

Star Combo Australia Pty Ltd

ABN: 67 109 274 731

**Interim financial statements for the half-year
ended 31 December 2017**

STAR COMBO AUSTRALIA PTY LTD
DIRECTORS' REPORT
31 DECEMBER 2017

Your directors submit the aggregated financial statements of Star Combo Australia Pty Ltd for the half-year ended 31 December 2017.

Directors

The names of the directors who held office during or since the end of the half-year are:

Jinxing Zhang

Principal Activities

The principal activities of the company during the period were the development, manufacture and distribution of a range of branded vitamins, dietary supplements and skincare products to both domestic and offshore markets, particular in Asia.

No significant changes in the nature of these activities occurred during the period.

Review of Operations and financial results

The aggregated profit for the half-year ended 31 December 2017 after providing for income tax amounted to \$443,113, (2016: \$746,024).

Significant Changes in the State of Affairs

On 31 August 2017, Star Combo Australia entered into a strategic agreement with entities in the Terry White Group, for Star Combo Australia to manufacture and market products under the Living Healthy brand, for sale and marketing in over 450 Terry White stores across Australia.

In November 2017, Star Combo Australia Pty Ltd entered into a ten-year lease with Antoine International Pty Ltd (a related party of the Company) for the lease of Star Combo Pharma Ltd's Headquarters.

There were no further significant changes in the company's state of affairs during the financial period.

Events Subsequent to the End of the Reporting Period

The following events took place subsequent to 31 December 2017:

- In January 2018, Star Combo Australia Pty Ltd entered into a sub-lease agreement with respect to the Headquarters. The agreement allows the sub-lessee to occupy part of the Headquarters and runs for a period of two years.
- On 5 February 2018 100% of the share capital of both Star Combo Australia Pty Ltd and Costar Pharma Laboratory Pty Ltd was acquired by Star Combo Pharma Ltd. As consideration, Star Combo Pharma Ltd issued an aggregate of 61,000,000 to the existing shareholders.
- On 16 February 2018, Star Combo Pharma Ltd lodged a Prospectus for the Initial Public Offering of Ordinary Shares with the Australian Securities and Investments Commission (ASIC).

Other than the items detailed above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

STAR COMBO AUSTRALIA PTY LTD
DIRECTORS' REPORT
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Likely Developments and Expected Results of Operations

Likely developments in the operations of the company 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 company.

Environmental Regulation

The company'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 period were \$900,000 (June 2017: \$70,000).

Options

No options over issued shares or interests in the company 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 company.

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 company was not a party to any such proceedings during the year.

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



Jinxing Zhang

Director

Sydney, 3 May 2018

STAR COMBO AUSTRALIA PTY LTD
AGGREGATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
31 DECEMBER 2017

	Note	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
		\$	\$
Revenue	2	4,670,939	3,960,238
Changes in inventories		991,409	371,613
Raw materials and consumables used		(3,656,874)	(2,705,195)
Employee benefits expense		(280,893)	(165,888)
Depreciation and amortisation expenses		(15,379)	(15,168)
Marketing expenses		(487,159)	(48,133)
Other expenses		(590,441)	(358,750)
Profit before income tax	3	631,602	1,038,717
Income tax expense	4	(188,489)	(292,693)
Profit for the period		443,113	746,024
Other comprehensive income		-	-
Total comprehensive income for the period		443,113	746,024

The accompanying notes form part of these financial statements.

STAR COMBO AUSTRALIA PTY LTD
AGGREGATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	As at 31 December 2017 \$	As at 30 June 2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	5,447,300	6,205,913
Trade and other receivables	6	3,750,409	4,100,166
Inventories	7	3,401,372	2,409,963
Prepayments		196,913	32,243
TOTAL CURRENT ASSETS		12,795,994	12,748,285
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,505,513	2,593,807
Intangible assets	9	622,727	-
Deferred tax		170,598	127,966
TOTAL NON-CURRENT ASSETS		3,298,838	2,721,773
TOTAL ASSETS		16,094,832	15,470,058
LIABILITIES			
CURRENT LIABILITIES			
Borrowings	13	1,075,138	1,034,558
Trade and other payables	11	3,554,369	1,918,890
Employee benefits	12	71,620	70,748
Income tax	10	969,689	1,401,204
TOTAL CURRENT LIABILITIES		5,670,816	4,425,400
NON-CURRENT LIABILITIES			
Borrowings	13	429,721	585,898
Employee Benefit	12	1,922	9,500
TOTAL NON-CURRENT LIABILITIES		431,643	595,398
TOTAL LIABILITIES		6,102,459	5,020,798
NET ASSETS		9,992,373	10,449,260
EQUITY			
Issued capital	14	5,001,100	5,001,100
Retained earnings		4,991,273	5,448,160
TOTAL EQUITY		9,992,373	10,449,260

The accompanying notes form part of these financial statements.

STAR COMBO AUSTRALIA PTY LTD
AGGREGATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2017		5,001,100	5,448,160	10,449,260
Profit after income tax expense for the period		-	443,113	443,113
Other comprehensive income, net of tax		-	-	-
Total comprehensive income for the period		-	443,113	443,113
Dividends Paid		-	(900,000)	(900,000)
Balance at 31 December 2017		5,001,100	4,991,273	9,992,373

	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		746,024	746,024
Other comprehensive income, net of tax	-	-	-
Total comprehensive income for the year	-	746,024	746,024
Dividends Paid	-	-	-
Balance at 31 December 2016	1,100	4,629,030	4,630,130

The accompanying notes form part of these financial statements

STAR COMBO AUSTRALIA PTY LTD
AGGREGATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2017

	Note	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (Inclusive of GST)		5,054,308	4,421,282
Payments to suppliers and employees (Inclusive of GST)		(4,855,349)	(3,736,581)
Interest received		26,740	-
Interest and other financial cost paid		(74,106)	(53,548)
Income tax paid		(662,636)	(55,280)
Net cash (used in)/provided by operating activities	17	(511,043)	575,873
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(32,013)	(206,259)
Payments for intangible assets		(318,182)	-
Net cash used in investing activities		(350,195)	(206,259)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		750,000	800,000
Repayment of borrowings		(865,597)	(312,769)
Proceeds from related party borrowings		218,222	-
Provision of borrowings to related party		-	(200,000)
Net cash provided by financing activities		102,625	287,231
Net (decrease)/increase in cash and cash equivalents		(758,613)	656,845
Cash and cash equivalents at the beginning of the period		6,205,913	159,944
Cash and cash equivalents at the end of the period	5	5,447,300	816,789

The accompanying notes form part of these financial statements.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Preparation

The directors' have prepared these aggregated interim financial statements on the basis that the company 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 needs of members.

The aggregated interim financial statements have been prepared in accordance with 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.

Basis of preparation

The aggregated interim 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.

Basis of aggregation

These are aggregated financial statements, and incorporate the financial performance, the financial position and the cash flows of:

- Star Combo Australia Pty Ltd (ACN 109 274 731) and
- Costar Pharma Laboratory Pty Ltd (ACN 132 907 138)

All inter-company balances and transactions between these entities, including any unrealised profits or losses, have been eliminated on aggregation.

Critical accounting estimates

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

b. 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.

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.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b. Income Tax (continued)

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.

c. 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.

d. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

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

Class of Fixed Asset	Depreciation rates and methods
Plant and equipment	2 - 10 years at diminishing balance method
Building improvements	40 years at straight line

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount. 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.

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 or losses are recognised immediately in profit or loss.

e. Intangible Assets - Brands

Separately acquired intangible assets are initially recognised at cost.

Brands are considered to have an indefinite useful life. These are tested annually for impairment and carried at cost less any accumulated impairment losses.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. Impairment of Non-Current Assets

At the end of each reporting period, property, plant and equipment and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss.

If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and the present value of the asset's future cash flows discounted at the expected rate of return.

If the estimated recoverable amount is lower, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised immediately in profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 (i.e. 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*.

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.

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.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

f. Impairment

At the end of each reporting period, the company 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.

g. 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.

h. 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 company'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.

Other long-term employee benefits

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 re-measurement 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.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

h. Employee Benefits (continued)

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company 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.

i. 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.

j. Revenue and Other Income

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 company in those goods.

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

k. Trade and Other Receivables

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 using the effective interest method, less any provision for impairment. Refer to Note 1(f) for further discussion on the determination of impairment losses.

l. 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.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

m. 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.

n. Foreign currency translation

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 period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

o. Comparative Figures

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

p. New, revised or amending Accounting Standards and Interpretations adopted

The Company 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Company.

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

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 2: REVENUE

	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
	\$	\$
<i>Sales revenue</i>		
Sale of goods	4,553,980	3,955,343
<i>Other revenue</i>		
Interest	105,645	-
Other revenue	11,314	4,895
	116,959	4,895
Revenue	4,670,939	3,960,238

NOTE 3: EXPENSES

	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
	\$	\$
Profit before income tax includes the following specific Expenses:		
<i>Cost of sales</i>		
Materials	1,941,547	1,814,137
Employee benefits	465,541	214,438
Depreciation expense	104,928	114,276
Other cost of sales	153,449	190,731
	2,665,465	2,333,582
<i>Other expenses</i>		
Depreciation expense - Plant and equipment	120,307	129,444
Minimum lease payments under operating leases	73,500	49,727
Defined contribution superannuation expense	62,977	32,632
Net loss on foreign exchange	83,087	-

NOTE 4: INCOME TAX EXPENSE

	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
	\$	\$
Income tax expense	188,489	292,693

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 5: CASH AND CASH EQUIVALENTS

	Note	As at 31 December 2017	As at 30 June 2017
		\$	\$
Cash on hand		23,357	19,116
Cash at bank		5,423,943	6,186,797
		5,447,300	6,205,913

NOTE 6: TRADE AND OTHER RECEIVABLES

	As at 31 December 2017	As at 30 June 2017
	\$	\$
CURRENT		
Trade receivables	3,143,341	3,125,515
Less: Provision for impairment of receivables	(261,587)	(261,588)
	2,881,754	2,863,927
Related party loan - Shareholder Loan	-	823,198
Related Party Loan - affiliated company	810,588	304,662
Other receivables	58,067	108,379
	3,750,409	4,100,166

NOTE 7: INVENTORIES

	Note	As at 31 December 2017	As at 30 June 2017
		\$	\$
CURRENT			
Raw materials		3,312,617	2,297,927
Finished goods		112,189	135,460
Provision for obsolescence		(23,434)	(23,424)
		3,401,372	2,409,963

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 8: PROPERTY, PLANT AND EQUIPMENT

	As at 31 December 2017 \$	As at 30 June 2017 \$
Plant and Equipment		
Plant and equipment at cost	2,465,563	2,444,485
Accumulated depreciation	(865,166)	(755,813)
Net book amount - plant and equipment	<u>1,600,397</u>	<u>1,688,672</u>
 Building improvements		
Building improvement, at cost	963,966	951,866
Accumulated depreciation	(58,850)	(46,731)
Net book amount - building improvements	<u>905,116</u>	<u>905,135</u>
 Total property, plant and equipment	<u><u>2,505,513</u></u>	<u><u>2,593,807</u></u>

NOTE 9: INTANGIBLE ASSETS

	As at 31 December 2017 \$	As at 30 June 2017 \$
 Brand name at cost	 <u>622,727</u>	 <u>-</u>

On 31 August 2017, Star Combo Australia Pty Ltd acquired the Living Healthy brand from Terry White for consideration of \$500,000. \$250,000 was paid up front. The balance is expected to be settled within 12 months from reporting date and is included within deferred consideration (note 11).

The remaining costs relate to expenditure incurred which was directly attributable to the cost of acquiring the brand.

NOTE 10: INCOME TAX - CURRENT

	As at 31 December 2017 \$	As at 30 June 2017 \$
 Provision for income tax	 <u>969,689</u>	 <u>1,401,204</u>

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 11: TRADE AND OTHER PAYABLES

	As at 31 December 2017 \$	As at 30 June 2017 \$
<i>Current</i>		
Trade payables	2,586,598	1,401,510
Other payables and accruals	445,004	517,380
Deferred consideration - brand acquisition	304,545	-
Related party payables	218,222	-
	<hr/>	<hr/>
Trade and other payables	3,554,369	1,918,890
	<hr/>	<hr/>

NOTE 12: EMPLOYEE BENEFITS

	As at 31 December 2017 \$	As at 30 June 2017 \$
<i>Current</i>		
Provision for annual leave	12,055	9,162
Provision for long service leave	59,565	61,586
	<hr/>	<hr/>
	71,620	70,748
	<hr/>	<hr/>
<i>Non-current</i>		
Provision for annual leave	-	4,800
Provision for long service leave	1,922	4,700
	<hr/>	<hr/>
	1,922	9,500
	<hr/>	<hr/>

Note 13: BORROWINGS

<i>Current</i>		
Bank loans	325,138	1,034,558
Loans from related parties	750,000	-
	<hr/>	<hr/>
	1,075,138	1,034,558
	<hr/>	<hr/>
<i>Non-current</i>		
Bank loans	429,721	585,898
	<hr/>	<hr/>

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 14: ISSUED CAPITAL

	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	<i>No. Shares</i>	<i>No. Shares</i>	<i>\$</i>	<i>\$</i>
Fully paid ordinary shares	10,204,181	10,204,181	5,001,100	5,001,100

These special purpose interim financial statements are aggregated, and include the ordinary share capital of Star Combo Australia Pty Ltd of \$1,000 and Costar Pharma Laboratory Pty Ltd of \$5,000,100.

NOTE 15: CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2017 or at 30 June 2017.

NOTE 16: COMMITMENTS

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

	Sales support	ATL Marketing ⁽ⁱ⁾	Other ⁽ⁱⁱ⁾	Total
Within one year	1,000,000	-	-	1,000,000
One to five years	500,000	2,500,000	160,000	3,160,000
	<u>1,500,000</u>	<u>2,500,000</u>	<u>160,000</u>	<u>4,160,000</u>

- (i) ATL Marketing means “above the line marketing” which includes advertising and promotional spend on television, radio, magazines and other mass media channels. Under the Deed, the company has committed to spend a minimum of \$2.5 million on ATL Marketing prior to 30 June 2019. ATL Marketing costs thereafter are capped at 25% of Living Healthy sales. This variable portion has not been included in the table above.
- (ii) Other committed costs relate to sponsorship activities and the reimbursement of expenditure incurred by TCWM representatives for the attendance at relevant exhibition events.

STAR COMBO AUSTRALIA PTY LTD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2017

NOTE 17: CASH FLOW INFORMATION

	Half-year Ended 31 December 2017	Half-year Ended 31 December 2016
	\$	\$
Reconciliation of cash provided by operating activities with profit after income tax		
Profit after income tax	443,113	746,024
Non-cash flows in profit:		
- depreciation	120,307	129,444
Changes in assets and liabilities:		
- (Increase) in receivables	(550,243)	(94,372)
- (Increase) in inventories	(991,409)	(371,613)
- (Increase) in other assets	(164,670)	-
- (Increase) in deferred tax	(42,632)	(26,686)
- Increase/(decrease) in payables	1,112,712	(87,374)
- (Decrease)/increase in provisions	(6,706)	6,975
- (Decrease)/increase in income taxes payable	(431,515)	273,475
Net cash (used in)/provided by operating activities	(511,043)	575,873

NOTE 18: EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The following events took place subsequent to 31 December 2017:

- In January 2018, Star Combo Australia Pty Ltd entered into a sub-lease agreement with respect to the Headquarters. The agreement allows the sub-lessee to occupy part of the Headquarters and runs for a period of two years.
- On 5 February 2018 100% of the share capital of both Star Combo Australia Pty Ltd and Costar Pharma Laboratory Pty Ltd was acquired by Star Combo Pharma Ltd. As consideration, Star Combo Pharma Ltd issued an aggregate of 61,000,000 to the existing shareholders.
- On 16 February 2018, Star Combo Pharma Ltd lodged a Prospectus for the Initial Public Offering of Ordinary Shares with the Australian Securities and Investments Commission (ASIC).

Other than the items detailed above, no matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 19: COMPANY DETAILS

The registered office of the company is:

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

The principal place of business is:

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

STAR COMBO AUSTRALIA PTY LTD
DIRECTORS' DECLARATION
31 DECEMBER 2017

The directors have determined that the company is not a reporting entity and that these special purpose interim financial statements should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The directors of the company declare that:

1. the interim financial statements and notes, as set out on pages 3 to 18, present fairly the company's financial position as at 31 December 2017 and its performance for the half-year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



Jinxing Zhang

Dated this

3

day of

May

2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Star Combo Australia Pty Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Star Combo Australia Pty Ltd (the Entity), which comprises the aggregated statement of financial position as at 31 December 2017, the aggregated statement of profit or loss and other comprehensive income, aggregated statement of changes in equity and aggregated statement of cash flows for the half-year period then ended, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Entity does not present fairly, in all material respects, the financial position of the Entity as at 31 December 2017, and of its financial performance and its cash flows for the period ended on that date, in accordance with the accounting policies described in Note 1.

Directors' responsibility for the Financial Report

The directors of the Entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies described in Note 1 and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the accounting policies described in Note 1. As the auditor of the Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

BDO East Coast Partnership

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

Grant Saxon
Partner

Sydney, 3 May 2018