

The background of the cover features a close-up, high-angle shot of numerous yellow, oval-shaped capsules scattered across a white surface. On the right side, a large, dark blue circular graphic with a gradient effect overlaps the capsule image. The text is positioned within this blue area.

Star Combo Pharma Limited

—— Australia ——

2019 Annual Report

ASX: S66



STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES
ABN 39 615 728 375

2019 ANNUAL REPORT

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Star Combo Pharma Ltd

ASX: S66

Financial Report 2019

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

FINANCIAL REPORT

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Directors' Report

for the year ended 30 June 2019

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Star Combo Pharma Limited and the entities it controlled at the end of, or during, the financial year ended 30 June 2019.

DIRECTORS

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

Mr Richard Allely – Chairman, Non-executive
Mr Jinxing (Star) Zhang – Managing Director
Miss Su Zhang – Chief Executive Officer
Mr Craig Bottomley – Non-executive Director (resigned 16 August 2019)
Dr Ziye Sui – Non-executive Director

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

Richard Allely - Chairman, Non-executive

Qualifications

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

Experience and expertise

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

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

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

Interest in shares and options

Options over ordinary shares:

1,000,000 Ordinary shares: None.

Other current directorships

- Australasian Medical Publishing Co Pty Limited

Former directorships of listed companies in last three years

None.

Special responsibilities - None.

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

- Bachelor of Science (Biochemistry major)

Experience and expertise

Star was appointed to the Board in 2016 as Managing Director. Star is the founder of Star Combo and has a strong background in the pharmaceutical industry. After graduation from university, Star worked for 10 years at a medical research company in China which produced hard gel capsules, tablets and injections. While there, he pioneered the extraction and purification of hyaluronic acid, important as a lubricant in ocular surgery. Furthermore, he developed methods to separate low molecular weight hyaluronic acid, which is used in cosmetics. Star then immigrated to New Zealand, where he studied Commerce at the University of Auckland for one year. Upon returning to Australia, Star incorporated Star Combo in 2004 to address the need for high quality and affordable Australian made health foods in the market.

Interest in shares and options

Options over ordinary shares:

None. Ordinary shares:

38,165,510

Other current directorships

- Antoine International Pty Ltd

Former directorships of listed companies in last three years

None.

Special responsibilities - None.

Su Zhang - Chief Executive Officer**Qualifications**

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

Experience and expertise

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

Interest in shares and options

Options over ordinary shares:

None. Ordinary shares:

11,448,980

Former directorships of listed companies in last three years

None.

Special responsibilities - None.

Craig Bottomley - Non-executive Director (resigned 16 August 2019)**Experience and expertise**

Craig is currently the Executive Chairman and a founder of Building Interactive Pty Ltd, a technology company established in 2015 that provides a software platform for participants in the real estate sector. Craig has over 20 years' experience in establishing and developing commercial ventures covering various industries, including pharmaceuticals, technology and personal care products. Craig served as Chairman of Real Estate Agent Select Pty Ltd from 2014 to 2016. The company is an independent lead generation business in real estate. Mr. Bottomley assisted in securing funding, strategy and establishing corporate governance policies. Craig was a founder of ASX listed company Mayne Pharma Group Limited, serving as Chief Operating Officer and a Director from 2005 to 2010. He was one of the key team members who facilitated the acquisition for Mayne Pharmaceuticals International Pty Ltd in 2009. Mayne Pharma currently ranks in the S&P/ASX 200 index.

Craig was a founder and a Director of ASX listed company BWX Limited from 2013 to 2017. His role focused on strategy, acquisitions and securing funding to grow the company from a private personal care manufacturing business to a vertically integrated manufacturing and branded ASX listed business; the most significant acquisition being the brand Sulkin, which was acquired in 2015. BWX Limited became a listed ASX company in 2015 and currently ranks in the S&P /ASX 300 index.

Interest in shares and options

Options over ordinary shares:

800,000 Ordinary shares: None.

Other current directorships

- Immersa Skincare Pty Ltd
- Magnum Capital Pty Ltd
- Sainters Pty Ltd
- The Bottomley Group Pty Ltd
- Building Interactive Pty Ltd
- Visitor Interactive Pty Ltd
- Dull Pty Ltd
- Vencore Pty Ltd

Former directorships of listed companies in last three years

- BWX Ltd

Special responsibilities - None.

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

- M.D., Ph.D.

Experience and expertise

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

Interest in shares and options

Options over ordinary shares:

None. Ordinary shares: None.

Other current directorships

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

Directors' Report (continued)

for the year ended 30 June 2019

Former directorships of listed companies in last three years

None.

Special responsibilities - None.

COMPANY SECRETARY

Richard Hill (appointed 20 February 2018, resigned 30 September 2018)

Qualifications

- BCom
- CA

Experience and expertise

Richard has strong expertise in the resources sector and currently provides audit and advisory services to various ASX listed companies as well as various unlisted public companies. His key specialties are in the following areas:

- Advice to ASX listed companies
- Corporate secretarial
- Project feasibilities
- IPO and Prospectus work

Interest in shares and options

Options over ordinary shares:

None. Ordinary shares: None.

Patrick Raper (appointed 10 October 2018)

Qualifications

- FCPA
- FAICD

Experience and expertise

Patrick has over 20 years of experience as CFO and Company Secretary of ASX listed entities specialising in establishing finance and administration infrastructure to enable fast growing and newly listed entities.

Interest in shares and options

Options over ordinary shares: None

Ordinary shares: None.

Directors' Report (continued)**for the year ended 30 June 2019****MEETINGS OF DIRECTORS**

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

	Directors' Meetings	
	Number eligible to attend	Number attended
Richard Allely	11	11
Star (Jinxing) Zhang	11	11
Su Zhang	11	11
Craig Bottomley	11	11
Ziye Sui	11	9

PRINCIPAL ACTIVITIES

The principal activities of the group during the financial year were the manufacture and distribution of health food products and nutritional supplements. The group extended its manufacturing and distribution capabilities through the acquisition of Austoyou Group Pty Limited ("ATY") and Koala Mall Pty Limited ("KOM") in February 2019. No other significant change in the nature of the Group activities occurred during the year.

REVIEW OF OPERATIONS

After posting significant one off costs of circa \$2.6m in FY19 the company incurred a loss after income tax of \$1.7m for the year ended 30 June 2019 (2018: loss after income tax of \$1.6 million).

The main highlight for the financial year was the significant increase in revenue to \$21.6 million compared to \$10.9 million in FY 2018. This is a growth of 98.1% which was achieved through a combination of organic growth and the acquisition of Austoyou and Koala mall during the year.

If the Austoyou and Koala Mall revenues for the full financial year ended 30 June 2019 were included in the consolidated group revenue for the financial year ended 30 June 2019, the consolidated group revenue would have been \$37.2 million.

The following table summarises and highlights the organic growth versus growth through acquisition.

	FY 2018 S66 Group Revenue \$m	FY 2019 S66 Group Revenue \$m	%	FY 2019 Pro Forma Revenue \$m
Star Combo Revenue	\$10.9	\$11.5	5.6%	\$11.5m
Austoyou and Koala Revenue – acquired Feb 2019	-	\$10.1	92.5%	\$25.7m
Total Group Revenue	\$10.9	\$21.6	98.1%	\$37.2m

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

- Non-recurring expenses related to the acquisitions of Austoyou, Koala Mall and other potential acquisitions \$0.7 million (2018: nil).
- Marketing costs relating to the Terry White Chemist & Living Healthy Investment of \$0.7 million (2018: \$0.8 million)
- Working capital (being the difference between current assets and current liabilities) has decreased by 43.4% to \$7.3 million (2018: \$12.9 million) mostly associated with the acquisition of Austoyou and Koala Mall.

DIVIDENDS

No dividends were declared or paid during the year (2018: \$900,000).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS***Austoyou and Koala Mall Acquisition***

On 19 February 2019, Star Combo Pharma Group (Star Combo) completed the acquisition of 100% of the issued shares in Austoyou Group Pty Limited ("Austoyou") and Koala Mall Pty Limited ("Koala Mall") for \$10 million.

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

The Koala Mall business provides a retail brand and premium shopping experience to showcase the range of Star Combo Pharma vitamins, skincare, milk products and health supplements at a number of highly visible retail stores in Sydney.

The acquired businesses delivered to Star Combo approximately \$10.1 million in sales in FY19 and have shown growth of more than 20% per annum in the past two years as demand for a broad range of Australian manufactured and quality-controlled consumer goods, continues to increase from Chinese consumers.

Austoyou and Koala Mall were acquired via the Share Sale and Purchase Agreement dated 5 February 2019 which sets out a three-stage completion process.

Stage 1. Completion on 19 February 2019 consisted of 70% of the Purchase Amount structured as 50% cash payment and 50% in Star Combo Pharma Limited shares issued at \$0.51. A total of 6,981,115 shares were issued to the vendors of the business.

Stage 2. 12 months post settlement, a further 15% of the Purchase Amount. If any shares are to be issued for this payment, they will be issued at a 10% discount from the VWAP in the 10 days prior to payment.

Stage 3. 24 months post settlement, a final 15% of the Purchase Amount. If any shares are to be issued for this payment, they will be issued at a 10% discount from the VWAP in the 10 days prior to payment.

The businesses have a total of 8 employees, and are located in Sydney.

The third company in the Ausway group being Ausway Pharmaceutical Pty Limited was not acquired.

Expansion into China

During September 2018, Star Combo opened its first China representative office in Chongqing China. Establishing a physical presence in China enables the Company to engage with its channel partners and customers more effectively and respond to consumer demand more efficiently. The manager in charge of the Chongqing office has over 20 years' experience in the marketing of vitamins.

Star Combo has 9 products that have been approved by Chinese authorities for offline sale in China. The Chinese market is expected to be a key contributor to the future revenue growth of the Company.

Richlink Exercise of Options

On 9 August 2018, Richlink Limited exercised 3,960,171 options at an exercise price of \$0.45 per share. This increased the total shareholding to 6,360,170 shares, being 8.0% of the then issued share capital of Star Combo Pharma Ltd, meaning they are now considered to be a significant shareholder.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Other Business Acquisitions

During the year, the company continued to pursue its growth through acquisitions strategy and on 8 July 2019 announced that it had entered into a Share Sale Agreement to acquire the Melbourne based company.

Subsequently, on 9 August the company announced that the parties had terminated the Agreement and released each other from all obligations, claims and liabilities arising under the Share Sale Agreement.

Other Matters

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

ENVIRONMENTAL REGULATION

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

Directors' Report (continued)

for the year ended 30 June 2019

SHARE OPTIONS RIGHTS OUTSTANDING

As at the date of this report there are 3,600,000 options outstanding in relation to Star Combo ordinary shares. The expiry date of the options range between May 2020 and June 2023 and the weighted average exercise price is \$0.57.

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

There were 4,130,171 ordinary shares of Star Combo issued on the exercise of options or share rights during the period ended 30 June 2019 and up to the date of this report.

	Balance at 30 June 2018	Forfeited during the year	Options Exercised during the year	Balance at 30 June 2019
Directors Options	1,800,000	-	-	1,800,000
Staff Options	1,670,000	-	170,000	1,500,000
External Options	4,260,171	300,000	3,960,171	-
Total	7,730,171	300,000	4,130,171	3,300,000

INDEMNITY AND INSURANCE OF OFFICERS

Indemnification

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

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

Insurance premiums

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

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

NON-AUDIT SERVICES

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

Details of the amounts paid or payable to the auditor (BDO East Coast Partnership) for non-audit services provided during the financial year are outlined in Note 22 to the financial statements.

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

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

ROUNDING OF AMOUNTS

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

REMUNERATION REPORT

This remuneration report which has been audited forms part of the directors' report for the year ended 30 June 2019 and details the nature and amount of remuneration for executive directors, non-executive directors and other key management personnel ("KMP") of Star Combo Pharma Ltd and controlled entities.

REMUNERATION POLICY

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

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

DIRECTORS AND KEY MANAGEMENT PERSONNEL

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

Directors

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

Richard Allely	(Chairman)
Star (Jinxing) Zhang	(Managing Director)
Su Zhang	(Chief Executive Officer)
Craig Bottomley (resigned 16 August 2019)	(Non-executive Director)
Dr. Ziyi Sui (appointed 21 June 2018)	(Non-executive Director)
Yanzhen Song (resigned as a director and ceased to be a KMP on 2 February 2018)	

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

ENGAGEMENT OF REMUNERATION CONSULTANTS

There has been no engagement of remuneration consultants.

PERFORMANCE-BASED REMUNERATION

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

PERFORMANCE CONDITIONS LINKED TO REMUNERATION

There are no performance conditions linked to remuneration.

Directors' Report – Remuneration Report (continued)

for the year ended 30 June 2019

CHANGES IN DIRECTORS AND EXECUTIVES SUBSEQUENT TO THE YEAR END

Mr Craig Bottomley resigned as a Director of 16 August 2019.

There have been no other changes in Directors and KMP's subsequent to year end.

KEY MANAGEMENT PERSONNEL (KMP) EMPLOYMENT DETAILS

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

	Position held as at 30 June 2019 and during the year	Contract details (duration and termination)	Proportion of remuneration related to performance (Other than options issued)		Proportion of remuneration not related to performance
			Non-salary cash-based incentives	Shares	Fixed Salary/Fees
<i>Group KMP</i>			%	%	%
Mr Richard Allely	Chairman	No fixed term. Two months' notice required to terminate.	-	-	100
Mr Craig Bottomley	Non-executive Director (resigned 16 August 2019)	No fixed term. One-month notice required to terminate.	-	-	100
Ms Ziye Sui	Non-executive Director	No fixed term. Two months' notice required to terminate.	-	-	100
Mr Star (Jinxing) Zhang	Managing Director	No fixed term. Three months' notice required to terminate.	-	-	100
Ms Su Zhang	Chief Executive Officer	No fixed term. Two months' notice required to terminate.	-	-	100
Ms Yanzhen Song	Non-executive Director (ceased as Director and KMP in February 2018)	N/A	-	-	100
Mr Richard Hill	Company Secretary/Chief Financial Officer (resigned 30 September 2018)	N/A	-	-	100

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

Directors' Report – Remuneration Report (continued)

for the year ended 30 June 2019

KEY MANAGEMENT PERSONNEL REMUNERATION EXPENSE DETAILS FOR THE YEAR ENDED 30 JUNE 2019

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

		Salary, Fees and Leave	Super-annuation	Cash bonus***	Long Service leave	Shares/Units*	Option / Rights*	Total
<i>Group KMP</i>	Year	\$	\$	\$	\$	\$	\$	\$
Mr Richard Allely	2019	54,792	5,205	-	-	-	-	59,997
	2018	56,663	-	20,000	-	-	129,091	205,754
Mr Craig Bottomley	2019	40,788	3,875	-	-	-	-	44,663
	2018	9,499	-	-	-	-	103,273	112,772
Ms Ziye Sui	2019	15,300	-	-	-	-	-	15,300
	2018	1,700	-	-	-	-	-	1,700
Mr Star (Jinxing) Zhang	2019	173,235	16,457	-	-	-	-	189,692
	2018	69,609	-	-	-	-	-	69,609
Ms Su Zhang	2019	149,913	14,242	-	294	-	-	164,448
	2018	84,592	8,036	-	-	-	-	92,628
Ms Yanzhen Song	2019	Ceased to be a Director and KMP in February 2018						
	2018	124,217	11,800	-	-	-	48,180	184,197
Mr Richard Hill	2019	27,499	-	-	-	-	-	27,499
	2018	106,466	-	-	-	62,650	-	169,116

*This represents the fair value of options granted during the financial year which have not yet been exercised. The options were valued using the binomial option or Black Scholes valuation method.

**Shares in Star Combo Pharma Ltd were issued to Richard Hill as payment for services in connection with the IPO in 2018.

***The cash bonus was paid to Richard Allely as a result of the successful IPO.

Directors' Report – Remuneration Report continued

for the year ended 30 June 2019

KEY MANAGEMENT PERSONNEL SHAREHOLDING MOVEMENTS

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

<i>Group KMP</i>	Balance at beginning of the year	Granted as remuneration during the year	Issued on exercise of options during	Other changes during the	Balance at end of the year
Mr Richard Allely	-	-	-	-	-
Mr Craig Bottomley	-	-	-	-	-
Ms Ziye Sui	-	-	-	-	-
Mr Star (Jinxing) Zhang	38,165,510	-	-	-	38,165,510
Ms Su Zhang	11,448,980	-	-	-	11,448,980
Ms Yanzhen Song	-	Ceased to be a KMP in February 2018			
Mr Richard Hill	12,000	-	-	(12,000)	-

KEY MANAGEMENT PERSONNEL OPTIONS AND RIGHTS HELD

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

	Grant Details					Exercised		Balance at the beginning and the end of year	
	Grant date	Expiry date	Exercise price \$	No.	Value \$	No.	Value \$	No.	Value \$
<i>Group KMP</i>									
Mr Richard Allely	16/02/2018	16/05/2021	0.625	1,000,000	129,091	-	-	1,000,000	129,091
Mr Craig Bottomley	17/04/2018	16/05/2021	0.625	800,000	103,273	-	-	800,000	103,273
Ms Ziye Sui			-	-	-	-	-	-	-
Mr Jinxing Zhang			-	-	-	-	-	-	-
Ms Su Zhang			-	-	-	-	-	-	-
Ms Yanzhen Song	15/06/2018	15/06/2023	0.500	60,000	48,180	-	-	60,000	48,180
Mr Richard Hill			-	-	-	-	-	-	-
TOTAL				1,860,000	280,544	-	-	1,860,000	280,544

See Note 14 of the financial statements for further information on share options.

KEY MANAGEMENT PERSONNEL LOANS TO / FROM

As at 30 June 2019, Mr Zhang owed Star Combo Australia Pty Ltd \$102,153 through Antoine International (2018: Star Combo Australia Pty Ltd owed Mr Zhang \$135,551).

KEY MANAGEMENT PERSONNEL RELATED PARTY TRANSACTIONS

During the year the group paid \$430,733 as rent to Antoine International which is a Related Party to Mr Star Zhang.

KEY MANAGEMENT PERSONNEL OTHER EQUITY RELATED TRANSACTIONS

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

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

Act. On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Richard Allely', is written over a horizontal line.

**Richard
Allely
Chairman**

28 August 2019

DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF STAR COMBO PHARMA LIMITED

As lead auditor of Star Combo Pharma Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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

A handwritten signature in black ink, appearing to read 'Grant Saxon', with a stylized flourish at the end.

Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 28 August 2019



FINANCIAL STATEMENTS

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED
30 JUNE 2019**

		Consolidated	
	Note	2019	2018
		\$	(Restated) \$
Revenue and other income	3	21,592,909	10,902,233
Cost of sales	4	(17,940,775)	(6,403,320)
Impairment gain/(loss) on trade receivables	7	278,919	(101,839)
Distribution and commission expense		(129,125)	(124,470)
Marketing and selling costs		(1,739,532)	(1,132,661)
Administrative expenses		(4,510,045)	(4,247,221)
Finance costs		(26,616)	(104,164)
Foreign exchange gain		136,293	134,010
IPO costs		-	(761,720)
Loss before income tax		(2,337,972)	(1,839,152)
Income tax benefit	5	611,201	199,148
Loss for the year		(1,726,771)	(1,640,004)
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		(1,726,771)	(1,640,004)
Total comprehensive income attributable to members of Star Combo Pharma Ltd		(1,726,771)	(1,640,004)
Earnings per share			
Basic loss per share (cents)	16	(0.02)	(0.03)
Diluted loss per share (cents)	16	(0.02)	(0.03)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		Consolidated	
	Note	2019	2018
		\$	(Restated)
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	6	4,621,024	8,941,796
Trade and other receivables	7	2,815,981	3,087,348
Inventories	8	4,937,952	3,470,015
Current tax assets	5	52,357	149,862
Other assets		350,425	32,335
Total current assets		12,777,739	15,681,356
Non-current assets			
Property, plant and equipment	9	2,941,931	2,521,204
Intangible assets	10	10,673,840	664,587
Deferred tax assets	5	1,112,221	500,127
Total non-current assets		14,727,992	3,685,918
Total assets		27,505,731	19,367,274
LIABILITIES			
Current liabilities			
Trade and other payables	11	5,432,865	2,715,809
Provisions		88,991	47,322
Total current liabilities		5,521,856	2,763,131
Non-current liabilities			
Deferred consideration	19	1,193,656	-
Borrowings		47,739	-
Provisions		13,361	13,372
Deferred tax liabilities	5	729,856	-
Total non-current liabilities		1,984,612	13,372
Total liabilities		7,506,468	2,776,503
Net assets		19,999,263	16,590,771
EQUITY			
Issued capital	13	42,760,654	37,325,236
Group reorganisation reserve	1(B)	(25,498,900)	(25,498,900)
Share based payment reserve		1,436,855	1,856,279
FX reserve		1,035	-
Retained earnings		1,299,619	2,908,156
Total equity		19,999,263	16,590,771

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital \$	Group reorganisati on reserve \$	Share based payment reserve \$	FX translation reserve \$	Retained Earnings \$	Total Equity \$
Balance at 1 July 2017	5,001,100	-	-	-	5,448,160	10,449,260
Loss after income tax for the year restated	-	-	-	-	(1,640,004)	(1,640,004)
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(1,640,004)	(1,640,004)
<i>Transactions with equity holders in their capacity as owners:</i>						
Dividends paid	-	-	-	-	(900,000)	(900,000)
Share Options Issued	-	-	1,856,279	-	-	1,856,279
Shares Issued	32,663,400	(25,498,900)	-	-	-	7,164,500
Share Issue Costs	(339,264)	-	-	-	-	(339,264)
Balance at 30 June 2018 (Restated)	37,325,236	(25,498,900)	1,856,279	-	2,908,156	16,590,771
Balance at 1 July 2018	37,325,236	(25,498,900)	1,856,279	-	2,908,156	16,590,771
Change in accounting policy – AASB 9 (Note 6)	-	-	-	-	(300,865)	(300,865)
Reversal share-based payment reserve upon exercise of options	-	-	-	-	-	-
FX translation reserve	-	-	-	1,035	-	1,035
Loss after income tax for the year	-	-	-	-	(1,726,771)	(1,726,771)
Total comprehensive income for the year	-	-	-	-	(1,726,771)	(1,726,771)
<i>Transactions with equity holders in their capacity as owners:</i>						
Share Options Exercised	-	-	(419,424)	-	419,099	(325)
Shares Issued	5,445,369	-	-	-	-	5,445,369
Share Issue Costs	(9,951)	-	-	-	-	(9,951)
Balance at 30 June 2019	42,760,654	(25,498,900)	1,436,855	1,035	1,299,619	19,999,263

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		24,424,398	12,501,449
Payments to suppliers and employees (inclusive of GST)		(26,794,085)	(12,693,394)
Interest received		87,924	118,905
Interest and other financial cost paid		-	(109,231)
Income tax received/ (paid)		96,611	(1,655,575)
Net cash used in operating activities	17	(2,185,152)	(1,837,846)
Cash flows from investing activities			
Payments for plant and equipment	9	(678,244)	(198,720)
Payments for intangible assets from Business Combination	18	(3,560,369)	(614,587)
Cash from acquired subsidiaries		315,800	-
Net cash used in investing activities		(3,922,813)	(813,307)
Cash flows from financing activities			
Loans from related parties		-	354,797
Proceeds from issue of shares on exercise of options	13	1,885,000	87,650
Proceeds from issue of shares on IPO		-	7,000,000
Costs of raising equity		(9,995)	(434,955)
Proceeds from borrowings		47,739	-
Repayment of borrowings		(135,551)	(1,620,456)
Net cash from financing activities		1,787,193	5,387,036
Net (decrease)/increase in cash and cash equivalents		(4,320,772)	2,735,883
Cash and cash equivalents at the beginning of the financial year		8,941,796	6,205,913
Cash and cash equivalents at the end of the financial year	6	4,621,024	8,941,796

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) BASIS OF PREPARATION

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

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

Compliance with IFRS

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

Historical cost convention

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

Comparative information and presentation

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

Rounding of amounts

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

(B) GROUP REORGANISATION

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

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

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

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

(B) PRINCIPLES OF CONSOLIDATION

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

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

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

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent and all of the subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 18.

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

Business combinations

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

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

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

(C) PRINCIPLES OF CONSOLIDATION (CONTINUED)

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

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

Goodwill

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

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

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

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

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

(C) FINANCIAL INSTRUMENTS

Initial recognition and measurement

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 39 Financial Instruments: Recognition and Measurement for periods beginning on after 1 January 2018, and has been adopted by the Group on 1 July 2018.

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

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

(D) FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

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

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- held to maturity;
- available for sale; and
- at FVTPL, and within this category as:
 - held for trading;
 - derivative hedging instruments; or
 - designated as at FVTPL

Financial liabilities

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

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

Derecognition

Financial assets

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

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

(D) FINANCIAL INSTRUMENTS (CONTINUED)

Financial liabilities

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

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

Offsetting

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

Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

Transition

The Group has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

(D) IMPAIRMENT OF ASSETS

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

Non-derivative financial assets

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

(E) IMPAIRMENT OF ASSETS (CONTINUED)

Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

(E) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Functional and presentation currency

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

Transactions and balances

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

Foreign operations

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

(F) GOODS AND SERVICES TAX (GST)

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

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

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

(G) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Key estimates and judgements

Impairment - Intangibles

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

Provision for impairment of receivables

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

Group reorganisation

The Group undertook a capital reorganization in 2018 and there are no changes during the financial year. The critical judgements made in accounting for the Group reorganisation are disclosed in Note 1 (B) to the financial statements.

Measurement of fair values

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

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

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

- Note 14 – share based payment;
- Note 10 – intangible assets and goodwill; and
- Note 19 – Business Combinations

(H) NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Certain new accounting standards and interpretations have been published that are not yet mandatory for 30 June 2019 reporting periods.

AASB 16 Leases (*applicable to annual reporting periods beginning on or after 1 January 2019*)

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term of 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

The Group will recognise new assets and liabilities for its operating leases of warehouse and factory facilities (see Note 23). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. The lease commitment for the next 10 years is \$2.5m, which is expected to be insignificantly different to the balance, recognised as a right-of-use-asset and lease liability. The Group has not yet calculated the borrowing rate to quantify the estimate of such impact. The Group consider that there is no cash flow impact due to the new AASB 16.

NOTE 2 – OPERATING SEGMENTS

During the 2019 financial year, the Group operated in two operating segments being Star Combo the business of development, manufacturing, marketing and sales of natural health supplements and skin care products, and Austoyou retail business made up of the Australia-China e-commerce platform that offers over 5,000 high-demand product lines directly to Chinese health product consumers; and Koala Mall's two retail stores in Sydney. The Group considers Austoyou and Koala Mall as one segment due to their operations consisting mainly in retail business and the common business platform shared by the two. The Group has sold to both Australian and China markets during the financial year. In 2018 financial year, the Group operated in only one operating segment and sold to only Australian market.

Accounting policy

a. Accounting policies adopted

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

b. Intersegment transactions

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

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

c. Segment assets

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

d. Segment liabilities

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

e. Unallocated items

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

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

NOTE 2 – OPERATING SEGMENTS (CONTINUED)

f. Segment information

(i) Segment performance

	Star Combo business	Austoyou retail	Total
	\$	\$	\$
30 June 2019			
Revenue			
External sales	11,346,561	10,062,823	21,409,384
Intersegment sales	-	-	-
Interest revenue	87,481		87,481
Other revenue	87,924	8,120	96,044
Total segment revenue	11,515,966	10,076,943	21,592,909
Total group revenue	11,515,966	10,076,943	21,592,909
Segment net (loss) / profit from continuing operations before tax	(2,248,834)	281,402	(2,167,431)
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by the Board:			
- corporate charges			-
- depreciation and amortisation			(170,541)
ii. Unallocated items:			
- others			-
Net profit before tax from continuing operations			(2,337,972)

NOTE 2 – OPERATING SEGMENTS (CONTINUED)

(ii) *Segment assets*

	Star Combo business	Austoyou retail	Total
	\$	\$	\$
30 June 2019			
Segment assets			
Segment assets include	17,159,832	1,756,558	18,916,390
Reconciliation of segment assets to group assets			
Intersegment eliminations			
Unallocated assets:			
- Goodwill			7,477,120
- deferred tax assets			1,112,221
Total group assets			27,505,731

(iii) *Segment liabilities*

	Star Combo business	Austoyou retail	Total
	\$	\$	\$
30 June 2019			
Segment liabilities			
Segment liabilities include	6,320,946	407,927	6,728,873
Reconciliation of segment assets to group liabilities			
Intersegment eliminations			
Unallocated liabilities:			
- deferred tax liabilities			729,856
- other financial liabilities			47,739
- current tax liabilities			-
Total group liabilities			7,506,468

NOTE 3 – REVENUE AND OTHER INCOME

	Consolidated	
	2019 \$	2018 \$
Sales of goods	20,585,239	10,749,440
Revenue from contracts with customers	824,145	-
Total sales revenue	21,409,384	10,749,440
Interest received	87,481	118,905
Other income	96,044	33,888
Total other income	183,525	152,793
Total revenue and other income	21,592,909	10,902,233

Change in significant accounting policies

The Group has adopted AASB 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2018 has not been restated – i.e. it is presented, as previously reported. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

Revenue from contracts with customers

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

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

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 January 2018)	Revenue recognition under AASB 118 (applicable before 1 January 2018)
Star Combo manufactured products	Customers obtain control of products when the goods are delivered to their premises. Invoices are generated at that point in time. Invoices are paid within the agreed trading terms. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	Revenue is recognised when the goods are delivered to the customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Group reviewed the recognised revenue during 2019 and found there were no significant reversal in the amount of cumulative revenue recognized during the year.	Revenue was recognized when the goods were delivered to the customers' premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred.

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15 (applicable from 1 January 2018)	Revenue recognition under AASB 118 (applicable before 1 January 2018)
Austoyou retail products	The goods are delivered to the customers by a third-party delivery company after the customer confirms the order and makes payment. Customers obtain control of products when the goods are dispatched from the Group's warehouse. Customers pay the delivery costs and track the delivery through the delivery company's website with a tracking reference number. If the goods lost in transit, the delivery company provide a certain amount of compensation to the customer up to a capped amount.	Revenue is recognised when the goods are dispatched from the Group's warehouse	Revenue for products was recognised when the goods were dispatched from the Group's warehouse.
Revenue from contracts with customers (Terry White Chemmart)	Star Combo has an agreed arrangement to sell the Living Healthy Brand in Australia exclusively through Terry White Chemmart's nominated distributor.	Revenue is recognised when the goods are dispatched from Star Combo's warehouse	Revenue for products was recognised when the goods were dispatched from Star Combo's warehouse.

Disaggregation of revenue from contracts with customers

In the following table, revenue is disaggregated by primary geographical market (country or region). Revenue has been disaggregated on the basis of the economic factors that arise from operating in more than one geographical market.

AUD \$	Star Combo		Austoyou retail	
	2019	2018	2019	2018
30 June 2019				
Revenue				
Australia	11,312,843	10,749,440	4,609,482	-
China	27,718	-	5,459,341	-
Total revenue	11,340,561	10,749,440	10,068,823	-

Other income

AASB 15 did not have a significant impact on the Group's accounting policies with respect to other income.

Other income is recognised when the significant risks and rewards have transferred.

Interest income

Interest income is recognised as the interest accrues using the effective interest method.

NOTE 4 – EXPENSES

Loss before income tax from continuing operations includes the following specific expenses:

Cost of sales

Materials	15,498,486	5,139,185
Employee benefits	1,196,387	701,964
Depreciation on plant and equipment	206,988	235,416
Rental expense relating to operating leases	266,832	132,914
Other cost of sales	772,082	192,841

17,940,755 **6,403,320**

Other expenses

Rental expense relating to operating leases	202,668	54,979
Depreciation on plant and equipment	170,541	35,907
Employee benefits	1,780,202	2,378,924
Share based payments to contractors	-	577,919

NOTE 5 – INCOME TAX EXPENSE

(a) Components of the income tax expense

Note	2019 \$	Consolidated 2018 \$
Current tax expense	5(b) (582,991)	74,396
Deferred tax expense	5(d) (28,210)	(273,544)
	(611,201)	(199,148)

(b) Reconciliation of prima facie income tax expense

The prima facie tax on (loss)/profit from ordinary activities before income tax is reconciled to income tax as follows:

Loss from continuing operations before income tax expense	(2,337,972)	(2,172,485)
Prima facie tax payable at 27.5% (2018:27.5%)	(642,942)	(597,433)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Over-provision for income tax in prior year	-	(81,642)
Non-deductible expenses	-	(784)
Movement in temporary differences	31,742	480,711
Income tax benefit	(611,201)	(199,148)

(c) Income tax (receivable)/payable – current

Income tax (receivable)/payable	(52,357)	(149,862)
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(d) Deferred tax – non-current

Deferred tax asset	1,112,221	500,127
Deferred tax liabilities	(729,856)	-
	382,365	500,127

Unused Tax Losses carried forward

1,106,124 -

NOTE 5 – INCOME TAX EXPENSE (CONTINUED)

Accounting policy

Tax consolidation

The Company and its wholly-owned subsidiaries have formed a tax-consolidated group and are therefore taxed as a single entity from 1 February 2018. The head entity within the tax-consolidated group is Star Combo Pharma Ltd. Austoyou Group Pty Ltd and Koala Mall Pty Ltd joined the tax-consolidated group on 19 February 2019. The members of the tax-consolidated group are identified in Note 18. Tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Income tax

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

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

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

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

NOTE 6 – CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	3,618,995	4,941,796
Term Deposits	1,002,029	4,000,000
Cash and Cash Equivalents	4,621,024	8,941,796

Accounting policy

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

NOTE 7 – TRADE AND OTHER RECEIVABLES - CURRENT

	Consolidated	
	2019	2018 (Restated)
	\$	\$
CURRENT		
Trade receivables	2,872,226	2,867,172
Provision for impairment	(385,373)	(363,427)
Other receivables	226,975	583,603
Amounts receivable from related parties (Note 20)	102,153	-
Trade and other receivables	2,815,981	3,087,348
Provision for impairment at the beginning of the period	(363,427)	(261,588)
Restated through opening retained earnings	(300,865)	-
Opening provision for impairment of trade receivables	(664,292)	(261,588)
Decrease/(increase) for the period	278,919	(101,839)
Provision for impairment at 30 June	(385,373)	(363,427)

Change in significant accounting policies

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

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

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

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

NOTE 7 – TRADE AND OTHER RECEIVABLES – CURRENT (CONTINUED)

At 1 July 2018 the lifetime expected loss provision for trade receivables is as follows:

	Sales payments outstanding						Total
	as current	after 30 days	after 60 days	after 90 days	after 180 days	after 365 days	
Receivables Outstanding	1,138,510	618,060	260,593	189,323	84,648	485,758	2,776,892
Default rate	3.20%	4.87%	7.26%	27.27%	49.00%	100.00%	
Lifetime ECL	36,406	30,108	18,909	51,632	41,479	485,758	664,292

During the second half of the financial year, the Group has implemented a number of initiatives for timely recovery of aged trade receivables, which have reduced the 365+ aged receivable balances by 56% and improved the overall aged trade receivable balances at 30 June 2019.

Accounting policy

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

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

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

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

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

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

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

NOTE 8 – INVENTORIES

	Consolidated	
	2019	2018
	\$	\$
Raw materials	3,365,795	3,339,847
Finished goods	1,572,157	153,592
Provision for obsolescence	-	(23,424)
Inventories	4,937,952	3,470,015

Inventories recognised as an expense during the year ended 30 June 2019 amounted to \$14,333,666 (2018: \$5,139,185). A charge of \$23,424 was taken to provide for obsolete inventories during the year ended 30 June 2018. No further provision was necessary as at 30 June 2019.

Accounting policy

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

NOTE 9 – PROPERTY, PLANT & EQUIPMENT

	Plant and equipment	Leasehold Improvements	Plant Under development	Total
Consolidated	\$	\$	\$	\$
At 30 June 2018				
Cost	2,598,931	970,566	-	3,569,497
Accumulated depreciation	(978,614)	(69,681)	-	(1,048,295)
Net book amount	1,620,317	900,885	-	2,521,202
Year ended 30 June 2018				
Opening net book amount	1,688,672	905,135	-	2,593,807
Additions	174,746	18,700	-	193,446
Disposals	-	-	-	-
Depreciation	(243,101)	(22,950)	-	(266,051)
Closing net book amount	1,620,317	900,885	-	2,521,202
At 30 June 2019				
Cost	2,763,087	986,930	497,684	4,247,701
Accumulated depreciation	(1,213,464)	(92,306)	-	(1,305,770)
Net book amount	1,549,623	894,624	497,684	2,941,931
Year ended 30 June 2019				
Opening net book amount	1,620,317	900,885	-	2,521,202
Additions	171,574	16,364	497,684	685,622
Disposals	(7,418)	-	-	(7,418)
Depreciation	(234,850)	(22,625)	-	(257,475)
Closing net book amount	1,549,623	894,624	497,684	2,941,931

NOTE 9 – PROPERTY, PLANT & EQUIPMENT (CONTINUED)

Accounting policy

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

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

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

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

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

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

Plant Under Development

The Group has started the development of a milk formula powder plant at the premises in Smithfield. The costs incurred up to 30 June 2019 totalled \$497,684 including purchase of plant facilities \$398,741 and the development costs mainly the direct related engineering consulting and project management costs. The remaining contracted commitment \$1,856,213 of the total contract amount \$2,254,954 to be paid in 2019.

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

NOTE 10 – INTANGIBLE ASSETS AND GOODWILL

	Brand Name Living Healthy \$	Brand Name ATY&KOM \$	Technology Platform \$	Customer Relation- ships \$	Licences \$	Goodwill \$	Total \$
At 30 June 2018							
Cost	664,587	-	-	-	-	-	664,587
Accumulated amortisation	-	-	-	-	-	-	-
Net book amount	664,587	-	-	-	-	-	664,587
Year ended 30 June 2018							
Opening net book amount	-	-	-	-	-	-	-
Additions	664,587	-	-	-	-	-	664,587
Disposals	-	-	-	-	-	-	-
Amortisation	-	-	-	-	-	-	-
Closing net book amount	664,587	-	-	-	-	-	664,587
At 30 June 2019							
Cost	664,587	1,325,287	733,602	432,114	163,020	7,477,121	10,795,731
Accumulated amortisation	-	(44,176)	(48,907)	(28,808)	-	-	(121,891)
Net book amount	664,587	1,281,111	684,695	403,306	163,020	7,477,121	10,673,840
Year ended 30 June 2019							
Opening net book amount	664,587	-	-	-	-	-	664,587
Additions	-	1,325,287	733,602	432,114	163,020	7,477,121	10,131,144
Disposals	-	-	-	-	-	-	-
Amortisation	-	(44,176)	(48,907)	(28,808)	-	-	(121,891)
Closing net book amount	664,587	1,281,111	684,695	403,306	163,020	7,477,121	10,673,840

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

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

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

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

NOTE 10 – INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Accounting policy

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

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

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

The estimated useful lives for each class are as follows:

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

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

Impairment review

A comprehensive impairment review was conducted at 30 June 2019. The recoverable amount of indefinite life intangible assets was reviewed. The recoverable amount of the intangible assets is determined based on net present value of future cash inflows, using management budgets and forecasts for a five-year period, after adjusting for central overheads.

The growth rate for 2020 is 4% against 2019 (including Star Combo business and pro forma Austoyou business), 8% growth rate in 2021 due to the forecast contribution from the milk formula powder production line, and a growth rate of 3% for three years from 2022 to 2024. Beyond 5 years are at growth rates of a same 3% which is similar to the long-term average growth rate for the industry in which the brand name is being operated. The discount rates used reflect specific risks relating to the relevant segments in which they operate. Any reasonable change to these key assumptions would not cause the carrying value of the brand name to materially exceed its recoverable amount.

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

	2019			2018			Consolidated
	Goodwill	Intangibles	Total	Goodwill	Intangibles	Total	
	\$	\$	\$	\$	\$	\$	
Star Combo CGU	-	664,587	664,587	-	664,587	664,587	
Austoyou CGU	7,477,121	2,532,132	10,009,253	-	-	-	
	7,477,121	3,196,719	10,673,840	-	664,587	664,587	

Provisional Accounting

The initial acquisition accounting of Austoyou and Koala Mall has been provisionally determined. The Group is working with the external valuation expert to gather evidence around the values, to reflect any new information.

The Group has 12 months from the date of acquisition to finalise the accounting to reflect any new information.

NOTE 11 – TRADE AND OTHER PAYABLES - CURRENT

Unsecured liabilities:

Trade payables

Sundry payables and accrued expenses

Deferred consideration (Note 19)

Amounts payable to related parties (Note 20)

Consolidated	
2019	2018
\$	\$
2,383,481	1,717,071
995,262	863,187
2,054,122	-
-	135,551
5,432,865	2,715,809

Accounting policy

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability, with the amounts normally paid within 30-50 days of recognition of the liability. Trade and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

NOTE 12 – FINANCIAL INSTRUMENTS

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

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

		Consolidated	
	Note	2019	2018
		\$	\$
Financial assets			
<i>Amortised cost</i>			
Cash and cash equivalents	6	4,621,024	8,941,796
Trade and receivables	7	2,815,981	2,754,015
Total financial assets at amortised cost		7,437,005	11,695,811
Financial Liabilities			
<i>Other financial liabilities at amortised cost</i>			
Trade and other payables	11	5,432,865	2,715,809
Deferred consideration (non-current)	19	1,193,656	-
Finance lease liabilities		47,739	-
Total other financial liabilities at amortised cost		6,674,260	2,715,809

NOTE 12 – FINANCIAL INSTRUMENTS (CONTINUED)

Change in significant Accounting policies

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 Financial Instruments: Recognition and Measurement.

As a result of the adoption of AASB 9, the Group has adopted consequential amendments to AASB 101 Presentation of Financial Statements, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Consequently, the Group reclassified impairment losses amounting to \$363,427, recognised under AASB 139, from 'administrative expenses' to 'impairment loss on trade receivables and contract assets' in the statement of profit or loss and OCI for the year ended 30 June 2018. Impairment losses on other financial assets are presented under 'finance costs', similar to the presentation under AASB 139, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

The effect of adopting AASB 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements. Group's financial assets disclosed above were classified as loans and receivables under AASB 139 are now classified as amortized costs. The financial liabilities disclosed above classified as other financial liabilities under the AASB 139 are classified as the same under the new AASB 9.

NOTE 13 – ISSUED CAPITAL

	Consolidated	
	2019	2018
	\$	\$
86,616,601 fully paid ordinary shares (2018: 75,505,315)	42,760,654	37,325,236
	Value of shares	Number of Shares
	\$	
<i>Movement in fully paid ordinary shares</i>		
<i>Opening balance at 1 July 2018</i>	37,325,236	75,505,315
<i>Capital raising costs</i>	(9,951)	-
<i>Issue of share on acquisition of Austoyou and Koala Mall</i>	3,560,369	6,981,115
<i>(Note 19)</i>		
<i>Issue of shares on exercise of options</i>	1,885,000	4,130,171
Closing balance at 30 June 2019	42,760,654	86,616,601

(1) Issue of shares on acquisition of subsidiaries

The consideration paid to acquire Austoyou Group Pty Ltd and Koala Mall Pty Ltd includes 6,981,115 fully paid ordinary shares at \$0.51 each issued to the vendors of Austoyou Group Pty Ltd and Koala Mall Pty Ltd. The shares are not restricted securities within the meaning of the Listing Rules; and 50% of the shares are subject to a 12 months escrow as contemplated in the Voluntary Escrow Deed.

(2) Issue of shares on exercise of options

During the financial year, a number of share options were exercised as follows:

- On 9 August 2018, 3,960,171 options were exercised by Richlink Capital Pty Limited for 3,960,171 fully paid ordinary shares at \$0.45 per share.
- 170,000 employee options were exercised for 170,000 fully paid ordinary shares at \$0.50 per share

NOTE 13 – ISSUED CAPITAL (CONTINUED)

Ordinary shares

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

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

Ordinary shares have no par value.

NOTE 14 – SHARE BASED PAYMENTS

Star Combo Pharma Ltd has not issued share options to both employees and consultants (non-employees) during the 2019 financial year.

	Consolidated	
	2019	2018
	Share options	Share based
	Number	payment
	\$	reserve
	\$	\$
Opening reserve 1 July 2017	-	-
Expense in the period	-	-
Granted	1,670,000	1,341,010
Exercised	6,160,171	515,269
Forfeited	(100,000)	-
Expired	-	-
Closing reserve 30 June 2018	7,730,171	1,856,279
Opening reserve 1 July 2018		
Expense in the period		
Granted to employees		
Granted to non-employees		
Exercised	(4,130,171)	(393,424)
Forfeited	(300,000)	-
Expired	-	-
Closing reserve 30 June 2019	3,300,000	1,462,855

The expected dividend yield for all options granted during 2019 was \$nil. The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the volatility of comparable listed entities, which may not be the actual outcome.

Accounting policy

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

NOTE 15 – DIVIDENDS

Dividends paid during the financial year were as follows:

Dividends

Dividends paid for the year ended 30 June 2019 of \$nil (2018: \$9,000) per ordinary share

Franking credits

Franking credits available for subsequent financial years based on a tax rate of 27.5% (2018: 30%)

2019 \$	2018 \$
-	900,000
2,167,721	945,786

The dividends noted above were paid prior to Star Combo Pharma Ltd listing on the ASX and were issued in order to clear down shareholder loans.

NOTE 16 – EARNINGS PER SHARE

Basic earnings per share (cents)

Diluted earnings per share (cents)

Consolidated	
2019	2018
(0.02)	(0.03)
(0.02)	(0.03)
2019 \$	2018 \$
(1,726,771)	(1,973,337)
2019 No. of shares	2018 No. of shares
75,505,315	61,000,000
11,111,286	14,505,315
86,616,601	75,505,315
82,140,936	62,660,994

Reconciliation of earnings used in calculating earnings per share

Net (loss)/profit for the period

Reconciliation of shares used in calculating earnings per share

Basic and diluted earnings per share

Opening balance of shares for the period

Closing balance of shares for the period

Weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share

NOTE 17 – NOTES TO THE STATEMENT OF CASH FLOWS

Reconciliation of (loss)/profit for the year to net cash flows from operating activities

	Consolidated	
	2019 \$	2018 \$
(Loss)/profit for the year	(1,726,771)	(1,640,004)
<i>Non-cash and non-operating cash items:</i>		
Depreciation and amortisation	377,529	271,323
Impairment on trade receivables (AASB 9)	(278,919)	-
Disposal of assets	(7,418)	-
Share based payments	-	1,918,928
<i>Changes in assets and liabilities:</i>		
Decrease/(increase) in trade and other receivables	592,926	(4,779)
Increase in inventories	(342,799)	(1,060,052)
Increase in deferred tax assets	(514,590)	(1,631,651)
Increase in other assets	(207,304)	(92)
(Decrease)/increase in trade and other payables	(77,806)	308,481
Net cash from operating activities	(2,185,152)	(1,837,846)

NOTE 18 – INTERESTS IN SUBSIDIARIES

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held by the group	
		2019	2018
CoStar Pharma Laboratory Pty Ltd	Australia	100%	100%
Star Combo Australia Pty Ltd	Australia	100%	100%
Chongqing Lingkang Business Co., Ltd.	China	100%	-
Austoyou Group Pty Ltd	Australia	100%	-
Koala Mall Pty Ltd	Australia	100%	-

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

NOTE 18 – INTERESTS IN SUBSIDIARIES (CONTINUED)

China Office in Chongqing

A wholly owned company of Star Combo Australia Pty Ltd was incorporated in Chongqing China on 13 August 2018. The official opening of the Group's first China representative office is in alignment to the Group's overall strategy targeting China as a major contributor to the future growth stream and will enable the Group to engage with and respond to its channel partners and customers effectively.

Chongqing Lingkang Business Co., Ltd. commenced trading from September 2018 and had received 7 products registration for sales in China to the end of June 2019. For the 10 months ended 30 June 2019, the China office has generated \$28k revenue and a net loss before tax \$103k due to marketing and China office expenses.

NOTE 19 – BUSINESS COMBINATIONS

Acquisition of Controlled Entities

On 19 February 2019, Star Combo Pharma Ltd acquired 100% of the shares and voting interests in Austoyou Group Pty Ltd and Koala Mall Pty Ltd (the Companies). Purchase price is \$10m plus Net Financial Position (NFP), representing a 10x multiple on FY18 Net Profit After Tax (NPAT) of \$1m and the surplus net assets and liabilities of the Companies calculated at the completion date in excess of \$250,000 respectively.

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

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

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

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

NOTE 19 – BUSINESS COMBINATIONS (CONTINUED)

	Fair Value \$
Provisional Balances	
Purchase consideration:	
– cash	3,560,369
– fully paid ordinary shares	3,560,369
– NFP	717,227
– contingent consideration year 1	1,336,895
– contingent consideration year 2	1,193,656
	<hr/> 10,368,516
Less:	
Cash	315,800
Receivables	354,592
Inventories	1,125,138
Brand name – Austoyou	1,026,018
Brand name – Koala Mall	299,269
Technology platform - Austoyou	733,602
Licenses – Austoyou	163,020
Customer relationships – Austoyou	432,114
Payables	(828,302)
Deferred Tax Liability	(729,856)
Identifiable assets acquired and liabilities assumed	<hr/> 2,891,394
Goodwill	<hr/> <hr/> 7,477,121

- (i) The consideration paid to acquire the Companies includes 6,981,115 fully paid ordinary shares at \$0.51 each issued to the vendors of the Companies. The shares are not restricted securities within the meaning of the Listing Rules; and 50% of the shares are subject to a 12 months escrow as contemplated in the Voluntary Escrow Deed.
- (ii) The consideration paid to acquire the Companies consisted of \$3,560,369 in cash, and an additional \$717,227 NFP.
- The additional considerations are due to be paid 12 months and 24 months post settlement. (Stage 3 as above)
- The year 1 Payment and year 2 Payment are subject to adjustments if the NPAT of the Companies are higher or lower than the prior year.
- At the date of acquisition it was a high probability that the net profit after tax, depreciation and amortisation (NPAT) of the Companies would meet the target level of \$1m NPAT per year for both year 1 and year 2. A discount rate of 12% was applied to determine the present value of the contingent consideration at the date of acquisition. As such, the deferred consideration fair value of \$1,336,895 for year 1 and \$1,193,655 for year 2 form part of the consideration transferred to acquire the Companies.
- (iii) The directors believe the receivables are fully recoverable and no provision for impairment is required.

NOTE 19 – BUSINESS COMBINATIONS (CONTINUED)

- (iv) The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of the Companies.
No amount of the goodwill is deductible for tax purposes.
- (v) There are temporary differences between the carrying value of the intangible assets acquired in a business combination and the tax bases which resulted in the recognition of deferred tax liabilities in the consolidated accounts.

Revenue of the Companies included in the consolidated revenue of the Group since the acquisition date on 20 February 2019 amounted to \$10,076,943. Profit of the Companies included in consolidated profit of the Group since the acquisition date amounted to \$281,402.

Had the results of the Companies been consolidated from 1 July 2018, revenue of the consolidated group would have been \$37,197,806 and consolidated loss before tax would have been (\$1,993,709) for the year ended 30 June 2019.

Included within administration expenses in the statement of profit or loss are acquisition-related costs totalling \$192,557. The costs include advisory, legal, accounting and other professional fees and costs.

NOTE 20 – RELATED PARTY TRANSACTIONS

Key management personnel

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

Disclosures relating to key management personnel are set out in the Directors' report pages 13 to 17.

Controlled entities

Detailed of the percentage of ordinary shares held in controlled entities is disclosed in Note 19. All inter-company loans and balances are eliminated on consolidation. These loans are all interest free, with no set repayment terms.

Transactions with other related parties

Operating lease

During the financial year, \$430,733 (2018: \$187,893) was paid to Antoine International Pty Ltd in respect of an operating lease for the Star Combo premises. Antoine International Pty Ltd is a related party by virtue of Jinxing (Star) Zhang being a common director.

Consultancy services

During the financial year, \$22,500 (2018: nil) was paid to Richlink Capital Pty Ltd in respect of consultancy services provided.

Related party receivables/payables

As at 30 June 2018, Star Combo Australia Pty Ltd owed Mr Zhang \$135,551, which was fully repaid in 2019. During the year ended 30 June 2019, a shareholder loan was advanced to Mr Zhang for costs related to Antoine International Pty Ltd and the balance outstanding as at 30 June 2019 was \$102,153. The balance is expected to be repaid in first half of 2020 financial year. No interest was charged in respect of the loan during the 2019 financial year (2018: \$78,443).

No other loans were made to key management personnel, including their personally related entities, during the financial year ended 30 June 2019 or 30 June 2018.

NOTE 21 – PARENT COMPANY INFORMATION

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

	2019 \$	2018 \$
Financial Position		
Assets		
Current assets	339,447	5,232,139
Non-current assets	43,956,549	30,766,196
Total assets	44,295,996	35,998,335
Liabilities		
Current liabilities	1,592,133	134,001
Non-current liabilities	3,009,632	-
Total liabilities	4,601,765	134,001
Net assets	39,694,231	35,864,334
Equity		
Issues capital	42,760,654	37,325,236
Share based payment reserve	1,436,855	1,856,279
Retained earnings	(4,503,278)	(3,317,181)
Total equity	39,694,231	35,864,334
Financial Performance		
Loss for the year	(1,605,523)	(3,317,181)
Total comprehensive income	(1,605,523)	(3,317,181)

a) Explanation of loss for the financial year

During the financial year ended 30 June 2019, cost of \$749,000 were incurred in respect of professional fees for acquisition transactions which are expenses and \$320,000 accounting and audit fees. In 2018, costs of \$1,918,929 were incurred in respect of share options issued, along with \$761,720 incurred in respect of IPO costs which are expensed.

b) Guarantees entered into by the parent entity

No guarantees have been entered into by the parent entity during 2018 or 2017.

c) Commitments and contingent liabilities of the parent entity

The parent entity did not have any commitments or contingent liabilities as at 30 June 2019 or 30 June 2018.

NOTE 22 – AUDITOR’S REMUNERATION

Remuneration of the auditor for:

Audit and review

IPO related services

Taxation services

Consolidated	
2019	2018
\$	\$
164,000	117,500
-	147,054
17,850	-
181,850	264,554

NOTE 23 – COMMITMENTS AND CONTINGENCIES

Commitments

Marketing Support

Star Combo Australia Pty Ltd has entered into a Marketing Support Deed (‘the Deed’) in relation to the acquisition of the Living Healthy brand name from Terry White Chemist for an initial term of three years. Under the Deed, the following expenditures must be paid or incurred dependent on future events:

	Sales support	ATL marketing	Other	Total
	\$	\$	\$	\$
Within one year	500,000	1,980,882	80,000	2,560,882
	500,000	1,980,882	80,000	2,560,882

Operating leases

Commitments for minimum lease payments in relation to non-cancellable operating leases for office premises and office equipment are payable as follows:

	Consolidated	
	2019	2018
	\$	\$
Within one year	273,785	268,710
More than one year but not later than five years	1,453,282	1,430,601
Later than five years	728,339	1,145,501
	2,455,406	2,844,812

NOTE 23 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Milk formula powder production line

Star Combo Australia Pty Ltd entered into a number of contracts to purchase plant and equipment to develop a milk formula powder production line at the premises in Smithfield. The total contract value is AUD \$2,254,954 based on the exchange rate at 30 June 2019 (2018: nil). During the financial year 30 June 2019, AUD \$398,741 contract deposit has been paid and the remaining AUD \$1,856,213 payable as follows:

	Contract Commitment	Total
	\$	\$
Within one year	1,835,458	1,835,458
More than one year but less than two years	20,755	20,755
	<u>1,856,213</u>	<u>1,856,213</u>

Contingencies

There are no contingent liabilities or assets that require disclosure in the financial statements at 30 June 2019 (2018: None).

NOTE 24 – RESTATEMENT OF COMPARATIVES

During the review of the marketing expenditure for the current financial period, an error was identified in respect of the overstatement of prior year expenditure. In the previous financial year, additional marketing fees of \$333,333 were recognised that relate to the current financial period. The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows:

Statement of profit or loss (Extract)	2018 Reported	Adjustments	2018 Restated
	\$	\$	\$
Marketing and selling costs	<u>1,465,994</u>	<u>(333,333)</u>	<u>1,132,661</u>
Loss before income tax	<u>(2,172,485)</u>	<u>333,333</u>	<u>(1,839,152)</u>
Statement of comprehensive income (Extract)			
Loss before income tax	<u>(2,172,485)</u>	<u>333,333</u>	<u>(1,839,152)</u>
Other comprehensive income for the period	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the period	<u>(2,172,485)</u>	<u>333,333</u>	<u>(1,839,152)</u>

Basic and diluted earnings per share for the prior year remain unchanged.

Statement of financial position (Extract)

Trade and Other Receivables	<u>2,754,015</u>	<u>333,333</u>	<u>3,087,348</u>
Total assets	<u>19,033,941</u>	<u>333,333</u>	<u>19,367,274</u>
Net assets	<u>16,257,438</u>	<u>333,333</u>	<u>16,590,771</u>
Retained Earnings	<u>2,574,823</u>	<u>333,333</u>	<u>2,908,156</u>
Total Equity	<u>16,257,438</u>	<u>333,333</u>	<u>16,590,771</u>

NOTE 25 – EVENTS AFTER THE BALANCE SHEET DATE

Other Business Acquisitions

During the year company continued to pursue its growth through acquisitions strategy and on 8 July 2019 announced that it had entered into a Share Sale Agreement to acquire the Melbourne based company “Bio-E”.

Subsequently, on 9 August the company announced that the parties had terminated the Agreement and released each other from all obligations, claims and liabilities arising under the Share Sale Agreement.

Mr Craig Bottomley resigned as a Director of 16 August 2019.

There have been no other changes in Directors and KMP’s subsequent to year end.

NOTE 26 – CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital management

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

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

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

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

Financial risk management

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

Credit risk

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

The Group has no formal policy with regards to past due trade receivables and each receivable is evaluated individually by management. Jinxing (Star) Zhang is considered to be central to the Group’s credit risk assessment and management procedures given his strong relationships with the customers of the Star Combo Group. Please refer to note 7 on Expected Credit Loss on trade receivables.

NOTE 26 – CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk

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

Trade payables amounts are gross and undiscounted. The amounts are all due within one year.

	Carrying amount	as current	1-2 years	Total
Trade payables	2,383,481	2,383,481	-	2,383,481

Market risk

(i) Interest rate risk

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

(ii) Foreign exchange risk

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

On 19 February 2019, the Group acquired 100% of the shares and voting interests in Austoyou Group Pty Ltd and Koala Mall Pty Ltd. Austoyou is a well-established Australia-China e-commerce platform that offers over 5,000 high-demand product lines directly to Chinese health product consumers.

A reasonably possible strengthening (weakening) of RMB (Chinese Yuan) against AUD at 30 June 2019 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

<i>Effect in \$</i>	Profit or loss		Equity, net of tax	
	Strengthening	Weakening	Strengthening\$	Weakening
30 June 2019				
RMB (5% movement)	(37,059)	40,960	(41,544)	45,917

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the directors

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

Richard Allely
Chairman
28 August 2019
Sydney

INDEPENDENT AUDITOR'S REPORT

To the members of Star Combo Pharma Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Star Combo Pharma Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

Key audit matters

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

The Acquisition of Austoyou Group Pty Ltd and Koala Mall Ltd

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 19 to the financial statements, on 19 February 2019, the Company entered into a business combination to acquire 100 percent of the shares in Austoyou Group Pty Ltd and Koala Mall Pty Ltd.</p> <p>Due to the nature of the acquisitions, they represent a complex area of accounting. Areas of complexity include the significance of the amounts involved, ensuring the take-on balances are adequately accounted for and the potential for subjectivity in assessing the fair value of intangible assets in the goodwill assessment, noting that the Group has adopted provisional accounting for the business combination under AASB 3 <i>Business Combinations</i>.</p>	<p>To ensure both the provisional accounting treatment of the acquisition and the valuation of the intangibles acquired are appropriate, our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Obtaining the documentation relating to the acquisition including the Purchase Agreement between the entities and the Purchase Price Allocation report; • Reviewing the calculation of consideration payable in light of the terms of the above documentation and the requirements of AASB 3 <i>Business Combinations</i>; • Assessing the fair value attributed to the assets acquired and liabilities assumed on acquisition and comparing the amounts recorded to supporting documentation to ensure this had been appropriately recorded; • Reviewing the valuation methodology and challenging the inputs in respect of the identifiable intangible assets; and • Recalculating goodwill based on our assessment of the valuation of intangible assets.

Recoverability of Receivables

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As disclosed in Note 7 to the financial statements, trade receivables is governed by the accounting standard AASB 9 <i>Financial Instruments</i>, which has been adopted for the first time in the year ended 30 June 2019.</p> <p>This requires a complex analysis of receivables using the Expected Credit-Loss method and is therefore a complex area of accounting.</p>	<p>The receivables balance as at 30 June 2019 is \$2,872k. Management's credit loss assessment of trade receivables resulted in a provision for impairment of \$385k. To ensure these balances are appropriate, our procedures included, but were not limited to;</p> <ul style="list-style-type: none"> • Analysing the aging of receivables in comparison to the prior period and to our expectations, and investigating where significant fluctuations arose; • Obtaining an aged analysis of the trade receivables as at 30 June 2019 and enquiring about the reason for unusually large accounts, credit balances or any other unusual balances and enquiring about the collectability of receivables; • Enquiring about the method for identifying slow paying accounts and setting allowances for doubtful accounts and considering it for reasonableness; and • Obtaining the Expected Credit Loss calculation, re-performing the calculation and verifying the inputs used.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Star Combo Pharma Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.



Responsibilities

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

BDO East Coast Partnership

A stylized, handwritten-style logo for BDO East Coast Partnership, featuring the letters 'BDO' in a bold, black, sans-serif font, with a red horizontal bar below the 'O'.

A handwritten signature in black ink, appearing to read 'Grant Saxon', written over a horizontal line.

Grant Saxon
Partner

Sydney, 28 August 2019



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ASX Additional Information for Listed Public Companies

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 15 October 2019.

Corporate Governance Statement

The corporate governance statement is located on the Company's website at the following URL http://investors.starcombo.com.au/Investors/corporate_governance/

Statement of Issued Shares

The total number of shareholders is 758. There are 86,616,601 ordinary fully paid shares listed on the Australian Securities Exchange. The twenty largest shareholders hold 90.96% of issued capital.

Twenty Largest Holders of Equity Securities

Rank	Name	15 Oct 2019	%IC
1	JINXING(STAR) ZHANG	38,165,510	44.06
2	MISS SU ZHANG	11,448,980	13.22
3	LEPU MEDICAL (EUROPE) COOPERATIEF U.A.	11,000,000	12.70
4	SARGON CT PTY LTD	6,337,469	7.32
5	DW & RL PTY LTD	4,188,669	4.84
6	LIANG ZUO	2,792,446	3.22
7	MR JIXIANG SHI	1,250,265	1.44
8	EUREKA TECHNOLOGY INNOVATION & INVESTMENT PTY LTD	623,000	0.72
9	MS LISHA HUANG	455,000	0.53
10	MR HUI LIN LU	385,510	0.45
11	MR XING KANG JIN	349,000	0.40
12	MR STEVE HOU	285,928	0.33
13	MR LINGPEI SHI	250,000	0.29
14	OZCN GROUP PTY LTD	206,000	0.24
15	MR CAIQIANG LIN	199,538	0.23
16	MR THANH HIEP LU	182,888	0.21
17	DFC PHARMACEUTICAL PTY LTD	177,415	0.20
18	ALAN ESTATE PTY LTD	169,000	0.20
19	ALAN REALTY PTY LTD	167,000	0.19
20	MRS FENGQIN ZHU	151,779	0.18
Total		78,785,397	90.96
Balance of register		7,831,204	9.04
Grand total		86,616,601	100.00

Substantial shareholders

Rank	Name	15 Oct 2019	%IC
1	JINXING(STAR) ZHANG	38,165,510	44.06
2	MISS SU ZHANG	11,448,980	13.22
3	LEPU MEDICAL (EUROPE) COOPERATIEF U.A.	11,000,000	12.70
4	SARGON CT PTY LTD	6,337,469	7.32

Shareholders of Quoted Equities subject to Escrow

Rank	Name	15 Oct 2019	%IC
1	JINXING(STAR) ZHANG	38,165,510	44.06
2	MISS SU ZHANG	11,448,980	13.22
10	MR HUI LIN LU	385,510	0.45

Voting rights

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

Share Options – No voting rights

On-Market Buyback

There is no current on-market buyback.

Distribution of equity security holders

Holding	Shares	Share Options
1 - 1,000	155	
1,001 - 5,000	290	
5,001 - 10,000	137	
10,001 - 100,000	148	
100,000 and over	28	2
Total	758	2

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel of 204 ordinary shares is 156 (\$0.49 on 15 October.) In total they hold 84,713 shares.

Securities exchange

The Company is listed on the Australian Securities Exchange.

Corporate Information

Offices

Australia & registered office:

171-177 Woodpark Rd,
Smithfield, NSW, 2164

China

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

Directors & Officers

Mr Richard Allely	– Chairman
Mr Star Zhang	- Managing Director
Ms Su Zhang	- CEO
Dr Ziyue Sui	- Non Executive Director
Mr Patrick Raper	- Company Secretary

Auditors

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

Share Register

Link Market Services Pty Limited
Level 12, 225 George Street, Sydney NSW 2000
Phone: +61 1300 555 475

Website www.starcombo.cme.au



Star Combo Pharma Ltd
– Australia –