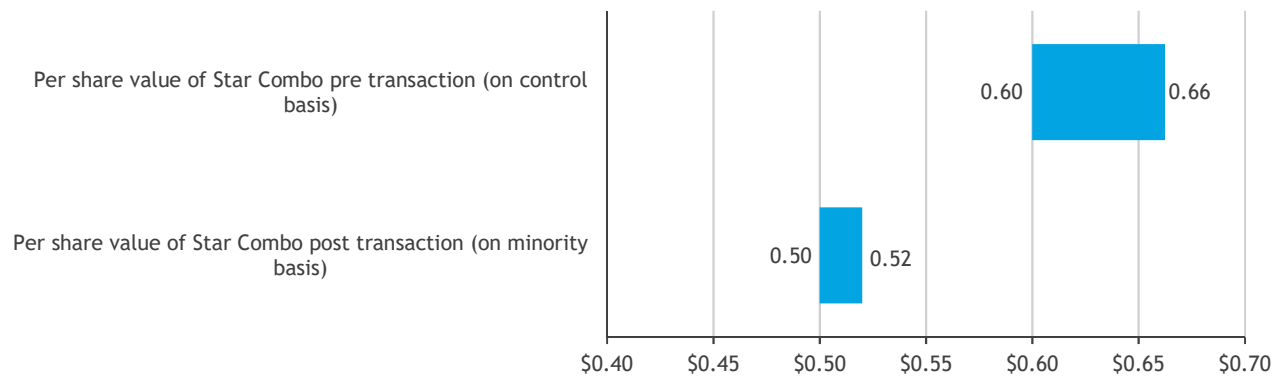
The result of our fairness analysis is summarised below.

**Table 1: Fairness summary**

Fairness assessment	Ref	Low	High
Value of a Star Combo share prior to the Proposed Transaction, on a control basis (\$)	5.4	0.60	0.66
Value of a Star Combo share post the Proposed Transaction, on a minority basis (\$)	6.1	0.50	0.52

Source: BDO analysis

Figure 3: Fairness assessment



We note that the per share value range of a Star Combo share post the Proposed Transaction (on a minority basis) is below the per share value range of a Star Combo share prior to the Proposed Transaction (on a control basis). Therefore, the Proposed Transaction is not fair to the Shareholders.

### 3.2. Reasonableness Conclusion

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for Star Combo Shareholders to accept the Proposed Transaction in the absence of a superior offer.

We have assessed the reasonableness of the Proposed Transaction by considering the factors set out in table 2.

**Table 2: Summary of factors considered in the reasonableness assessment**

Advantages	
The transaction will provide net cash proceeds of \$25.1m to fund further expansion	<p>If the Proposed Transaction is approved, Star Combo will receive net cash of \$25.1m (being gross consideration of \$33.3m, less transaction costs of \$8.3m).</p> <p>Star Combo's cash reserves have reduced to \$2.4m (in 1H20) down from \$8.9m (in FY18) as funds were used for operating losses, acquisitions (Austoyou and Koala Mall), as well as investment in property, plant and equipment.</p> <p>The \$25.1m inflow of cash will provide the funding required to support a significant expansion in OEM and manufacturing operations of Star Combo in Australia.</p>
The gross placement price represents a premium of 36% to the 3 months VWAP	The gross placement price amounts to \$0.68 per share (before transaction costs), which represents c.36% premium to the 3 month VWAP of \$0.50. However, the net placement price is \$0.51 per share which is in line with recent ASX trading.
Additional Expertise	Goldenmax will be entitled to appoint two new directors on Star Combo's Board. Star Combo may benefit from the financial and managerial expertise of the new directors.
Avoidance of \$0.5m service fee	If the Proposed Transaction is not approved, Star Combo would be liable to pay a break fee of \$0.5m to GF Capital ( <b>Service fees</b> ). By approving the Proposed Transaction, Star Combo avoids paying the service fees. Refer to Section 1.3 for the summary of the agreement with GF Capital.
Disadvantage	
The net placement price represents a discount between 15% and 23% to the FMV prior to the Proposed Transaction (on a control basis)	<p>The net placement price equates to \$0.51 per share. This is a discount to our assessed control FMV per share (pre the Proposed Transaction) of between 15% and 23%. Refer to Section 5 for our valuation of Star Combo's share pre transaction.</p> <p>The net placement price of \$0.51 per share is in line with recent ASX trading, however we would expect Star Combo to receive a control premium when issuing shares to a party that will hold 36.1% of the Company.</p> <p>Goldenmax is paying a premium of c.36%, however Star Combo is not receiving the full benefit of that premium as transaction costs of \$8.3m are being incurred. It is normal for transaction costs to be incurred on transactions of this nature, however these transaction costs are significant (being c.25% of the gross consideration).</p> <p>We note that the terms of the agreement with GF Capital are very broad and a success fee of \$8.1m would be payable if any funds are raised by Star Combo before 3 March 2023.</p> <p>As mentioned above, Star Combo had cash of \$2.4m at 31 December 2019 and requires additional cash to fund its expansion plans. Therefore, it is unlikely, Star Combo can avoid these fees of \$8.1m to GF Capital even if the Proposed Transaction is rejected as alternative finance would be required in any event.</p>
Dilution of shareholding and influence	<p>As set out in Section 6.1, if the Proposed Transaction is approved, existing Shareholders' interests in the Company will be diluted from 100% to 63.9% as a result of the Proposed Transaction.</p> <p>With a 36.1% shareholding, Goldenmax will have significant influence as well as the ability to block special resolutions. We note that post the Proposed Transaction, Goldenmax together with Mr Star Zhang (including his associates) will hold c.73% of Star Combo's shares and would therefore have significant control over the direction of the Company.</p> <p>Goldenmax will also have the right to the appointment of two Directors onto Star Combo's Board. This will provide Goldenmax a significant level of influence over the Company.</p>

Source: BDO analysis

Based on the above analysis, we consider the Proposed Transaction to be reasonable. The key considerations in arriving at this conclusion are:

- ▶ Goldenmax is paying \$0.68 per share, a premium of c36% to the 3 month VWAP of Star Combo's share.
- ▶ The net placement price is \$0.51 which is in line with recent trading, and therefore Star Combo is not receiving a control premium. This is primarily a result of a significant fee of \$8.1m that is payable to GF Capital upon completion of this Proposed Transaction.
- ▶ We note that Star Combo requires additional cash to fund its expansion plans, and under the terms of the agreement with GF Capital a fee of \$8.1m would be payable if the Proposed Transaction is rejected and investment is secured from alternative sources. Therefore, we consider it highly unlikely that Star Combo can avoid paying the fee to GF Capital even if the offer relating to the Proposed Transaction is rejected.

## 4. OTHER MATTERS

### 4.1. Shareholders' individual circumstances

Our analysis has been undertaken, and our conclusions are expressed at an aggregate level. Accordingly, BDO has not considered the effect of the Proposed Transaction on the particular circumstances of individual Star Combo Shareholders. Some individual Star Combo Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in this IER. Accordingly, individual Star Combo Shareholders may reach different conclusions as to whether or not the Proposed Transaction is fair and reasonable in their individual circumstances.

The decision of an individual Star Combo shareholder in relation to the Proposed Transaction may be influenced by their particular circumstances and accordingly the Shareholders are advised to seek their own independent advice.

Approval or rejection of the Proposed Transaction is a matter for individual Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. The Shareholders should carefully consider the Transaction Document. The Shareholders who are in doubt as to the action they should take in relation to the Proposed Transaction should consult their professional adviser.

### 4.2. General requirements in relation to the IER

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated by those persons affected by the Proposed Transaction. In preparing the IER we considered ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- ▶ particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the past, between BDO East Coast Partnership or BDOCF and any of the parties to the Proposed Transaction;
- ▶ the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- ▶ that we have relied on information provided by the Directors and Management of Star Combo (**Management**) and that we have not carried out any form of audit or independent verification of the information; and
- ▶ that we have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

### 4.3. Current market conditions

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

### 4.4. Glossary

Capitalised terms used in this IER have the meanings set out in the glossary. A glossary of terms used throughout this IER is set out in **Appendix 1**.

#### 4.5. Sources of information

Appendix 2 to the IER sets out details of information referred to and relied upon by us during the course of preparing this IER and forming our opinion.

The statements and opinions contained in this IER are given in good faith and are based upon our consideration and assessment of information provided by Star Combo.

Under the terms of our engagement, Star Combo has agreed to indemnify BDOCF and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

#### 4.6. Limitations

This IER has been prepared at the request of the Directors for the sole benefit of the Directors and the Shareholders to assist them in their decision to approve or reject the Proposed Transaction. This IER is to accompany the Transaction Document to be sent to the Shareholders to consider the Proposed Transaction and was not prepared for any other purpose.

Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without our written consent. We accept no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

This IER should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of our IER, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of the IER within the Transaction Document. Apart from this IER, we are not responsible for the contents of the Transaction Document or any other document associated with the Proposed Transaction. We acknowledge that this IER may be lodged with regulatory authorities.

#### 4.7. Summary

This summary should be read in conjunction with our full IER that sets out in full the purpose, scope, basis of evaluation, limitations, information relied upon, analysis and our findings.

#### 4.8. Financial Service Guide

BDO holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues. A financial services guide is attached to this IER.

Yours faithfully

**BDO CORPORATE FINANCE (EAST COAST) PTY LTD**



**David McCourt**  
Director



**Sebastian Stevens**  
Director





# INDEPENDENT EXPERT REPORT

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## 1. PURPOSE AND BACKGROUND

### 1.1. Purpose

BDOCF has been engaged by the Directors of Star Combo to prepare this independent expert report (the **Report**). This Report sets out our opinion as to whether the proposed issue of 49,000,000 shares to Goldenmax, is fair and reasonable to the shareholders of Star Combo.

This IER is to accompany the notice of meeting to be provided to the Shareholders. It has been prepared to assist and enable the Shareholders to assess the merits of the Proposed Transaction and to decide whether to approve the Proposed Transaction.

A summary of the background to the terms of the Proposed Transactions are set out below.

### 1.2. Background of the Proposed Transaction

Star Combo is a nutritional products business that develops, manufactures and distributes a range of health and natural beauty products in Australian and offshore markets.

Goldenmax, is a China-based company listed on the Shenzhen Stock Exchange that principally engages in the development, manufacture and sale of copper clad laminates used for making printed circuit boards. Goldenmax is also making investments into the healthcare sector.

The Proposed Transaction involves the issuance of 49,000,000 shares in Star Combo at \$0.68 per share to Goldenmax. The total consideration to be received by Star Combo is cash of \$33.3m, out of which \$8.1m would be paid to GF Capital (Hong Kong) Limited as financial advisor fees. Post the Proposed Transaction, Goldenmax will hold 36.1% of all Star Combo shares. Goldenmax will also be entitled to appoint two directors on Star Combo's Board.

As a direct result of the Proposed Transaction, Star Combo will incur transaction fees of \$8.3m, including a financial advisor fees payable to GF Capital (Hong Kong) Limited (**GF Capital**) of \$8.1m. The net proceeds after transaction costs are \$25.1m, or \$0.51 per share

Full details of the Proposed Transaction are set out in the Transaction Document to be sent to the shareholders of Star Combo in respect of a general meeting of Star Combo to be held on [date].

The Proposed Transaction is subject to a number of conditions precedents including, but not limited to the Shareholders approving the issue of 49,000,000 shares at \$0.68 per share under the Corporations Act (including section 611 item 7).

### 1.3. Financial advisor agreement with GF Capital (Hong Kong) Limited

On 4 September 2019, Star Combo entered into a financial advisor agreement (**Agreement**) with GF Capital (Hong Kong) Limited (**GF Capital**), wherein GF Capital has agreed to act as Star Combo's financial advisor in relation to:

- the share investments;
- an assets sales;
- a business cooperation with third parties; or/and
- establishing joint ventures;

(collectively referred as **Transactions**).

**Key terms of the agreement are as following:**

- a. Term of the agreement is 18 months ending 3 March 2021.
- b. GF Capital is entitled to a fee of \$8.11m (**Transaction fees**) during
  - the term of the Agreement (18 months); and
  - 24 months from the date of termination or expiry,for any Transactions, as defined above, even if GF Capital does not introduce the investor.
- c. Further, if any potential investors have
  - conducted due diligence on Star Combo;
  - made an offer to the Company, and the offer is not lower than the 2 months VWAP of Star Combo's share on the Offer Date; and
  - the Company has decided not to sign the Transaction agreements.

then the Company has to pay the Service Fee of \$0.5m to GF Capital. This fees will be offset against the Transaction fees.

If Star Combo enters into Transaction with any investor with respect to raising capital (including the Proposed Transaction) during the period when the terms of agreement are valid (being up to 3 March 2023), GF Capital would be entitled to a fee of \$8.11m on completion.

## **2. SCOPE AND LIMITATIONS**

### **2.1. Scope**

The scope of the procedures we undertook in forming our opinion on whether the Proposed Transaction is fair and reasonable to the Shareholders has been limited to those procedures we believe are required in order to form our opinion. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards.

Our assessment involved determining the fair market value of various securities, assets and liabilities. For the purposes of our opinion, the term fair market value is defined as the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing, but not anxious purchaser and a knowledgeable, willing, but not anxious vendor, acting at arm's length.

### **2.2. Summary of regulatory requirements**

The Directors have engaged us to prepare an IER in relation to the Proposed Transaction to satisfy the requirements of Section 611 of the Act. The regulatory requirements relevant to this IER are summarised below.

#### **2.3. Section 611 of the Act**

If the Proposed Transaction proceeds, Goldenmax will increase its voting power in Star Combo from 0% to 36.1%, thereby increasing its collective voting power in Star Combo from below 20% to more than 20%.

Section 606 of the Act expressly prohibits transactions that result in a person or entity that, with their associates, increases their voting power from:

- ▶ 20% or below to more than 20%; or
- ▶ A point that is above 20% to below 90%,

without making a full takeover offer to all shareholders or otherwise falling within another exception (such as shareholder approval under Item 7 of Section 611 of the Act).

Item 7 of Section 611 of the Act provides an exception to the prohibition on the basis that the acquisition is approved by resolution at a general meeting. RG 74 issued by ASIC sets out the obligation to supply shareholders with all information that is material by either:

- ▶ the directors undertaking a detailed examination of the proposal themselves, if they consider that they have sufficient expertise; or
- ▶ by commissioning an independent expert report.

In compliance with the above the Directors have commissioned this IER regarding the 'fairness and reasonableness' of the Proposed Transaction to the Shareholders.

#### **2.4. Basis of assessment**

In determining whether the Proposed Transaction is fair and reasonable to the Shareholders, we have had regard to:

- ▶ RG 111 'Content of expert reports'
- ▶ RG 112 'Independence of experts'

RG 111 establishes two distinct criteria for an expert analysing a control transaction. The tests are:

- ▶ Is the offer 'fair'?
- ▶ Is it 'reasonable'?

The terms fair and reasonable are regarded as separate elements and are not regarded as a compound phrase.

##### **2.4.1. Fairness**

RG 111.11 indicates that an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities the subject of the offer.

The value of the securities the subject of the offer is determined assuming:

- ▶ A knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length.

- ▶ 100% ownership of the target company, irrespective of the percentage holding of the bidder or its associates in the target company.

In relation to the interpretation of RG111.11, ASIC have advised that the appropriate assessment is to compare:

- ▶ The fair market value of a share pre transaction on a control basis (being the value of the securities the subject of the offer per RG111.11)
- ▶ The fair market value of a share post transaction on a minority basis (being the offer price or consideration per RG111.11).

The basis for the above form of comparison is to ensure our analysis is in line with RG111.5 to RG111.7 which includes statements as follows:

- ▶ The main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the proposed transaction.
- ▶ The form of analysis an expert uses to evaluate a transaction should address the issues faced by security holders.

The Proposed Transaction is fair if the fair market value of a Star Combo share post the Proposed Transaction on a minority basis is equal to or greater than the fair market value of a Star Combo share pre the Proposed Transaction (including a premium for control).

#### **2.4.2. Reasonableness**

In accordance with paragraph 12 of RG 111, an offer is 'reasonable' if it is 'fair'. An offer could be considered 'reasonable' if there are valid reasons to approve it (in the absence of any higher bid before the close of the offer), notwithstanding that it may not be regarded as 'fair'.

RG 111.13 sets out some of the factors that an expert might consider in assessing the reasonableness of an offer, including:

- ▶ the bidder's pre-existing voting power in securities in the target;
- ▶ other significant security holding blocks in the target;
- ▶ the liquidity of the market in the target's securities;
- ▶ taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- ▶ any special value of the target to the bidder, such as particular technology, the potential to write off outstanding loans from the target, etc.;
- ▶ the likely market price if the offer is unsuccessful; and
- ▶ the value to an alternative bidder and likelihood of an alternative offer being made.

Further, RG 111.26 states that an issue of shares for cash may have other benefits that should be considered in deciding whether the transaction is reasonable. These benefits may include:

- ▶ The provision of new capital to exploit business opportunities
- ▶ A reduction in debt and interest payments, or
- ▶ A needed injection of working capital.

#### **2.4.3. General requirements in relation to the IER**

In preparing the IER ASIC requires the independent expert, when deciding on the form of analysis for a report, to bear in mind that the main purpose of the report is to adequately deal with the concerns that could reasonably be anticipated of those persons affected by the Proposed Transaction. In preparing the IER we considered the necessary legal requirements and guidance of the Act, ASIC regulatory guides and commercial practice.

The IER also includes the following information and disclosures:

- particulars of any relationship, pecuniary or otherwise, whether existing presently or at any time within the last two years, between BDO East Coast Partnership or BDOCF and any of the parties to the Proposed Transaction;
- the nature of any fee or pecuniary interest or benefit, whether direct or indirect, that we have received or will or may receive for or in connection with the preparation of the IER;
- that we have relied on information provided by the Directors and Management of Star Combo and that we have not carried out any form of audit or independent verification of the information provided; and
- that we have received representations from the Directors and Management of Star Combo in relation to the completeness and accuracy of the information provided to us for the purpose of our IER.

## 2.5. Special value

We have not considered special value in forming our opinion. Special value is the amount that a potential acquirer may be prepared to pay for a business in excess of the FMV. This premium represents the value to the particular potential acquirer of potential economies of scale, reduction in competition, other synergies and cost savings arising from the acquisition under consideration not available to likely purchasers generally. Special value is not normally considered in the assessment of FMV as it relates to the individual circumstances of special purchasers.

## 2.6. Reliance on information

This IER is based upon financial and other information provided by the Directors, Management and other representatives of Star Combo. We have also been provided with information directly by representatives of Star Combo. We have considered and relied upon this information. Unless there are indications to the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming an opinion as to whether the Proposed Transaction is fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with generally accepted accounting principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. However, such information is often not capable of direct external verification or validation.

Under the terms of our engagement, Star Combo has agreed to indemnify BDOCF and BDO East Coast Partnership, and their partners, directors, employees, officers and agents (as applicable) against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

## 2.7. Limitations

We acknowledge that this IER may be lodged by the Directors with regulatory and statutory bodies and will be included in the Transaction Document to be sent to the Star Combo Shareholders. The Directors acknowledges that our IER has been prepared solely for the purposes noted in the Transaction Document and accordingly we disclaim any responsibility from reliance on the IER in regard to its use for any other purpose. Except in accordance with the stated purposes, no extract, quote or copy of the IER, in whole or in part, should be reproduced without our prior written consent, as to the form and context in which it may appear.

It was not our role to undertake, and we have not undertaken any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities in respect of Star Combo. We understand that the Directors have been advised by legal, accounting, tax and other appropriate advisors in relation to such matters as necessary. We provide no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

We note that the IER does not deal with the individual investment circumstances of the Shareholders and no opinion has been provided in relation to same. Some individual Shareholders may place a different emphasis on various aspects of the Proposed Transaction from that adopted in our IER. Accordingly, individuals may reach different conclusions on whether or not the Proposed Transaction is fair and reasonable. An individual Shareholder’s decision in relation to the Proposed Transaction may be influenced by their particular circumstances and, therefore, Shareholders are advised to seek their own independent advice.

Apart from the IER, we are not responsible for the contents of the Transaction Document or any other document. We have provided consent for inclusion of the IER in the Transaction Document. Our consent and the Transaction Document acknowledge that we have not been involved with the issue of the Transaction Document and that we accept no responsibility for the Transaction Document apart from the IER.

## 2.8. Assumptions

In forming our opinion, we have made certain assumptions and outline these in our IER including:

- assumptions outlined in the valuation sections;
- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;

- information sent out in relation to the Proposed Transaction to the Shareholders or any regulatory or statutory body is complete, accurate and fairly presented in all material respects;
- publicly available information relied on by us is accurate, complete and not misleading;
- if the Proposed Transaction is implemented, that it will be implemented in accordance with the stated terms;
- the legal mechanisms to implement the Proposed Transaction are correct and effective; and
- there are no undue changes to the terms and conditions of the Proposed Transaction or material issues unknown to us.

### 3. PROFILE OF STAR COMBO

#### 3.1. Overview

Star Combo is a public company listed on the Australian Securities Exchange (ASX: S66) based in Sydney, Australia. Star Combo is a distributor and manufacturer of branded premium health and natural beauty products including vitamins, dietary supplements and skincare products. The company has five key brands with over 150 products.

Star Combo distributes their products both within Australia and to China. The distribution network includes pharmacies, wholesale customers, and online e-commerce platforms.

In October 2018 Star Combo opened a new sales office in Chongqing, China. The office was opened to improve sales support directly into China and increase business opportunities.

In February 2019, Star Combo acquired the retail operations of Koala Mall Pty Ltd (**Koala Mall**) and Austoyou Group Pty Ltd (**Austoyou**). Austoyou is a well-established Australia-to-China e-commerce platform. This acquisition was in line with Star Combo's strategy to increase product sales and accelerate its growth into China. The Koala Mall business was acquired to increase Star Combo's local distribution. Star Combo will offer their range of vitamins, skincare, milk products and health supplements through the Koala Mall retail stores in Sydney.

Star Combo purchased Koala Mall and Austoyou for a purchase price of c. \$10.0m. The purchase price is to be paid over three tranches as follows:

- Tranche 1: 70% of the purchase price on completion. Star Combo settled the tranche 1 payment in FY19 through the payment of \$3.6m cash and \$3.6m in ordinary shares (6,981,115 ordinary shares at \$0.51 each).
- Tranche 2: 15% of the purchase price due 12 months post completion. Star Combo has the option to settle this tranche through the issuance of shares as a 10% discount to 10 day Volume Weighted Average Price (VWAP) prior to payment.
- Tranche 3: 15% of the purchase price due 24 months post completion. Star Combo has the option to settle this tranche through the issuance of shares as a 10% discount to 10 day VWAP prior to payment.

#### 3.2. Company Structure

An overview of Star Combo's company structure is illustrated below:

Figure 1: Corporate Structure



Source: Star Combo Pharma organisational chart and management information

#### 3.3. Directors and management

The current board of directors consists of four members, as indicated below.

Table 1: Directors and key management personnel

Director/manager name	Capacity
Mr Richard Allely	Chairman
Ms Ziyi Sui	Non-executive Director
Mr Star Zhang	Managing Director
Ms Su Zhang	Chief Executive Officer

Source: Management information

### 3.4. Historical Statement of Profit or Loss and Other Comprehensive Income

The historical income statements of Star Combo are set out in the table below. We note that the income statements for the financial years ended 30 June 2018 (FY18) and 30 June 2019 (FY19) are based on audited financial statements while the six months ended 31 December 2019 (1H20) are based on unaudited management accounts.

Table 2: Star Combo's Historical Statement of Profit or Loss

\$'000	Notes	FY18	FY19	1H20
Revenue and other income	1	10,902	21,593	21,143
Cost of sales		(6,403)	(17,941)	(19,566)
<b>Gross margin</b>		<b>4,499</b>	<b>3,652</b>	<b>1,257</b>
Impairment gain/(loss) on trade receivables		(102)	279	84
Distribution and commission expense		(124)	(129)	(24)
Marketing and selling costs	2	(1,133)	(1,740)	(553)
Administrative expenses	3	(4,247)	(4,510)	(2,342)
Finance costs		(104)	(27)	(325)
Foreign exchange gain		134	136	(24)
IPO costs		(762)	-	-
<b>Total expenses</b>		<b>(6,338)</b>	<b>(5,990)</b>	<b>(3,184)</b>
<b>Loss before income tax</b>		<b>(1,839)</b>	<b>(2,338)</b>	<b>(1,607)</b>
Income tax benefit		199	611	374
<b>Loss for the year</b>		<b>(1,640)</b>	<b>(1,727)</b>	<b>(1,233)</b>

Source: Annual financial report for FY19 and FY18. December 2019 Half yearly report

Notes to the above statement of profit and loss are detailed below:

1. Revenue grew significantly in FY19 through a combination of organic growth (5.6% or \$0.6m) and revenue attributed to Austoyou and Koala Mall (contributing an additional \$10.1m in FY19). If Austoyou and Koala Mall had been included for the full FY19 year, the revenue would have been \$37.2m.
2. Marketing costs include \$0.9m for the Terry White and Living Healthy brand investment. This cost is not going to continue in the future, with the final marketing payment to be made in February 2020.
3. Administrative expenses in FY19 include \$0.7m in one-off acquisition costs relating to the Austoyou and Koala Mall acquisitions.

### 3.5. Normalised earnings

Due to the number of non-recurring costs incurred historically, we have prepared a normalised earnings analysis for Star Combo.

Based on our analysis, Star Combo generated a normalised profit before tax of \$278k in FY19 and a normalised loss of \$491k in 1H20, compared to the reported loss before tax of \$2.3m and \$1.6m in 1H20.

Table 3: Star Combo's normalised earnings

\$'000	Note	FY19	1H20
Reported loss before tax		(2,338)	(1,607)
<b>Adjustments:</b>			
Non-recurring stock replacement costs (Living Healthy)	1	423	-
Non-recurring production trial (Living Healthy)	2	400	-
Non-recurring marketing costs (Living Healthy)	3	982	393
Acquisition costs	4	743	371
New office set-up costs	5	68	-
Machine testing	6	-	351
<b>Normalised profit before tax</b>		<b>278</b>	<b>(491)</b>

Source: Star Combo's normalised earnings analysis



Notes to the above statement of profit and loss are detailed below:

1. Star Combo incurred \$423k in costs to replace obsolete Living Healthy branded stock in FY19.
2. Star Combo incurred \$400k in costs for production trial costs. This involves production testing to optimise the manufacture of new products. This cost is not expected to re-occur.
3. Star Combo incurred \$393k in 1H20 (and \$982k in FY19) in marketing costs for the Living Healthy brand in relation to the agreement with Terry White. No further costs will be incurred post February 2020, therefore this is considered a non-recurring cost.
4. In FY19 \$0.7m in one-off acquisition costs relating to the Austoyou and Koala Mall acquisition were incurred. During 1H20 a further \$371k in one-off costs were incurred in relation to the Bio-E and iNature transactions.
5. Initial office set up costs of \$68k were incurred in FY19. These are one-off in nature.
6. One off costs of \$351k were incurred in 1H20 on testing the machinery of the new milk production facility.

### 3.6. Historical Statement of Financial Position

The Historical Statement of Financial Position for Star Combo as at 30 June 2018, 30 June 2019 and 31 December 2019, as per the audited statutory accounts, are set out below.

**Table 4: Star Combo's Historical Statement of Financial Position**

\$'000	Notes	FY18	FY19	1H20
<b>Assets</b>				
Cash and cash equivalents	1	8,942	4,621	2,354
Trade and other receivables		3,087	2,816	2,586
Inventories		3,470	4,938	5,446
Current tax assets		150	52	155
Other assets	2	32	350	1,144
<b>Total current assets</b>		<b>15,681</b>	<b>12,778</b>	<b>11,685</b>
<b>Non-current assets</b>				
Property, plant and equipment	3	2,521	2,942	4,610
Intangible assets	4	665	10,674	9,416
Right of use of assets		-	-	3,395
Deferred tax assets	5	500	1,112	1,499
<b>Total non-current assets</b>		<b>3,686</b>	<b>14,728</b>	<b>18,919</b>
<b>Total assets</b>		<b>19,367</b>	<b>27,506</b>	<b>30,604</b>
<b>Liabilities</b>				
Trade and other payables (including deferred consideration)		2,716	5,433	5,680
Provisions		47	89	106
<b>Total current liabilities</b>		<b>2,763</b>	<b>5,522</b>	<b>5,786</b>
<b>Non-current liabilities</b>				
Deferred consideration	6	-	1,194	1,179
Borrowings	7	-	48	4,206
Provisions		13	13	16
Deferred tax liabilities	8	-	730	781
<b>Total non-current liabilities</b>		<b>13</b>	<b>1,985</b>	<b>6,182</b>
<b>Total liabilities</b>		<b>2,777</b>	<b>7,506</b>	<b>11,968</b>
<b>Net assets</b>		<b>16,591</b>	<b>19,999</b>	<b>18,636</b>

Source: Annual financial report for FY19 and FY18. December 2019 Half yearly report

Notes to the above statement of financial position are detailed below:

1. Star Combo's cash reserves have continued to decline from \$8.9m (FY18) to \$2.4m (1H20) as the cash reserves were used to fund operating losses (c. \$1.6m loss in 1H20), acquisition of Austoyou and Koala Mall (c. \$3.6m) and Star Combo's investment in property plant and equipment.
2. Other assets include prepaid marketing support of c. \$450k in 1H20 for the Living Healthy Brand to Terry White chemists.
3. During FY19 Star Combo invested \$0.4m in the development of a new milk production facility in Smithfield. During 1H20 Star Combo invested a further \$1.6m in the milk production facility. As at December 2019, \$630k of the c. \$2.0m development had been funded through bank loans.
4. On acquisition of Austoyou and Koala Mall c. \$10.1m of intangible assets were recognised as follows:
  - a. \$7.5m in goodwill;
  - b. \$1.3m in brand names;
  - c. \$0.7m for the acquired technology platform; and

- d. \$0.6m in licences and customer relationships.
5. The deferred tax assets relate to the unused tax losses and temporary differences. Star Combo recognises these to the extent that they are recoverable and utilised.
6. The consideration for Austoyou and Koala Mall acquisition is spread over three payments (as noted in 3.2 above). As at December 2019 the deferred consideration liability includes \$1.4m for Tranche 2 (included in current liabilities) and \$1.2m for Tranche 3.
7. As at 1H20, borrowings include \$3.5m in lease liabilities, \$617k in bank loans for the milk production facility, and c. \$135k in other bank loans.
8. Temporary differences between the carrying value of the intangible assets acquired in the Austoyou and Koala Mall acquisition and their tax bases, resulted in the recognition of \$781k in deferred tax liabilities on consolidation.

### 3.7. Historical Cash Flow Statement

The historical cash flow statements of Star Combo for the years ended 30 June 2018 and 30 June 2019, as per the audited statutory accounts, are set out below.

**Table 8: Star Combo's Historical Cash Flow Statement**

\$000	FY18	FY19	H120
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)	12,501	24,424	23,541
Payments from customers and employees (inclusive of GST)	(12,693)	(26,794)	(23,950)
Interest received	119	88	25
Interest and other financial cost paid	(109)	-	(32)
Income tax received/(paid)	(1,656)	97	(63)
<b>Net cash used in operating activities</b>	<b>(1,838)</b>	<b>(2,185)</b>	<b>(479)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	(199)	(678)	(1,787)
Payments for intangible assets from Business Combination	(615)	(3,560)	(64)
Cash from acquired subsidiaries	-	316	-
Payment for net NFP and financial assets	-	-	(457)
<b>Net cash from investing activities</b>	<b>(813)</b>	<b>(3,923)</b>	<b>(2,309)</b>
<b>Cash flow from financing activities</b>			
Loans from related parties	355	-	-
Proceeds from issue of shares on exercise of options	88	1,885	-
Proceeds from issue of shares on IPO	7,000	-	-
Costs of raising equity	(435)	(10)	-
Proceeds from borrowings	-	48	709
Repayments of borrowings	(1,620)	(136)	(3)
Payment of lease liabilities	-	-	(185)
<b>Net cash from financing activities</b>	<b>5,387</b>	<b>1,787</b>	<b>521</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>2,736</b>	<b>(4,321)</b>	<b>(2,268)</b>
Cash and cash equivalents at the beginning of the financial year	6,206	8,942	4,621
<b>Cash and cash equivalents at the end of the financial year</b>	<b>8,942</b>	<b>4,621</b>	<b>2,353</b>

Source: Annual financial report for FY19 and FY18. December 2019 Half yearly report

Notes to the cash flows:

1. Star Combo's cash used in operating activities increased in FY19 as operating losses increased.
2. During FY19 and H120, Star Combo collectively invested \$2.0m in the development of a new milk production facility in Smithfield.
3. During FY19, a \$3.6m payment was made towards Tranche 1 of the consideration paid for Austoyou and Koala Mall.
4. During FY18, Star Combo raised \$7.0m from the issue of shares on its initial public offering (IPO).

### 3.8. Ordinary shares

The shareholding of Star Combo is highly concentrated with the top 10 shareholders holding c.89% of the total shares. The top 10 shareholders as per latest shareholders register are set out below.

**Table 5: Star Combo top 10 shareholders**

Rank	Shareholder	Current shares	% of total shares
1	Jinxing(Star) Zhang	38,165,510	44.1%
2	Miss Su Zhang	11,448,980	13.2%
3	Lepu Medical (Europe) Cooperatief U.A.	11,000,000	12.7%
4	Sargon Ct Pty Ltd	6,337,469	7.3%
5	Dw & RL Pty Ltd	4,188,669	4.8%
6	Liang Zuo	2,792,446	3.2%
7	Mr Jixiang Shi	1,383,542	1.6%
8	Eureka Technology Innovation & Investment Pty Ltd	623,000	0.7%
9	Ms Lisha Huang	455,000	0.5%
10	Mr Hui Lin Lu	385,510	0.4%
<b>Top ten shareholders</b>		<b>76,780,126</b>	<b>88.6%</b>
Other shareholders		9,836,475	11%
<b>Total shareholders</b>		<b>86,616,601</b>	<b>100%</b>

Source: Star Combo Shareholders register as at 20 January 2020

The below table indicates the shareholding post the Proposed Transaction. Goldenmax will become the second largest shareholder owning 36.1% of all shares.

**Table 6: Star Combo shareholders - Post Proposed Transaction**

Rank	Shareholder	Current shares	% of total shares
1	Jinxing(Star) Zhang	38,165,510	28.1%
2	Goldenmax International Technology Limited	49,000,000	36.1%
3	Miss Su Zhang	11,448,980	8.4%
4	Lepu Medical (Europe) Cooperatief U.A.	11,000,000	8.1%
5	Sargon Ct Pty Ltd	6,337,469	4.7%
6	Dw & RL Pty Ltd	4,188,669	3.1%
7	Liang Zuo	2,792,446	2.1%
8	Mr Jixiang Shi	1,383,542	1.0%
9	Eureka Technology Innovation & Investment Pty Ltd	623,000	0.5%
10	Ms Lisha Huang	455,000	0.3%
11	Mr Hui Lin Lu	385,510	0.3%
<b>Top shareholders</b>		<b>125,780,126</b>	<b>92.7%</b>
Other shareholders		9,836,475	7%
<b>Total shareholders</b>		<b>135,616,601</b>	<b>100%</b>

Source: Star Combo Shareholders register as at 21 January 2020 and ASX

### 3.9. Share options

As at 27 February 2020, there are 2,110,000 options outstanding in relation to Star Combo ordinary shares. The expiry date of the options range between May 2021 and June 2020 and the exercise price range between \$0.50 and \$0.625.

Below is the summary of options on issue as at 27 February 2020.

**Table 7: Star Combo share options**

	Expiry date	Exercise price	Number of options outstanding
Directors options	16/5/2021	\$0.625	1,000,000
Staff options	15/6/2020	\$0.50	1,110,000
<b>Total</b>			<b>2,110,000</b>

Source: Star Combo share option register at 21 January 2020

## 4. FAIRNESS ASSESSMENT AND VALUATION METHODOLOGY

### 4.1. Fairness assessment overview

The Proposed Transaction is fair if the fair value of Star Combo share after the Proposed Transaction on a minority basis is equal to or greater than the fair market value of Star Combo share before the Proposed Transaction (including a premium for control).

Accordingly, we have undertaken an assessment of:

- a Star Combo Share prior to the Proposed Transaction on a control basis; and
- a Star Combo share post the Proposed Transaction, on a minority basis.

We have utilised a calculation date of 27 February 2020 for the purposes of our valuation, as this represents last day of trading before the ASX announcement of the Proposed Transaction. The valuation methods commonly used for the above analyses are considered below.

### 4.2. Valuation methods

Details of common methodologies for valuing businesses and assets are included at Appendix 3. The principal methodologies which can be used are as follows:

- ▶ Discounted cash flow (DCF)
- ▶ Capitalisation of maintainable earnings (COE)
- ▶ Net asset value (NAV)
- ▶ Net tangible assets on a realisation basis (NRV)
- ▶ Quoted market price basis (QMP).

Set out below is a discussion around the valuation methods we consider appropriate for the purposes of undertaking our valuation assessment of the Star Combo Shares.

### 4.3. Selected valuation methods for Star Combo Shares

In accordance with RG 111.15, we have considered the fair market value of Star Combo on the basis of “a knowledgeable and willing, but not anxious, seller that is able to consider alternative options to the bid”. This approach does not take into account the particular circumstances of any specific transaction, and therefore we have not considered whether there is any premium in value attached to the strategic benefits or gains from synergies that may be inherent in an acquisition by a specific party, e.g. an industry competitor or supplier.

As summarised below, we consider the QMP and NAV approaches to be the most appropriate valuation methods for Star Combo in relation to the Proposed Transaction. We have cross-checked our QMP valuation of Star Combo using the COE methodology (i.e. a multiple of revenue).

We have chosen these methodologies for the following reasons:

**Table 8: Selection of valuation methodology**

Methodology	Appropriate	Explanation
QMP	✓	<p>The QMP method represents the value that a Star Combo Shareholder can receive for a share if sold on the ASX market.</p> <p>The QMP basis is a relevant methodology to consider because Star Combo shares are listed on the ASX and this reflects the value that a Star Combo Shareholder will receive when selling to a willing but not anxious buyer. This price means that there is a regulated and observable market where Star Combo shares can be traded. However, in order for the QMP to be considered appropriate, the Company’s shares should be sufficiently liquid and the market should be fully informed of the Company’s activities.</p>
COE	Cross-check	<p>The Capitalisation method is most commonly applicable to profitable businesses with steady growth history and forecasts. As Star Combo is not currently profitable, we do not consider the FME methodology to be appropriate for Star Combo.</p> <p>However, we have taken into consideration the trading revenue multiples of the comparable companies and cross checked implied EV/Revenue multiple for Star Combo.</p>
NAV	✓	<p>The NAV approach considers the valuation of the net assets on a going concern basis and is usually appropriate where the majority of assets consist of cash or passive investments, or where the business is under performing. All assets and liabilities of the entity are valued at market value under this method and the combined market value forms the basis for the entity’s valuation.</p>

#### 4.4. Other valuation considerations

##### 4.4.1. Future events

The business of Star Combo assumed in this valuation, is that which exists at the current date.

Other growth potential, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

##### 4.4.2. Synergies

The level of synergies that can be derived from a takeover or merger is dependent on the nature of the respective businesses and their geographical and operational overlap.

We have not considered special value in forming our opinion. Accordingly, we have not attributed any value to the potential synergies listed above in our valuation approach beyond those generally observed in the market.

##### 4.4.3. Control premium

Investment fundamentals dictate that the value of a controlling interest in an entity is normally greater than the sum of values attributable to the individual shares of that company based on transactions in minority share holdings.

The difference between the value of a controlling interest in a company and the total value of minority share holdings is referred to as a “premium for control” taking into account control and synergistic benefits for the acquirer.

Control of a company by a shareholder gives that shareholder rights to which minority shareholders are not entitled, including control of the company’s policies and strategies, and use of cash flows of the company.

A premium for control is applicable when an acquisition would give rise to benefits such as:

- the ability to realise synergistic benefits;
- access to cash flows;
- access to tax benefits; and
- control of the board of directors of the company.

Therefore, a transaction premium would typically include a premium for control as well as potential buyer specific synergies.

The level of premium for control paid in a takeover bid will vary across industries and is dependent upon the specifics of the company being acquired. In arriving at an appropriate premium for control to apply, we note that buyers would generally assess the following considerations:

- level of liquidity in the trade of the target’s securities;
- synergistic value;
- nature and magnitude of non-operating assets;
- nature and magnitude of discretionary expenses;
- perceived quality of existing management;
- nature and magnitude of business opportunities not currently being exploited; and
- ability to integrate the target into the acquirer’s business.

In our assessment of an appropriate control premium for Star Combo, we reviewed acquisitions over the period 2015 to 2019. We reviewed the offer premium to the share price one trading day, week and month before the offer announcements. The details of the transactions are set out below. We note one-day, one-week and one-month prior control premiums are in the range of 5% to 61%, with a mean and median premiums in the range of 27% to 33%.

**Table 9: Control premiums**

Transaction Closed date	Target	Country	Implied Enterprise Value (AUDm)	Implied Enterprise Value / EBITDA	1D share premium	1W share premium	1M share premium
30/09/2015	zulily, Inc. (nka:Zulily, LLC)	United States	2,180.0	77.3	49%	39%	35%
31/10/2016	Nutrition Care Pharmaceuticals Pty Ltd	-	20.1	33.0	NA	NA	NA
31/01/2018	KORRES S.A. - Natural Products	Greece	115.4	24.3	5%	8%	21%
16/12/2016	Vitaco Holdings Limited	Australia	267.2	15.7	28%	26%	49%
5/08/2019	Ocado Retail Limited	United Kingdom	1,746.5	15.6	NA	NA	NA
30/09/2015	Swisse Wellness Pty Ltd.	Australia	1,063.0	13.2	NA	NA	NA
2/02/2015	Macuvision Europe Ltd.	United Kingdom	17.3	12.8	NA	NA	NA
6/12/2018	Sport-ph	United Kingdom	42.4	11.6	NA	NA	NA
29/12/2017	HSN, Inc.	United States	2,630.2	10.8	29%	28%	26%
1/02/2016	Albion Laboratories, Inc.	United States	111.5	10.7	NA	NA	NA
26/07/2019	Liberty Expedia Holdings, Inc.	United States	18,163.0	10.6	7%	12%	16%
13/09/2016	InterHealth Nutraceuticals, Inc.	United States	300.0	10.0	NA	NA	NA
23/08/2017	Nutraceutical International Corporation	United States	426.5	9.9	49%	41%	40%
3/10/2018	Natural Beauty Bio-Technology Limited	Cayman Islands	188.7	9.8	48%	45%	50%
6/02/2015	Nutricap Labs, LLC	United States	10.6	9.3	NA	NA	NA
3/01/2020	Avon Products, Inc.	United States	3,891.6	7.9	31%	29%	61%
13/07/2015	Orchard Brands Corporation	United States	410.0	5.8	NA	NA	NA
7/01/2016	Biodroga Inc.	-	10.6	4.9	NA	NA	NA
18/05/2017	Immunotec Inc.	Canada	19.9	4.1	23%	21%	24%
6/06/2017	BioGanix Ltd.	Hong Kong	4.5	3.4	NA	NA	NA
14/04/2016	Mecox Lane Limited	Cayman Islands	31.6	2.6	18%	23%	5%
<b>Mean</b>			<b>1,507.2</b>	<b>14.5</b>	<b>29%</b>	<b>27%</b>	<b>33%</b>
<b>Median</b>			<b>188.7</b>	<b>10.6</b>	<b>28%</b>	<b>27%</b>	<b>30%</b>

Source: ASX announcements, Capital IQ and BDO analysis

The above comparable transactions include buyer specific synergies which we do not include in our analysis. Therefore, we have adopted a control premium range of 20% to 25% (with mid-point of 22.5%) in our analysis of the Proposed Transaction.

#### 4.4.4. Valuation in accordance with APES 225

This engagement has been conducted in accordance with professional standard APES 225 Valuation Services, as issued by the Australian Professional and Ethical Standards Board.

## 5. VALUATION OF STAR COMBO SHARE PRE-TRANSACTION

See below for the valuation assessment of Star Combo Shares based upon the NAV method and the QMP method.

### 5.1. FMV of a Star Combo share using the NAV method

We have assessed the FMV of Star Combo using the NAV methodology. Net assets value represents 100% of the equity value of Star Combo and is therefore a controlling value. The NAV valuation has been performed using the 31 December 2019 management accounts.

Table 10: NAV

\$'000	Notes	31-Dec-19
<b>Assets</b>		
Cash and cash equivalents		2,354
Trade and other receivables		2,586
Inventories		5,446
Current tax assets		155
Other assets		1,144
<b>Total current assets</b>		<b>11,685</b>
<b>Non-current assets</b>		
Property, plant and equipment	A	4,610
Intangible assets	B	9,416
Right of use of assets		3,395
Deferred tax assets		1,499
<b>Total non-current assets</b>		<b>18,919</b>
<b>Total assets</b>		<b>30,604</b>
<b>Liabilities</b>		
Trade and other payables		5,680
Provisions		106
<b>Total current liabilities</b>		<b>5,786</b>
<b>Non-current liabilities</b>		
Deferred consideration	C	1,179
Borrowings	D	4,206
Provisions		16
Deferred tax liabilities		781
<b>Total non-current liabilities</b>		<b>6,182</b>
<b>Total liabilities</b>		<b>11,968</b>
<b>Net assets [A]</b>		<b>18,636</b>
<i>Less: Estimated transaction costs (fixed)</i>	E	(218)
<b>Adjusted Net assets</b>		<b>18,418</b>
<i>No. of shares (in '000)- pre transaction</i>	F	86,617
<b>NAV per share (pre-transaction) - on control basis</b>		<b>\$ 0.21</b>

Source: December 2019 Half Yearly Report

The above represents the NAV per share valuation based on the December 2019 Half yearly report. We have considered the book values of the assets and liabilities to materially represent the fair market value of these assets as at 27 February 2020. Our adopted NAV, using the current shares on issue of c.86.6m, is \$0.21 per share.

#### Notes:

A	Property plant and equipment of \$4.6m includes capital expenditure of c. \$2m, for the milk production facility in Smithfield. The milk formula facility is still in development stage.
B	Intangible assets include brand names, customer relationships, technology platform and goodwill that were generated out of the acquisition accounting of Austoyou and Koala Mall (c. \$9.4m).



	We note that the acquisitions of Austoyou and Koala Mall were completed on 19 February 2019 (within last 12 months) on an arm’s length basis. Therefore, we have considered the book value of intangible assets to materially represent the fair market value of these assets.																								
C	Deferred consideration reflects the fair value of the Tranche 2 and Tranche 3 considerations that are due to be paid for the acquisition of Austoyou and Koala Mall, 12 months and 24 months post settlement date. The book value of deferred consideration liability materially reflects the fair value, and thus considered appropriate for NAV analysis, as at 27 February 2020.																								
D	Borrowings are debt relating to the milk production facility (c. \$0.6m), bank loans (\$0.1m) and liabilities recognised for the leased property assets (c.3.5m).																								
E	<p>In order to undertake the Proposed Transaction, Star Combo has estimated certain corporate advisory, legal and other related costs which BDO has taken into consideration in calculating the NAV of Star Combo.</p> <p>GF Capital (Hong Kong) Limited are the financial advisors for the Proposed Transaction fees. Their fees of \$8.1m is success-based and will be paid if the Proposed Transaction is approved and implemented. If the Proposed Transaction is not approved, Star Combo’s fixed liability for financial advisor fees would be \$48k.</p> <p>The transaction costs associated with the Proposed Transaction are expected to be approximately \$8.3m. Should the Proposed Transaction not be approved the financial advisor fees reduce to \$48k and the total costs would reduce to \$218k. Below is a summary of estimated transaction costs:</p> <table><tr><th>\$'000</th><th>Transaction costs (fixed portion)</th><th>Transaction costs (variable portion)</th><th>Transaction costs (assuming Proposed Transaction approved)</th></tr><tr><td>Financial advisor fees</td><td>48</td><td>8,062</td><td>8,110</td></tr><tr><td>Legal fees</td><td>80</td><td>-</td><td>80</td></tr><tr><td>IER Valuation</td><td>40</td><td>-</td><td>40</td></tr><tr><td>Other costs and reimbursements</td><td>50</td><td>-</td><td>50</td></tr><tr><td><b>Estimated transaction costs</b></td><td><b>218</b></td><td><b>8,062</b></td><td><b>8,280</b></td></tr></table> <p>Source: Management information</p>	\$'000	Transaction costs (fixed portion)	Transaction costs (variable portion)	Transaction costs (assuming Proposed Transaction approved)	Financial advisor fees	48	8,062	8,110	Legal fees	80	-	80	IER Valuation	40	-	40	Other costs and reimbursements	50	-	50	<b>Estimated transaction costs</b>	<b>218</b>	<b>8,062</b>	<b>8,280</b>
\$'000	Transaction costs (fixed portion)	Transaction costs (variable portion)	Transaction costs (assuming Proposed Transaction approved)																						
Financial advisor fees	48	8,062	8,110																						
Legal fees	80	-	80																						
IER Valuation	40	-	40																						
Other costs and reimbursements	50	-	50																						
<b>Estimated transaction costs</b>	<b>218</b>	<b>8,062</b>	<b>8,280</b>																						
F	Number of shares represents total shares under issue as at 27 February 2020, excluding options. We understand that 2.1m options are outstanding as at 27 February 2020, all of which are out of money (based on the NAV value) (Refer section 3.7.2 for details). As such, we note that the value of these options would not have a material impact in our NAV analysis.																								

## 5.2. FMV of a Star Combo share using QMP method

We have valued Star Combo shares using the QMP methodology.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.69 states that for the quoted market price methodology to be an appropriate methodology, there needs to be a 'liquid and active' market in the shares and allowing for the fact that the quoted price may not reflect their value should 100% of the securities not be available for sale. We consider the following characteristics to be representative of a liquid and active market:

- regular trading in a company's securities;
- approximately 1% of a company's securities are traded on a weekly basis;
- the spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- there are no significant and unexplained movements in share price.



A company's shares should meet all of the above criteria to be considered 'liquid and active'. However, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

### 5.2.1. Trading analysis

Set out below is the trading history of the Company over the twelve months to 27 February 2020.

Figure 2: Monthly closing share price and trading volume (From 28 February 2019 to 27 February 2020)



Source: CapitalIQ

Set out below is a summary of the Company's price-sensitive announcements in the twelve months prior to 28 February 2020.

Table 11: Price sensitive announcements

Note	Date	Announcement	Share price - 1 day before	Share price - 1 day after	Change (\$)	Change (%)
A	28-Feb-20	Pause in Trading for further announcement	0.50	0.50	-	0.00%
B	18-Nov-19	Agreement for Inature Organic Care acquisition	0.52	0.48	(0.04)	(7.69%)
C	28-Aug-19	S66 2019 Results Commentary	0.49	0.48	(0.01)	(2.0%)
D	15-Aug-19	Resignation of Non-Executive Director	0.56	0.50	(0.06)	(10.7%)
E	9-Aug-19	Termination of the Bio-E Share Sale Agreement	0.62	0.54	(0.08)	(12.2%)
F	8-Jul-19	Star Combo Investor Presentation and Star Combo to acquire Bio E	0.70	0.77	0.07	10.0%
G	1-Mar-19	S66 Investment Presentation and 1H19 Financial Highlights	0.64	0.61	(0.03)	(4.7%)
H	26-Feb-19	Completion of Austoyou Acquisition	0.61	0.64	0.03	5.0%

Source: ASX website, Capital IQ and BDO analysis

### 5.2.2. Liquidity

Over the three months ended 27 February 2020, 17.0% of Star Combo's free float (c. 14m of the c.87m shares) has been traded. While the total trading volume relative to shares on issue is low, Star Combo shares have traded on every available trading day in the six months ended 27 February 2020. However, the total value of trade over the six months was only \$0.6m. As Star Combo's shares are relatively illiquid, we have cross checked the QMP valuation with the revenue multiples of comparable companies to assess the reasonableness of the FMV (Section 5.3).

### 5.2.3. Share price analysis

Table 12: VWAP Share price analysis

Period	Price (Low) \$	Price (High) \$	Price VWAP \$	Cumulative value \$m	Cumulative volume m	% of Free float (annualised)
1 day	0.50	0.50	0.50	0.01	0.01	25.8%
1 week	0.46	0.50	0.47	0.02	0.05	16.6%
1 month	0.46	0.58	0.53	0.19	0.36	30.1%
3 months	0.46	0.58	0.50	0.31	0.63	17.0%
6 months	0.42	0.58	0.49	0.60	1.22	14.0%

Source: Capital IQ, BDO analysis

Based on above analysis, we consider the FMV of Star Combo to be in the range of \$0.50 to \$0.53 on minority basis.

We have further calculated the quoted market price of Star Combo on controlling basis after including a control premium range of 20% to 25% (with mid-point of 22.5%). (Refer to Section 4.4.3.)

Table 13: Quoted market price (on control basis)

	Low	Mid	High
Quoted market price (on minority basis) (\$)	0.50	0.52	0.53
Add: Control premium	20%	22.5%	25%
<b>Quoted market price (on control basis) (\$)</b>	<b>0.60</b>	<b>0.63</b>	<b>0.66</b>

Source: CapitalIQ, BDOCF analysis

### 5.3. Cross Check of QMP Value To Revenue Multiples

We have assessed the revenue multiples of listed comparable companies that are engaged in the production and supply of health food products, nutritional supplements and beauty products in Asia-Pacific region including Australia, New Zealand and China. Set out in Appendix 4 are the business descriptions of these companies.

The range of last twelve months (LTM) revenue multiples for the comparable companies fall between c.0.2x to c.11.9x with mean and median of 3.5x & 2.6x, respectively. We have excluded a2 Milk Company and Wattle Health as outliers.

Table 14: Comparable company revenue multiples

Ticker	Company Name	Country	Market Cap AUDm	Enterprise Value AUDm	Revenue Multiple LTM
ASX:API	Australian Pharmaceutical Industries Limited	Australia	593.7	803.4	0.2
ASX:BKL	Blackmores Limited	Australia	1,158.4	1,296.6	2.6
NZSE:EBO	EBOS Group Limited	Australia	3,722.6	4,362.4	0.7
ASX:SIG	Sigma Healthcare Limited	Australia	549.3	798.1	0.2
ASX:BXN	Bioxyne Limited	Australia	7.7	5.7	3.5
SEHK:1112	Health and Happiness (H&H) International Holdings Limited	Hong Kong	4,355.6	5,222.3	2.6
ASX:WHA	Wattle Health Australia Limited	Australia	103.1	99.0	126.9
ASX:KTD	Keytone Dairy Corporation Limited	New Zealand	69.9	69.3	9.8
NZSE:ATM	The a2 Milk Company Limited	New Zealand	11,600.1	11,013.8	9.3
ASX:BUB	Bubs Australia Limited	Australia	397.8	363.5	8.6
NZSE:SML	Synlait Milk Limited	New Zealand	1,058.7	1,378.4	n/a
<b>Average</b>			<b>2,147.0</b>	<b>2,310.2</b>	<b>16.4</b>
<b>Median</b>			<b>593.7</b>	<b>803.4</b>	<b>3.0</b>
<b>Average (Excl The a2 Milk Company and Wattle Health)</b>			<b>1,323.7</b>	<b>1,588.8</b>	<b>3.5</b>
<b>Median (Excl The a2 Milk Company and Wattle Health)</b>			<b>593.7</b>	<b>803.4</b>	<b>2.6</b>

Source: CapitalIQ

**Table 15: Star Combo Enterprise value implied revenue multiple**

As the comparable company data is on minority basis, we have also analysed Star Combo's implied revenue multiple on a minority basis

	Low	Mid	High
Quoted market price (on minority basis) (\$)	0.50	0.52	0.53
Number of shares outstanding ('000)	86,617	86,617	86,617
<b>Market capitalisation (\$'000)</b>	<b>43,308</b>	<b>44,608</b>	<b>45,907</b>
Add: Net debt	3,767	3,767	3,767
<b>Enterprise value (\$'000) - (Pre transaction)</b>	<b>47,075</b>	<b>48,375</b>	<b>49,674</b>
LTM Revenue (1-Jan-19 to 31-Dec-19)**	39,421	39,421	39,421
<b>Implied EV/Revenue multiple</b>	<b>1.2x</b>	<b>1.23x</b>	<b>1.3x</b>

Source: ASX, CapitalIQ and BDOCF analysis

\*\* LTM Revenue of \$39.4m has been computed, after aggregating revenue of Austyou and Koala mall for full year ending 31 December 2019.

Star Combo's implied revenue multiple is (per our QMP valuation) is between 1.2x and 1.3x. This is below the median and mean of the comparable companies trading multiples.

We note that Star Combo is significantly smaller than the comparable companies. Further, the majority of comparable companies are involved in more established and diversified operations.

Considering the LTM revenue multiples of the comparable companies and Star Combo's relative size and operations, the implied EV/Revenue multiple range of 1.2x to 1.3x does not appear unreasonable for Star Combo.

#### 5.4. Conclusion as to the FMV of a Star Combo share (pre transaction)

A summary of our valuation is set out below.

**Table 16: Star Combo FMV Summary**

Methodology	Low	Mid	High
Value of Star Combo share using NAV method (on control basis)	0.21	0.21	0.21
Value of Star Combo share using QMP method (on control basis)	0.60	0.63	0.66
<b>Preferred value of Star Combo share - pre transaction (on control basis)</b>	<b>0.60</b>	<b>0.63</b>	<b>0.66</b>

Source: BDOCF analysis

We have adopted the QMP method (on control basis) per ASX over the NAV method, as our preferred value for a Star Combo share. QMP method reflects the prevailing trading price of Star Combo share in an open market. Our analysis has also been cross checked with the implied revenue multiple based on QMP valuation, which does not appear to be unreasonable considering the median and mean of revenue multiples for comparable companies.

Further, the net assets of Star Combo as at 31 December 2019 may not reflect any potential growth in the Star Combo business, which market participants may have taken into account when trading Star Combo shares on the ASX.

As such, we consider a preferred value of \$0.60 to \$0.66 to be appropriate for a Star Combo share, on a control basis, prior to the implementation of the Proposed Transaction.

## 6. VALUATION OF STAR COMBO SHARE POST TRANSACTION

### 6.1. FMV of a Star Combo share post transaction (on minority basis)

We have assessed the FMV of Star Combo share post the Proposed Transaction on a minority basis, considering the preferred value of Star Combo share pre transaction.

For the purpose of arriving at FMV of Star Combo post transaction, we have included the cash proceeds expected to be received from the Proposed Transaction and deducted the transaction costs to determine the FMV on a minority basis. Further, we have added the new shares to be issued to Goldenmax to the current shares outstanding to arrive at FMV per share (on minority basis) post transaction.

**Table 17: FMV of Star Combo share post-transaction (on minority basis)**

	Low	Mid	High
Quoted market price (on minority basis) (\$)	0.50	0.52	0.53
Number of shares outstanding ('000)	86,617	86,617	86,617
<b>Equity value - minority basis (\$'000)</b>	<b>43,308</b>	<b>44,608</b>	<b>45,907</b>
Add: Proceeds to be received from Proposed Transaction (49m shares @ \$0.68)	33,320	33,320	33,320
Less: Estimated transaction costs	(8,280)	(8,280)	(8,280)
<b>Equity value (\$'000) - (Post transaction)</b>	<b>68,348</b>	<b>69,648</b>	<b>70,947</b>
Number of shares outstanding ('000) - Post Transaction	135,617	135,617	135,617
<b>Equity value per share(\$)- (Post transaction) - on minority basis</b>	<b>0.50</b>	<b>0.51</b>	<b>0.52</b>

Source: ASX, CapitalIQ and BDOCF analysis

We note that Star Combo would receive the total proceeds of \$33.3m (49m shares @ \$0.68) post the Proposed Transaction. However, out of this, Star Combo would be liable to pay transaction costs of \$8.3m. The net proceeds to be received by Star Combo would reduce to \$25.1m.

After considering these adjustments, the implied equity valuation (post transaction) is arrived in the range of c. \$68.3m to c. \$70.9m. This translates to a value per Star Combo share in the range of \$0.50 to \$0.52 on minority basis.

## 7. ASSESSMENT OF FAIRNESS

### 7.1. Fairness assessment

Our analysis has been performed by comparing the value of the:

- ▶ a Star Combo share pre transaction on a control basis; and
- ▶ a Star Combo share post transaction on a minority basis.

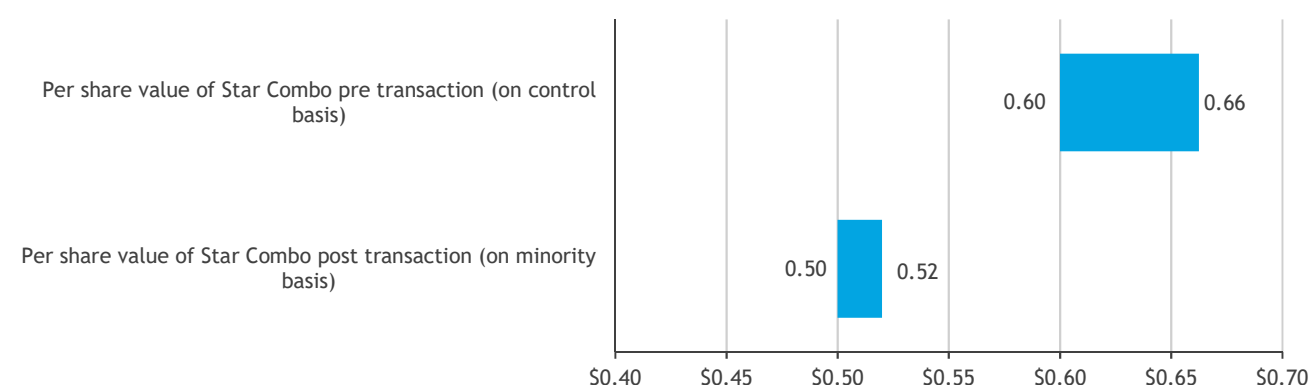
The result of our fairness analysis is summarised below.

**Table 18: Fairness summary**

Fairness assessment	Ref	Low	High
Value of a Star Combo share prior to the Proposed Transaction, on a control basis (\$)	5.4	0.60	0.66
Value of a Star Combo share post the Proposed Transaction, on a minority basis (\$)	6.1	0.50	0.52

Source: BDO analysis

Figure 3: Fairness assessment



Source: BDO analysis

We note that the per share value range of a Star Combo share post the Proposed Transaction (on a minority basis) is below the per share value range of a Star Combo share prior to the Proposed Transaction (on a control basis). Therefore, the Proposed Transaction is not fair to the Shareholders.

Our opinion is based on economic, market and other conditions prevailing at the date of this IER. Such conditions can change significantly over relatively short periods of time.

Changes in those conditions may result in any valuation or other opinion becoming quickly outdated and in need of revision. We reserve the right to revise any valuation or other opinion, in the light of material information existing at the valuation date that subsequently becomes known to us.

## **8. REASONABLENESS ASSESSMENT**

In accordance with RG 111 an offer is reasonable if it is fair. It might also be reasonable if, despite being not fair, the expert believes there are sufficient reasons for Star Combo Shareholders to accept the Proposed Transaction in the absence of a superior offer.

We have assessed the reasonableness of the Proposed Transaction by considering the factors set out in table 2.

**Table 19: Proposed advantages and disadvantages**

Advantages	
The transaction will provide net cash proceeds of \$25.1m to fund further expansion	<p>If the Proposed Transaction is approved, Star Combo will receive net cash of \$25.1m (being gross consideration of \$33.3m, less transaction costs of \$8.3m).</p> <p>Star Combo's cash reserves have reduced to \$2.4m (in 1H20) down from \$8.9m (in FY18) as funds were used for operating losses, acquisitions (Austoyou and Koala Mall), as well as investment in property, plant and equipment.</p> <p>The \$25.1m inflow of cash will provide the funding required to support a significant expansion in OEM and manufacturing operations of Star Combo in Australia.</p>
The gross placement price represents a premium of 36% to the 3 months VWAP	The gross placement price amounts to \$0.68 per share (before transaction costs), which represents c.36% premium to the 3 month VWAP of \$0.50. However, the net placement price is \$0.51 per share which is in line with recent ASX trading.
Additional Expertise	Goldenmax will be entitled to appoint two new directors on Star Combo's Board. Star Combo may benefit from the financial and managerial expertise of the new directors.
Avoidance of \$0.5m service fee	If the Proposed Transaction is not approved, Star Combo would be liable to pay a break fee of \$0.5m to GF Capital ( <b>Service fees</b> ). By approving the Proposed Transaction, Star Combo avoids paying the service fees. Refer to Section 1.3 for the summary of the agreement with GF Capital.
Disadvantages	
The net placement price represents a discount between 15% and 23% to the FMV prior to the Proposed Transaction (on a control basis)	<p>The net placement price equates to \$0.51 per share. This is a discount to our assessed control FMV per share (pre the Proposed Transaction) of between 15% and 23%. Refer to Section 5 for our valuation of Star Combo's share pre transaction.</p> <p>The net placement price of \$0.51 per share is in line with recent ASX trading, however we would expect Star Combo to receive a control premium when issuing shares to a party that will hold 36.1% of the Company.</p> <p>Goldenmax is paying a premium of c.36%, however Star Combo is not receiving the full benefit of that premium as transaction costs of \$8.3m are being incurred. It is normal for transaction costs to be incurred on transactions of this nature, however these transaction costs are significant (being c.25% of the gross consideration).</p> <p>We note that the terms of the agreement with GF Capital are very broad and a success fee of \$8.1m would be payable if any funds are raised by Star Combo before 3 March 2023.</p> <p>As mentioned above, Star Combo had cash of \$2.4m at 31 December 2019 and requires additional cash to fund its expansion plans. Therefore, it is unlikely, Star Combo can avoid these fees of \$8.1m to GF Capital even if the Proposed Transaction is rejected as alternative finance would be required in any event.</p>
Dilution of shareholding and influence	<p>As set out in Section 6.1, if the Proposed Transaction is approved, existing Shareholders' interests in the Company will be diluted from 100% to 63.9% as a result of the Proposed Transaction.</p> <p>With a 36.1% shareholding, Goldenmax will have significant influence as well as the ability to block special resolutions. We note that post the Proposed Transaction, Goldenmax together with Mr Star Zhang (including his associates) will hold c.73% of Star Combo's shares and would therefore have significant control over the direction of the Company.</p> <p>Goldenmax will also have the right to the appointment of two Directors onto Star Combo's Board. This will provide Goldenmax a significant level of influence over the Company.</p>

Source: BDO analysis

### 8.1. Conclusion on reasonableness

Based on the above analysis, we consider the Proposed Transaction to be reasonable. The key considerations in arriving at this conclusion are:

- ▶ Goldenmax is paying \$0.68 per share, a premium of c36% to the 3 month VWAP of Star Combo's share.
- ▶ The net placement price is \$0.51 which is in line with recent trading, and therefore Star Combo is not receiving a control premium. This is primarily a result of a significant fee of \$8.1m that is payable to GF Capital upon completion of this Proposed Transaction.
- ▶ We note that Star Combo requires additional cash to fund its expansion plans, and under the terms of the agreement with GF Capital a fee of \$8.1m would be payable if the Proposed Transaction is rejected and investment is secured from alternatives sources. Therefore, we consider it highly unlikely that Star Combo can avoid paying the fee to GF Capital even if the offer relating to the Proposed Transaction is rejected.

## 9. OVERALL OPINION

We have considered the terms of the Proposed Transaction, as outlined in this Report, and have concluded that the Proposed Transaction is not fair but reasonable to the Shareholders.

## 10. QUALIFICATIONS, DECLARATIONS AND CONSENTS

### 10.1. Qualifications

BDOCF is the licensed corporate finance arm of BDO East Coast Partnership, Chartered Accountants and Business Advisers. BDOCF provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr David McCourt, B.Bus, CA, is a director of BDOCF and a CA certified Business Valuations Specialist. Mr McCourt is also a partner of BDO East Coast Partnership. Mr McCourt has been responsible for the preparation of this IER.

Mr McCourt has over 20 years of experience in a number of specialist corporate advisory activities including company valuations, financial modelling, preparation and review of business feasibility studies, accounting, advising on mergers and acquisitions and advising on independent expert reports. Accordingly, Mr McCourt is considered to have the appropriate experience and professional qualifications to provide the advice offered.

Mr Sebastian Stevens, B.Bus, CPA is a Director of BDOCF. Mr Stevens is also a partner of BDO East Coast Partnership.

Mr Stevens is the Director responsible for the review of this IER. Mr Stevens has over 25 years of experience in a number of specialist corporate advisory activities including company valuations advising on independent expert reports, due diligence investigations, preparation and review of business feasibility studies, public company floats, accounting, advising on mergers and acquisitions, preparation of information memoranda and other corporate investigations. Accordingly, Mr Stevens is considered to have the appropriate experience and professional qualifications to provide the advice offered.

### 10.2. Independence

BDOCF is not aware of any matter or circumstance that would preclude it from preparing this IER on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

BDOCF considers itself to be independent in terms of RG 112 independence of experts, issued by ASIC. BDO East Coast Partnership is the auditor of Star Combo and is also a related entity to BDOCF. This matter has not had any impact on our independence. BDOCF has operated independently of BDO East Coast Partnership in preparing this Report.

BDOCF was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for Star Combo in relation to the Proposed Transaction. Further, BDO has not held and, at the date of this IER, does not hold any shareholding in, or other relationship with Star Combo that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

BDOCF will receive a fee of up to \$40,000 plus Goods and Services Tax for the preparation of this IER. BDOCF will not receive any fee contingent upon the outcome of the Proposed Transaction, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposed Transaction.

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A draft of this IER was provided to the Directors and their advisors for review of factual accuracy. Certain changes were made to the IER as a result of the circulation of the draft IER. However, no changes were made to the methodology, conclusions, or recommendations made to the Star Combo Shareholders as a result of issuing the draft IER.

### 10.3. Disclaimer

This IER has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this IER. This IER has been prepared for the sole benefit of the Directors and the Shareholders. Accordingly, this IER and the information contained herein may not be relied upon by anyone other than the Directors and the Shareholders without the written consent of BDOCF. BDOCF accepts no responsibility to any person other than the Directors and the Shareholders in relation to this IER.

The statements and opinions contained in this IER are given in good faith and are based upon BDOCF's consideration and assessment of information provided by the Directors, executives and Management of the Company.



## APPENDIX 1: GLOSSARY

Term	Definition
APES 225	Accounting Professional & Ethical Standards Board Limited issued professional standard APES 225 on valuation services
1H20	6 months ended 31 December 2019
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Austoyou	Austoyou Group Pty Ltd
BDOCF, we, our or us	BDO Corporate Finance (East Coast) Pty Ltd (ABN 70 050 038 170)
COE	Capitalisation of maintainable earnings
Corporations Act	Corporations Act 2001
DCF	Discounted cash flow method
EV	Enterprise value
FMV	Fair market value
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY18	Financial year ended/ending 30 June 2018
FY19	Financial year ended/ending 30 June 2019
Goldenmax	Goldenmax International Technology Ltd
Gross placement price	\$0.68 per share
IPO	Initial Public Offer
Koala Mall	Koala Mall Pty Ltd
Licence	Australian Financial Services Licence No: 247420
LTM	Last twelve months
Management	Management of Star Combo
NAV	Net asset value
Net placement price	\$0.51 per share
NPAT	Net Profit after Tax
NRV	Orderly realisation
Proposed Transaction	Placement of 49 million new shares of Star Combo to Goldenmax at \$0.68 per share.
QMP	Quoted market price basis
RBA	Reserve Bank of Australia
Report or IER	Independent expert's report
RG 111	ASIC Regulatory Guide 111 Content of expert reports
RG 112	ASIC Regulatory Guide 112 Independence of experts
Shareholders	Shareholders of Star Combo
Star Combo, the Company	Star Combo Pharma Limited
Transaction Document	Notice of meeting dated on or about 24 April 2020
VWAP	Volume Weighted Average Price

Source: BDOCF

## APPENDIX 2: SOURCES OF INFORMATION

In preparing this IER, we had access to and relied upon the following principal sources of information:

- ▶ Draft announcement to ASX
- ▶ Star Combo annual reports for the years ended 30 June 2018 and 30 June 2019
- ▶ Star Combo December 2019 Half Yearly Report
- ▶ ASX announcements
- ▶ Discussions with the Independent Directors and management of Star Combo
- ▶ Information sourced from CapitalIQ and MergerMarket
- ▶ ASIC guidance notes and regulatory guides as applicable
- ▶ Other generally available public information

## APPENDIX 3: VALUATION METHODS - BUSINESSES AND ASSETS

In conducting our assessment of the fair market value of Star Combo, the following commonly used business valuation methods have been considered:

### Discounted Cash Flow Method

The discounted cash flow (DCF) method is based on the premise that the value of a business or any asset is represented by the present value of its future cash flows. It requires two essential elements:

- ▶ the forecast of future cash flows of the business asset for a number of years (usually five to 10 years); and
- ▶ the discount rate that reflects the riskiness of those cash flows used to discount the forecast cash flows back to net present value (NPV).

DCF is appropriate where:

- ▶ the businesses' earnings are capable of being forecast for a reasonable period (preferably 5 to 10 years) with reasonable accuracy;
- ▶ earnings or cash flows are expected to fluctuate significantly from year to year;
- ▶ the business or asset has a finite life;
- ▶ the business is in a 'start up' or in early stages of development;
- ▶ the business has irregular capital expenditure requirements;
- ▶ the business involves infrastructure projects with major capital expenditure requirements; or
- ▶ the business is currently making losses but is expected to recover.

### Capitalisation of Earnings Method

This method involves the capitalisation of normalised earnings by an appropriate multiple. Normalised earnings are the assessed sustainable profits that can be derived by the vendor's business and exclude any one off profits or losses. An appropriate earnings multiple is assessed by reference to market evidence as to the earnings multiples of comparable companies.

This method is suitable for the valuation of businesses with indefinite trading lives and where earnings are relatively stable or a reliable trend in earnings is evident.

### Net Asset Value Methods

Asset based valuations involve the determination of the fair market value of a business based on the net realisable value of the assets used in the business.

Valuation of net realisable assets involves:

- ▶ separating the business or entity into components which can be readily sold, such as individual business securities or collection of individual items of plant and equipment and other net assets; and
- ▶ ascribing a value to each based on the net amount that could be obtained for this asset if sold.

The net realisable value of the assets can be determined on the basis of:

- ▶ orderly realisation (NRV): this method estimates fair market value by determining the net assets of the underlying business including an allowance for the reasonable costs of carrying out the sale of assets, taxation charges and the time value of money assuming the business is wound up in an orderly manner. This is not a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value;
- ▶ liquidation: this is a valuation on the basis of a forced sale where the assets might be sold at values materially different from their fair market value; or
- ▶ continuing operations (NAV): this is a valuation of the net assets on the basis that the operations of the business will continue. It estimates the market value of the net assets but does not take into account any realisation costs. This method is often considered appropriate for the valuation of an investment or property holding entity. Adjustments may need to be made to the book value of assets and liabilities to reflect their value based on the continuation of operations.

The net realisable value of a trading entity's assets will generally provide the lowest possible value for the business. The difference between the value of the entity's identifiable net assets (including identifiable intangibles) and the value obtained by capitalising earnings is attributable to goodwill.

The net realisable value of assets is relevant where an entity is making sustained losses or profits but at a level less than the required rate of return, where it is close to liquidation, where it is a holding entity, or where all its assets are liquid. It is also relevant to businesses which are being segmented and divested and to value assets that are surplus to the core operating business. The net realisable assets methodology is also used as a check for the value derived using other methods.

These approaches ignore the possibility that the entity's value could exceed the realisable value of its assets.

#### **Quoted Market Prices**

The price that an entity's security trades on an exchange can be an appropriate basis for valuation where:

- ▶ the security trades in an efficient market place where 'willing' buyers and sellers readily trade the entity's security; and
- ▶ the market for the entity's security is active and liquid.

#### **Other Valuation Considerations**

##### **Future events**

The business of Star Combo to be considered in this valuation is that which exists as at the current date.

Future growth which arises from the commercialisation of the prospective resources has been considered in this valuation through our consideration of the fair market value of the tenements.

Other growth potentials, which may result from new activities, business initiatives, acquisitions and the like (which are not capable of estimation), is not within the scope of this valuation.

## APPENDIX 4: COMPARABLE COMPANIES BUSINESS DESCRIPTION

Company Name	Business Description
Australian Pharmaceutical Industries Limited	Australian Pharmaceutical Industries Limited engages in the wholesale distribution of pharmaceutical, medical, health, beauty, and lifestyle products to pharmacies primarily in Australia. The company also retails health and beauty products to consumers; and manufactures and distributes pharmaceutical and toiletry goods to New Zealand, Australian, and Asian markets, as well as provides cosmetic products and procedures. Australian Pharmaceutical Industries Limited was founded in 1910 and is based in Camberwell, Australia.
Blackmores Limited	Blackmores Limited develops, sells, and markets natural health products for humans and animals in Australia, New Zealand, Asia, China, and internationally. The company offers vitamins, and herbal and mineral nutritional supplements. It also provides products for various conditions related to arthritis, joints, bones, and muscles; brain health; cold, flu, and immunity; digestive health; energy and exercise; essentials; everyday health; and eye health. The company was founded in 1930 and is headquartered in Sydney, Australia.
EBOS Group Limited	EBOS Group Limited engages in the marketing, wholesale, and distribution of healthcare, medical, pharmaceutical, and animal care products in Australia and New Zealand. It operates in two segments, Healthcare and Animal Care. The company offers health logistics; medication management solutions; pharmacy management software; loyalty, generics, compliance, business intelligence, and store software services; and multi-brand retail pharmacy services. EBOS Group Limited was founded in 1922 and is headquartered in Docklands, Australia.
Sigma Healthcare Limited	Sigma Healthcare Limited, together with its subsidiaries, engages in the wholesale and distribution of pharmaceutical products primarily in Australia. It also operates approximately 1,200 branded and independent stores under the Amcal+, Chemist King, Discount Drug Stores, Guardian, and PharmaSave brands. In addition, the company manages and promotes a range of over-the-counter private and exclusive label products to brand member customers, as well as the Pharmacy Care private label range to pharmacy customers.. Sigma Healthcare Limited was founded in 1912 and is headquartered in Rowville, Australia.
Bioxyne Limited	Bioxyne Limited, a life sciences and health products company, researches, develops, manufactures, markets, and distributes consumer dietary supplements based on the proprietary probiotic strain of Lactobacillus Fermentum PCC. The company operates through Wholesale Sales and Direct Sales segments. It also engages in developing a range of functional foods and beauty products. The company's products portfolio include BK18, a dairy based food supplement; Allura, a beauty drink with soy protein and apple fibre, and marine collagen extract for women's weight management; Mustang, a nutritional shake for men's weight management; Mymana, a colostrum and honey based dairy formula product; and BEssence, an anti-ageing serum. In addition, it offers its probiotic products under the Progastrim and proTract names. The company provides its products online, as well as through retail channels in Australia, the United States, New Zealand, and Asia. Bioxyne Limited is headquartered in Sydney, Australia.
Health and Happiness (H&H) International Holdings Limited	Health and Happiness (H&H) International Holdings Limited, an investment holding company, manufactures and sells family nutrition and baby care products in Mainland China, Australia, New Zealand, and internationally. The company's Infant Formulas segment produces infant formulas for children under seven years old and milk formulas for expectant and nursing mothers. Its Probiotic Supplements segment offers probiotic supplements in the form of sachets, capsules, and tablets for infants, children and expectant mothers. The company's Adult Nutrition and Care Products segment provides vitamins, health supplements, and skin care and sports nutrition products for adults. The company was founded in 1999 and is headquartered in Quarry Bay, Hong Kong. Health and Happiness (H&H) International Holdings Limited is a subsidiary of Biostime Pharmaceuticals (China) Limited.
Wattle Health Australia Limited	Wattle Health Australia Limited produces, sources, packages, and markets organic nutritional milk products in Australia. The company offers a range of nutritional infant formula dairy products under the Uganic brand name. It also provides organic baby skincare products, aromatherapy essential oils, and domestic cleaning and laundry products under the Little Innoscents brand name. The company also sells its dairy products through online. Wattle Health Australia Limited was founded in 2011 and is headquartered in Abbotsford, Australia.
Keytone Dairy Corporation Limited	Keytone Dairy Corporation Limited, together with its subsidiary, manufactures and exports dairy and nutrition products in New Zealand. The company operates in two segments, Proprietary Brands and Contract Manufacturing. It offers powdered milk nutritional products, including whole milk powder, skim milk powder, colostrum milk powder, goat milk powder, and kiwifruit milk powder under the KeyDairy brand name; and health supplement capsules for the treatment of acne and natural beauty products under the KeyHealth and FaceClear names. The company also exports its products to China, Vietnam, Hong Kong, Taiwan, Malaysia, Japan, Korea, Australia, the Pacific Islands, and the European Union. Keytone Dairy Corporation Limited was founded in 2011 and is headquartered in Christchurch, New Zealand.
The a2 Milk Company Limited	The a2 Milk Company Limited, together with its subsidiaries, sells A2 protein type branded milk and related products in Australia, New Zealand, China, other Asian countries, the United Kingdom, and the United States. The company offers fresh milk under the a2 Milk brand; and infant formula under the a2 Platinum brand. It also provides a2 Platinum premium stage 4 junior milk drink; premium a2 Milk powder blended with Manuka honey; and a2 Platinum premium pregnancy milk formula. The company was formerly known as A2 Corporation Limited and changed its name to The a2 Milk Company Limited in April 2014. The a2 Milk Company Limited was founded in 2000 and is based in Auckland, New Zealand.
Bubs Australia Limited	Bubs Australia Limited produces and sells various infant nutrition products in Australia, China, and internationally. It offers organic baby food, goat milk infant formula, adult goat milk powder, and fresh dairy products, as well as cereals and toddler snacks. The company also provides canning services for nutritional dairy products. It sells its products to supermarkets and pharmacies. The company also exports its products to China, South East Asia, and the Middle East. Bubs Australia Limited was founded in 2005 and is based in Frenchs Forest, Australia.
Synlait Milk Limited	Synlait Milk Limited manufactures and sells dairy products in China, rest of Asia, the Middle East, Africa, New Zealand, Australia, and internationally. It provides fresh milk; nutritional products, including infant and adult nutritional powders; ingredients comprising skim milk powders and anhydrous milk fat; and specialized nutritional ingredients, such as lactoferrin. The company was founded in 2005 and is based in Rakaia, New Zealand.

Source: CapitalIQ



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