

# **STAR COMBO AUSTRALIA PTY LTD**

**ABN : 67 109 274 731**

**Financial Report - 30 June 2017**

## **STAR COMBO AUSTRALIA PTY LTD**

### **DIRECTORS' REPORT**

**For the year ended 30 June 2017**

Your directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Star Combo Australia Pty Ltd (referred to hereafter as the 'company') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

#### **Directors**

The names of the directors in office at any time during or since the end of the year are:

Jinxing Zhang

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### **Principal Activities**

The principal activities of the consolidated entity during the financial year were the manufacture of health food.

No significant change in the nature of these activities occurred during the year.

#### **Review of Operations**

The profit of the consolidated entity for the financial year after providing for income tax amounted to \$1,635,154 (2016:\$1,819,501).

#### **Significant Changes in the State of Affairs**

• In August 2016, the Company started the process of seeking a public listing on the Australian Stock Exchange. It is the intention that the Company will list during the financial year ending 30 June 2018.

• On 21 January 2017, a strategic partner from China signed an investment agreement to invest \$5,000,000 in subsidiary company Costar Pharma Laboratory Pty Ltd in return for 49% of the Company's share capital, or 5,000,000 ordinary shares. The sum was received in full by June 2017.

Other than the foregoing, there have been no significant changes in the company's state of affairs during the financial year.

#### **Events Subsequent to the End of the Reporting Period**

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

#### **Likely Developments and Expected Results of Operations**

Likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the consolidated entity.

#### **Environmental Regulation**

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

#### **Dividends**

Dividends paid during or declared since the start of the financial year were \$ 70,000 (2016: nil)

**STAR COMBO AUSTRALIA PTY LTD**

**DIRECTORS' REPORT**

**For the year ended 30 June 2017**

**Options**

No options over issued shares or interests in the consolidated entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

**Indemnification of Officers**

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the consolidated entity.

**Proceedings on Behalf of the Company**

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings.

The consolidated entity was not a party to any such proceedings during the year.

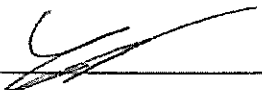
**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 3.

This directors' report is signed in accordance with a resolution of the Board of Directors:

Director

Jinxing Zhang

 11/09/2017

Sydney, 11 September 2017



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Sydney NSW 2000  
Australia

**DECLARATION OF INDEPENDENCE BY GRANT SAXON TO THE DIRECTORS OF STAR COMBO AUSTRALIA PTY LTD**

As lead auditor of Star Combo Australia Pty Ltd for the year ended 30 June 2017, 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 Australia Pty Ltd and the entities it controlled during the period.

Grant Saxon  
Partner

**BDO East Coast Partnership**

Sydney, 11 September 2017

STAR COMBO AUSTRALIA PTY LTD

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017	2016
		\$	\$
Revenue	2	9,841,893	9,396,240
Changes in inventories		172,497	235,030
Raw materials and consumables used		(5,970,232)	(5,147,818)
Employee benefits expense		(470,334)	(542,827)
Depreciation expenses		(49,787)	(29,363)
Finance costs		(105,676)	(82,222)
Other expenses		(1,074,267)	(1,263,061)
<b>Profit before income tax</b>	3	<b>2,344,094</b>	<b>2,565,979</b>
Income tax expense	4	(708,940)	(746,478)
<b>Profit for the year</b>		<b>1,635,154</b>	<b>1,819,501</b>
Other comprehensive income		-	-
<i>Items that will not be reclassified to profit or loss:</i>		-	-
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</i>		-	-
<b>Total other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>1,635,154</b>	<b>1,819,501</b>

Refer to note 15 for detailed information on restatement of comparatives.

*The accompanying notes form part of these financial statements.*

STAR COMBO AUSTRALIA PTY LTD  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
As at 30 June 2017

	Note	2017 \$	2016 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	6,205,913	159,944
Trade and other receivables	6	4,100,166	1,995,980
Inventories	7	2,409,963	2,237,466
Other		32,243	9,229
<b>TOTAL CURRENT ASSETS</b>		<b>12,748,285</b>	<b>4,402,619</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	2,593,807	2,603,328
Deferred tax		127,966	83,721
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,721,773</b>	<b>2,687,049</b>
<b>TOTAL ASSETS</b>		<b>15,470,058</b>	<b>7,089,668</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Borrowings	12	1,034,558	114,904
Trade and other payables	10	1,918,890	1,109,065
Employee benefits	11	70,748	61,323
Income tax	9	1,401,204	787,480
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,425,400</b>	<b>2,072,772</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	12	585,898	1,130,650
Employee Benefit	11	9,500	2,140
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>595,398</b>	<b>1,132,790</b>
<b>TOTAL LIABILITIES</b>		<b>5,020,798</b>	<b>3,205,562</b>
<b>NET ASSETS</b>		<b>10,449,260</b>	<b>3,884,106</b>
<b>EQUITY</b>			
Issued capital	13	5,001,100	1,100
Retained earnings		5,448,160	3,883,006
<b>TOTAL EQUITY</b>		<b>10,449,260</b>	<b>3,884,106</b>

Refer to note 15 for detailed information on restatement of comparatives.

*The accompanying notes form part of these financial statements*

STAR COMBO AUSTRALIA PTY LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Issued capital	Retained earnings	Total equity
		\$	\$	\$
Balance at 1 July 2015		1,100	2,063,485	2,064,585
Profit after income tax for the year		-	1,819,501	1,819,501
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the year		-	1,819,501	1,819,501
<i>Transactions with owners in their capacity as owners:</i>				
Dividends Paid		-	-	-
Balance at 30 June 2016		1,100	3,883,006	3,883,006
		Issued capital	Retained earnings	Total equity
		\$	\$	\$
Balance at 1 July 2016		1,100	3,883,006	3,884,106
Profit after income tax for the year		-	1,635,154	1,635,154
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the year		-	1,635,154	1,635,154
<i>Transactions with owners in their capacity as owners:</i>	14			
Dividends paid		-	(70,000)	(70,000)
Contributions of equity		5,000,000	-	-
Balance at 30 June 2017		5,001,100	5,448,160	10,449,260

Refer to note 15 for detailed information on restatement of comparatives.

*The accompanying notes form part of these financial statements.*

STAR COMBO AUSTRALIA PTY LTD  
CONSOLIDATED STATEMENT OF CASH FLOWS  
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (Inclusive of GST)		8,625,660	8,973,179
Payments to suppliers and employees (inclusive of GST)		(7,447,032)	(7,467,088)
Interest received		-	-
Interest and other financial cost paid		(105,676)	(82,222)
Income tax paid		(140,754)	(127,165)
Net cash provided by operating activities	19	<u>932,198</u>	<u>1,296,704</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments for plant and equipment		(261,131)	(1,147,082)
Net cash used in investing activities		<u>(261,131)</u>	<u>(1,147,082)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of borrowings		(225,098)	(108,240)
Proceeds from issue of shares		5,000,000	-
Proceeds from borrowings		600,000	-
Net cash provided by (used in) financing activities		<u>5,374,902</u>	<u>(108,240)</u>
Net (decrease) increase in cash and cash equivalents		6,045,969	41,382
Cash and cash equivalents at the beginning of the financial year		<u>159,944</u>	<u>118,562</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>6,205,913</u></u>	<u><u>159,944</u></u>

*The accompanying notes form part of these financial statements.*



# STAR COMBO AUSTRALIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Star Combo Australia Pty Ltd is a company limited by shares, incorporated and domiciled in Australia. The financial statements were authorised for issue on 11 September 2017 by the directors of the company.

#### **New, revised or amending Accounting Standards and Interpretations adopted.**

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### **Basis of Preparation**

The directors have prepared these aggregated financial statements on the basis that the consolidated entity is a non-reporting entity because there are no users dependent on general purpose financial statements. The financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the *Corporations Act 2001*. The company is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the *Corporations Act 2001* and the significant accounting policies disclosed below, which the directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with the previous period unless stated otherwise.

#### *Historic cost convention*

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs unless otherwise stated in the notes. The amounts presented in the financial statements have been rounded to the nearest dollar.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the related accounting policies.

#### **Accounting Policies**

##### **a. Principals of consolidation**

These financial statements are aggregated financial statements, and incorporate the assets and liabilities of all subsidiaries of Star Combo Australia Pty Ltd ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Star Combo Australia Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

# STAR COMBO AUSTRALIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Principals of consolidation (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

#### b. Foreign currency translation

The financial statements are presented in Australian dollars, which is the consolidated entities functional and presentation currency.

##### *Foreign currency transactions*

Foreign currency transactions are translated into Australian dollars 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 financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### c. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement by the consolidated entity in those goods.

All revenue is stated net of the amount of goods and services tax.

#### d. Income Tax

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

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination or are recognised directly in equity or in other comprehensive income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

# STAR COMBO AUSTRALIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### d. Income Tax (continued)

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

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.

With respect to land and buildings measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### e. Inventories

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.

#### f. Plant and equipment

Plant and equipment is stated at historic cost less accumulated depreciation and impairment. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation is calculated on a straight-line basis over the asset's useful life to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	2-7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. 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.

#### f. Plant and equipment

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised immediately in profit or loss. When revalued assets are sold, amounts included in the

## STAR COMBO AUSTRALIA PTY LTD

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

revaluation surplus relating to that asset are transferred to retained earnings.

##### g. Financial Instruments

###### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are recognised as expenses in profit or loss immediately.

###### Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

The consolidated entity does not designate any interests in subsidiaries as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

###### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

###### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

###### (iii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**h. Impairment**

At the end of each reporting period, the consolidated entity assesses whether there is objective evidence that a financial asset has been impaired. A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors (or a group of debtors) are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account, or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account. When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the consolidated entity recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**j. Employee benefits**

**Short-term employee benefits.**

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The consolidated entity's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of current trade and other payables in the statement of financial position.

**Long-term employee benefits**

The consolidated entity's obligations for long-term employee benefits are presented as noncurrent provisions in its statement of financial position, except where the consolidated entity does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

## STAR COMBO AUSTRALIA PTY LTD

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### j. Employee benefits (continued)

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Upon the remeasurement of obligations for other long-term employee benefits, the net change in the obligation is recognised in profit or loss as part of employee benefits expense.

##### k. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

##### l. Cash and Cash Equivalents

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

##### m. Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 1(h) for further discussion on the determination of impairment losses. 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.

##### n. Trade and Other Payables

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 days of recognition of the liability.

##### o. Goods and Services Tax (GST)

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.

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).

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.

##### p. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

q. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments, and simplified requirements for hedge accounting.

The key changes that may affect the consolidated entity on initial application include certain simplifications to the classification of financial assets, and upfront accounting for expected credit loss.

Although the directors anticipate that the adoption of AASB 9 may have an impact on the consolidated entity's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2018, as deferred by AASB 2015-8: *Amendments to Australian Accounting Standards - Effective Date of AASB 15*).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue.

Although the directors anticipate that the adoption of AASB 15 may have an impact on the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

STAR COMBO AUSTRALIA PTY LTD

NOTES TO THE FINANCIAL STATEMENTS  
For the year ended 30 June 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

q. New Accounting Standards for Application in Future Periods (continued)

- 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 include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-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;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- 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: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the company's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTE 2: REVENUE

	2017	2016
	\$	\$
<i>Sales revenue</i>		
Sale of goods	9,786,628	9,353,746
<i>Other revenue</i>		
Interest	-	-
Other	55,265	42,494
	<u>9,841,843</u>	<u>9,396,240</u>



**STAR COMBO AUSTRALIA PTY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**NOTE 3: EXPENSES**

	2017	2016
	\$	\$
<i>Profit before income tax includes the following specific expenses:</i>		
<i>Cost of sales</i>		
Materials	4,321,609	4,022,741
Employee benefits	485,264	409,902
Depreciation expense	215,887	212,447
Other cost of sales	774,975	76,171
Total cost of sales	5,797,735	4,721,261
<i>Other expenses</i>		
Advertising costs	199,520	24,104
Minimum lease payments under operating leases	99,444	99,444
Net loss on foreign exchange	121,250	-
Net loss on impairment of financial assets	62,589	726,843
Defined contribution superannuation expense	81,690	80,189

**NOTE 4: INCOME TAX EXPENSE**

	2017	2016
	\$	\$
Income tax expense	708,940	746,478

**NOTE 5: CASH AND CASH EQUIVALENTS**

	2017	2016
	\$	\$
Cash on hand	19,116	36,542
Cash at bank	6,186,797	123,402
	<u>6,205,913</u>	<u>159,944</u>

**NOTE 6: TRADE AND OTHER RECEIVABLES**

	2017	2016
	\$	\$
<b>CURRENT</b>		
Trade receivables	3,125,515	1,567,448
Less: Provision for impairment of receivables	(261,588)	(213,641)
	<u>2,863,927</u>	<u>1,353,807</u>
Related party loan - shareholder	823,198	507,306
Related party loan - affiliated company	304,662	-
Other receivables	108,379	134,867
	<u>4,100,166</u>	<u>1,995,980</u>

**STAR COMBO AUSTRALIA PTY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**NOTE 7: INVENTORIES - CURRENT**

	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$</b>	<b>\$</b>
<b>CURRENT</b>			
Raw materials		2,297,927	2,190,952
Finished goods		135,460	46,514
Provision for obsolescence		(23,424)	-
		<u>2,409,963</u>	<u>2,237,466</u>

**NOTE 8: PLANT AND EQUIPMENT - NON CURRENT**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Plant and Equipment</b>		
Plant and equipment at cost	3,396,351	3,139,362
Accumulated depreciation	(802,544)	(536,034)
Total plant and equipment	<u>2,593,807</u>	<u>2,603,328</u>
 Total property, plant and equipment	 <u>2,593,807</u>	 <u>2,603,328</u>

**NOTE 9: INCOME TAX - CURRENT**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Provision for income tax	<u>1,401,204</u>	<u>787,480</u>

**NOTE 10: TRADE AND OTHER PAYABLES - CURRENT**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Trade payables	1,401,510	899,268
Other payables	517,380	209,797
Total trade and other payables	<u>1,918,890</u>	<u>1,109,065</u>

**STAR COMBO AUSTRALIA PTY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**NOTE 11: EMPLOYEE BENEFITS**

	2017	2016
	\$	\$
<b>CURRENT</b>		
Employee Benefits	70,748	61,323
<b>NON-CURRENT</b>		
Employee benefits	9,500	2,140

**NOTE 12: BORROWINGS**

	2017	2016
	\$	\$
<b>CURRENT</b>		
	1,034,558	114,904
<b>NON-CURRENT</b>		
	585,898	1,130,650

**NOTE 13: ISSUED CAPITAL**

	2017	2016
	\$	\$
Fully paid ordinary shares	5,001,100	1,100

*Movements in ordinary share capital*

	No of shares	\$
Balance at 1 July 2016	200	1,100
Increase in share capital following share split of Costar Pharma Laboratory Pty Ltd) to existing share holder	5,203,981	-
Issue of ordinary share capital in Costar Pharma Laboratory Pty Ltd (5,000,000 share at \$1 each)	5,000,000	5,000,000
Balance at 30 June 2017	10,204,181	5,001,100

On 28 February 2017, 5,000,000 ordinary shares were issued to Lepu Medical (Europe) Coöperatief U.A. (the Investor) in relation to controlled entity, Costar Pharma Laboratory Pty Ltd. As a result of this transaction, the Investor held 49% of the share capital of Costar Pharma Laboratory Pty Ltd as at 30 June 2017.

*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 shares held. The fully paid ordinary shares have no par value.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called; otherwise each shareholder has one vote on a show of hands.

These aggregated accounts include the ordinary share capital of Star Combo Australia Pty Ltd of \$1,000 (2016: \$1,000) and Costar Pharma Laboratory Pty Ltd of \$5,000,100 (2016: \$100)

**STAR COMBO AUSTRALIA PTY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**NOTE 14: DIVIDENDS**

On 30 June 2017 the directors of Star Combo Australia Pty Ltd declared a dividend of \$70,000 (2016: \$nil). The Company had 100 issued shares at this date - consequently this amounts to a dividend of \$700 per share (2016: \$nil). As the dividend was fully franked, there are no income tax consequences for the owners of Star Combo Australia Pty Ltd relating to this dividend.

*Franking credits*

	2017 \$	2016 \$
Franking credits available for subsequent financial years based on a tax rate of 30%	560,071	449,317

**NOTE 15: RESTATEMENT OF COMPARATIVES**

*Correction of error*

An error was discovered during the current year in relation to land tax paid by the consolidated entity during the year ended 30 June 2016. The land tax was paid in relation to the premises rented in Smithfield, NSW on behalf of the property owner and was recorded in the books of the consolidated entity in error. This error resulted in expenses being overstated and other receivables being understated. Extracts (being only those line items affected) are disclosed below:

	2016 \$ Reported	\$ Adjustment	2016 \$ Restated
<b>Extract</b>			
<b>Expenses</b>			
Other expenses	(1,423,024)	77,741	(1,345,283)
Profit before income tax	2,488,238	77,741	2,565,979
Profit for the year	1,741,760	77,741	1,819,501
Total comprehensive income for the year	1,741,760	77,741	1,819,501
<b>Assets</b>			
Trade and other receivables	1,918,239	77,741	1,995,980
Total current assets	4,324,878	77,741	4,402,619
Total assets	7,011,927	77,741	7,089,668
Net assets	3,806,365	77,741	3,884,106
<b>Equity</b>			
Retained profits	3,805,265	77,741	3,883,006
Total equity	3,806,365	77,741	3,884,106

**NOTE 16: CONTINGENT LIABILITIES**

The consolidated entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

**NOTE 17: COMMITMENTS**

The consolidated entity had no commitments as at 30 June 2017 and 30 June 2016.

**STAR COMBO AUSTRALIA PTY LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2017

**NOTE 18: INTERESTS IN SUBSIDIARIES**

The aggregated financial statements incorporate the assets, liabilities and results of the following controlled subsidiaries in accordance with the accounting policy described in note 1.

- Costar Pharma Laboratory Pty Ltd

The principal place of business and country of incorporation of Costar Pharma Laboratory Pty Ltd is Australia.

**NOTE 19: CASH FLOW INFORMATION**

	2017	2016
	\$	\$
<b>Reconciliation of Cash Flows from Operating Activities with Profit after Income Tax</b>		
Profit after income tax	1,635,154	1,819,501
Non-cash flows in profit:		
- depreciation	265,674	241,810
Changes in assets and liabilities:		
- (Increase) in receivables	(2,174,186)	(425,639)
- (Increase)/ in inventories	(172,497)	(235,050)
- (Increase)/ in other assets	(23,014)	(1,988)
(Increase) in deferred tax	(44,245)	(43,836)
- Increase/(decrease) in payables	814,803	(750,105)
- Increase / (decrease) in provisions	16,785	28,861
- Increase/(decrease) in income taxes payable	613,724	663,150
Net cash from operating activities	932,198	1,296,704

**NOTE 20: REMUNERATION OF AUDITORS**

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership ('BDO'), the auditor of the company:

	2017	2016
	\$	\$
<b>Audit services - BDO</b>		
Audit of the financial statements	35,000	31,233
<b>Other services - BDO</b>		
Assistance with the preparation of financial statements	-	1,800

**NOTE 21: COMPANY DETAILS**

The registered office and principal place of business of the company is:

Star Combo Australia Pty Ltd  
171-177 Woodpark Road, Smithfield NSW 2164

**STAR COMBO AUSTRALIA PTY LTD**

**DIRECTORS' DECLARATION**

**For the year ended 30 June 2017**


In accordance with a resolution of the directors of Star Combo Australia Pty Ltd, the directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 4 to 20, are in accordance with the *Corporations Act 2001* and:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the company's financial position as at 30 June 2017 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Director

Jinxing Zhang

 11/09/2017

Sydney, 11 September 2017



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Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Star Combo Australia Pty Ltd

### Report on the Audit of the Financial Report

#### Qualified opinion

We have audited the financial report of Star Combo Australia Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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, except for the effects of the matter described in the *Basis for qualified opinion* section of our report, the accompanying financial report of Star Combo Australia Pty Ltd, 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 2017 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards to the extent described in Note 1, and the *Corporations Regulations 2001*.

#### Basis for qualified opinion

The entity's inventories are carried in the statement of financial position at \$2,409,963 (2016: \$2,237,466). Because we were appointed as auditors of the entity on 5 October 2016, we were not able to observe the counting of physical inventories at the beginning and end of the period ending 30 June 2016, or satisfy ourselves concerning those inventory quantities by alternative means. Since opening inventories affect the determination of the results of operations, we were unable to determine whether adjustments to the results of operations and opening retained earnings might be necessary for 2016. Our audit report for the period ended 30 June 2016 was modified accordingly. Our opinion on the current period's financial report is also modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures.

In addition, since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the results of operations for the year ended 30 June 2017 as reported in the consolidated statement of profit or loss and comprehensive income, and the net cash flows from operating activities reported in the consolidated statement of cash flows.

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 auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional*

BDO East Coast Partnership ABN 83 236 985 726 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO East Coast Partnership and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees



*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 qualified opinion.

#### **Emphasis of matter - Basis of accounting**

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information in the Directors' report for the year ended 30 June 2017, 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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a 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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have 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/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf)

This description forms part of our auditor's report.

**BDO East Coast Partnership**

A small, stylized BDO logo, consisting of the letters 'BDO' in a bold, sans-serif font, with a vertical bar to the left of the 'B'.

A handwritten signature in black ink, appearing to read 'Grant Saxon'.

Grant Saxon  
Partner

Sydney, 11 September 2017

