



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

APPENDIX 4D
HALF YEARLY REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

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STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES

APPENDIX 4D HALF YEAR REPORT

Under ASX Listing Rule 4.2A

For the half year ended 31 December 2018

1. Company details

Name of entity: STAR COMBO PHARMA LTD AND CONTROLLED ENTITY
ABN: 38 615 728 375
Current period: 1 July 2018 to 31 December 2018
Previous corresponding period: 1 July 2017 to 31 December 2017

2. Results for announcement to the market

	Half year ended 31 December 2018	Half year ended 31 December 2017	Change %
	\$	\$	
Revenue from ordinary activities	5,986,100	4,670,939	28%
Operating loss after tax from ordinary activities attributable to owners	(1,327,984)	(62,813)	2014%
Loss attributable to the shareholders of Star Combo Pharma Limited	(1,329,142)	(62,813)	2016%

For further commentary on the results for the period please refer to the attached Directors' Report and Financial Statements including the Notes to the Financial Statements separate market announcement and presentation lodged with the ASX.

3. Dividends

The directors have recommended that no dividend was paid for the period.

4. Net tangible assets per ordinary share

	31 December 2018	31 December 2017
	\$	\$
Net asset backing per ordinary share	\$ 0.211	\$ 0.267
Net tangible asset backing per ordinary share	\$ 0.203	\$ 0.256

STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES
APPENDIX 4D HALF YEAR REPORT
For the half year ended 31 December 2018

5. Audit

This report is based on accounts that have been subject to review.

6. Investments in associates and joint ventures

Not applicable.

7. Accounting standards used by foreign entities

Not applicable.

A handwritten signature in black ink, appearing to read 'Allely', with a large, stylized initial 'A' on the left.

Signed By:

Richard Allely – Chairman
27 February 2019

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

DIRECTORS' REPORT

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

DIRECTORS' REPORT

Your directors present their report on the consolidated entity (referred to herein as the Group) consisting of Star Combo Pharma limited and its controlled entities for the Half Year ended 31 December 2018.

Directors

The following persons were directors of the Group during the period and until the date of this report:

Non-executive Chairman - Mr. Richard Allely
Executive Director - Mr. Jinxing Zhang
Executive Director - Miss Su Zhang
Non-executive Director - Mr. Craig Bottomley
Non-executive Director – Dr Ziye Sui

Principal Activities

The company is an Australian manufacturer and distributor of health food products and nutritional supplements.

Operating and financial review

The group has run at an operating loss in the half year (\$1.3m) as it continues to develop its infrastructure and resources towards achievement of its growth strategy.

Directors are pleased with the progress of the company and the strategies set out in the prospectus, and remain confident that the company will deliver sustainable returns from its branding and marketing activities in the future.

In the half year ended December 2018, the company focused on the development of the Chinese market. To this end, it established a marketing presence in China through the opening of its office in Chongqing, attendance at Trade Shows and the promotion of its brands.

The company was successful in having nine products registered with the Chinese authorities for import and sale in China providing significant revenue opportunities.

The company successfully completed the Austoyou Group and Koala Mall acquisitions. These acquisitions are very strategic in supporting our China growth and branding strategy while delivering immediate growth in revenue and earnings. Of key significance is the eCommerce capability of Austoyou.

The next six months will see integration of the recent acquisitions, further investment in product branding, the China market, and possible acquisitions.

DIRECTORS' REPORT

Review of financial position

The Group is in a strong financial position at 31 December 2018.

Working capital has increased by 1.95% to \$13.17 m (30 June 2018: \$12.92 m). This increase is mainly attributable to the exercising of options by staff and Richlink.

Significant changes in the state of affairs

In August 2018, the company issued 4,050,171 ordinary shares to option holders raising an additional amount of \$1.8m. There were no other significant changes in the state of affairs of the Star Combo Group during the period.

Dividends

No dividends have been paid or declared during the period.

Matters subsequent to the end of the financial period

On 7 February 2019 the company has announced the acquisition of Austoyou Group Pty Limited and KoalaMall Pty Limited, this acquisition was settled on 19 February 2019. These acquisitions are expected to more than double the turnover of the group and increase profitability, before realizing any cost savings. It is a strategic purchase in the same sector and brings with it significant contracted expertise and an advanced ecommerce sales and marketing portal as well as two retail outlets. The acquisition price of approximately \$10m will be funded in three tranches over three years with the first tranche being funded 50% from existing cash reserves and 50% by new equity issued at \$0.51 per share. The acquisition was settled on 19 February 2019. (See also Note 17)

Likely developments and expected results of operations

Information on likely developments in the operations of the Group, and the expected results of operations have not been included in this report as the Directors believe it would unreasonably prejudice the Group.

Auditor's independence declaration

The lead auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the half year ended 31 December 2018 has been received and can be found on page 6 of the financial report.

Directors' Declaration

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



Richard Allely

Chairman

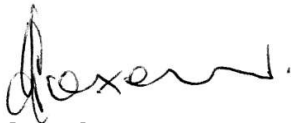
27 February 2019

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

As lead auditor for the review of Star Combo Pharma Ltd for the half-year ended 31 December 2018, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Grant Saxon
Partner

BDO East Coast Partnership

Sydney, 27 February 2019

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

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Note	31 Dec 2018	31 Dec 2017
		\$	\$
Revenue from ordinary activities	2	5,735,485	4,553,980
Other income	2	250,615	116,959
Total revenue and other income		5,986,100	4,670,939
Changes in inventories		450,150	991,049
Raw materials and consumables used		(4,753,538)	(3,656,874)
Employee benefits expense		(765,835)	(280,893)
Depreciation and amortisation expense		(20,881)	(15,379)
Marketing and selling costs		(1,082,446)	(487,159)
Other expenses		(1,141,534)	(1,096,007)
(Loss) / profit before income tax		(1,327,984)	125,676
Income tax expense		-	(188,489)
Loss for the period		(1,327,984)	(62,813)
 Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation of foreign operations		(1,158)	-
 Total comprehensive income attributable to			
Members of Star Combo Pharma Ltd		(1,329,142)	(62,813)
 Earnings per share			
		Cents	Cents
Basic earnings per share (cents)	10	(1.67)	(0.10)
Diluted earnings per share (cents)	10	(1.69)	(0.10)

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 December 2018

	Note	31 Dec 2018	30 June 2018 (Restated)
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		7,786,491	8,941,796
Trade and other receivables	4	2,528,564	3,087,348
Inventories	5	3,920,165	3,470,015
Current tax assets		351,412	149,862
Other assets		600,205	32,335
Total current assets		15,186,837	15,681,356
Non-current assets			
Property, plant and equipment	6	2,466,358	2,521,204
Deferred tax assets		500,127	500,127
Intangible assets		664,587	664,587
Total non-current assets		3,631,072	3,685,918
Total assets		18,817,909	19,367,274
LIABILITIES			
Current liabilities			
Trade and other payables	7	1,942,547	2,715,809
Provisions		69,472	47,322
Total current liabilities		2,012,019	2,763,131
Non-current liabilities			
Provisions		10,076	13,372
Total non-current liabilities		10,076	13,372
Total liabilities		2,022,095	2,776,503
Net assets		16,795,814	16,590,771
EQUITY			
Issued capital	8	39,160,286	37,325,236
Group reorganisation reserve		(25,498,900)	(25,498,900)
Share based payment reserve	9	1,527,095	1,856,279
FX Reserve		(1,158)	-
Retained earnings		1,608,491	2,908,156
Total equity		16,795,814	16,590,771

The accompanying notes form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018**

	Issued Capital	Group Reorganisation reserve	Share Based Payment reserve	Foreign Currency Translation reserve	Retained earnings	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	5,001,101	-	-	-	5,143,498	10,144,599
Loss for the year	-	-	-	-	(62,813)	(62,813)
Other comprehensive income for the period	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(62,813)	(62,813)
Transactions with equity holders in their capacity as owners:						
Dividends paid	-	-	-	-	(900,000)	(900,000)
Balance at 31 December 2017	5,001,101	-	-	-	4,180,685	9,181,786
Balance at 30 June 2018 (Restated – Note 16)	37,325,236	(25,498,900)	1,856,279	-	2,908,156	16,590,771
Change in accounting policy – IFRS 9 Financial Instruments (Note 4)	-	-	-	-	(300,865)	(300,865)
Balance at 1 July 2018 (Restated)	37,325,236	(25,498,900)	1,856,279	-	2,607,291	16,289,906
Loss for the period	-	-	-	-	(1,327,984)	(1,327,984)
Foreign Currency Translation Reserve	-	-	-	(1,158)	-	(1,158)
Total comprehensive income for the period	-	-	-	(1,158)	(1,327,984)	(1,329,142)
Transactions with equity holders in their capacity as owners:						
Share Options Exercised	-	-	(329,184)	-	329,184	-
Share issued	1,835,050	-	-	-	-	1,835,050
Balance at 31 December 2018	39,160,286	(25,498,900)	1,527,095	(1,158)	1,608,491	16,795,814

The accompanying notes form part of these financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Note	31 Dec 2018 \$	31 Dec 2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (Inclusive of GST)		6,443,757	5,054,308
Payments to suppliers and employees (Inclusive of GST)		(9,231,171)	(4,855,349)
Interest received		67,925	26,740
Interest and other financial cost paid		-	(74,106)
Income tax paid		(201,550)	(662,636)
Net cash used in operating activities	11	(2,921,039)	(511,043)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(69,316)	(32,013)
Payments for intangible assets		-	(318,182)
Net cash used in investing activities		(69,316)	(350,195)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		-	(865,597)
Proceeds from borrowings		-	750,000
Proceeds from related party borrowings		-	218,222
Proceeds from issue of shares		1,835,050	-
Net cash from financing activities		1,835,050	102,625
Net decrease in cash and cash equivalents		(1,155,305)	(758,613)
Cash at the beginning of the financial period		8,941,796	6,205,914
Cash and cash equivalents at end of the financial period		7,786,491	5,447,301

The accompanying notes form part of these financial statements.

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

Note 1: Summary of Significant Accounting Policies

The financial statements cover Star Combo Pharma Limited (the company) as a consolidated entity consisting of Star Combo Pharma Limited and its subsidiaries (the group). The financial statements are presented in Australian dollars, which is Star Combo's functional and presentation currency.

Star Combo Pharma Limited is a listed public company limited by shares, incorporated and domiciled in Australia.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

The financial statements were authorised for issue, in accordance with a resolution of directors on 27 February 2018.

Basis of preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001

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 to changes in presentation for the current financial year.

Critical accounting estimates

The preparation of the interim financial statements requires the use of certain critical accounting estimates. It also requires management to exercise 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 the related accounting policies.

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.

The group has adopted AASB15 – Revenue from contracts with customers for the current financial year. This has resulted in a change of accounting policies but has not resulted in any change to prior year comparative figures.

The group has adopted AASB9 – Financial Instruments for the current financial year. This has resulted in a significant increase in the amount of doubtful debts provided. This has been explained and illustrated in note 4.

New accounting standards for application in future 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.

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

Note 2: Revenue and other income

	Consolidated Group	
	Half year ended 31 Dec 2018	Half year Ended 31 Dec 2017
	\$	\$
Sales revenue		
Sale of goods	5,735,485	4,553,980
Total Sales Revenue	5,735,485	4,553,980
Interest received:	67,925	105,645
Realised gains of foreign currency	117,470	-
Sundry other income	65,220	11,314
Total other income	250,615	116,959
Total revenue and other income	5,986,100	4,670,939

Note 3: Expenses

	Consolidated Group	
	Half Year Ended 31 Dec 2018	Half Year Ended 31 Dec 2017
	\$	\$
Loss before income tax from continuing operations includes the following specific expenses:		
Employee benefits - Salaries and associated costs	765,835	280,893
Occupancy Expense	275,561	213,613
Net loss on foreign exchange	-	83,087
Depreciation expenses	122,634	120,307

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

Note 4. Trade and other receivables

	Consolidated Group	
	31 Dec 2018	30 June 2018 (Restated)
	\$	\$
CURRENT		
Trade receivables	3,083,984	2,867,172
Provision for impairment	(647,618)	(363,427)
Other receivables	92,198	583,603
Total current trade and other receivables	2,528,564	3,087,348
Provision for impairment at 1 July 2018 under AASB 139	(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	16,674	(101,839)
Provision for Impairment at 31 December 2018	(647,618)	(363,427)

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 31 December 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	724,579	903,549	451,217	363,151	184,305	399,082	3,025,883
Default rate	2.65%	4.09%	6.17%	23.03%	43.89%	100.00%	
Lifetime ECL	19,206	36,951	27,857	83,632	80,890	399,082	647,618

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

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

Note 5: Inventories

	Consolidated Group	
	31 Dec 2018	30 June 2018
	\$	\$
Raw materials and stores	3,687,802	3,339,847
Finished goods	255,787	153,592
Provision for obsolescence	(23,424)	(23,424)
	3,920,165	3,470,015

Note 6 : Plant and Equipment

	Consolidated Group	
	31 Dec 2018	30 Jun 2018
	\$	\$
Plant and Equipment		
Plant and equipment at cost	2,668,248	2,624,505
Accumulated depreciation	(1,091,514)	(1,004,186)
Total plant and equipment	1,576,734	1,620,319
Leasehold Improvement		
Leasehold improvement as cost	970,567	970,566
Accumulated depreciation	(80,943)	(69,681)
Total leasehold improvement	889,624	900,885
Total property, plant and equipment	2,466,358	2,521,204

Note 7: Trade and Other Payables

	Consolidated Group	
	31 Dec 2018	30 June 2018
	\$	\$
CURRENT		
Unsecured liabilities:		
Trade payables	1,377,937	1,717,071
Sundry payables and accrued expenses	564,610	863,187
Amounts payable to related parties	-	135,551
Total Trade and Other Payables	1,942,547	2,715,809

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

Note 8: Issued Capital

	Consolidated Group	
	31 Dec 2018	30 June 2018
	\$	\$
79,555,486 fully paid ordinary shares (30 June 2018: 75,505,315)	39,160,286	37,325,236

	Value of Shares	Value of Shares
	\$	\$
(a) Movement in Fully paid ordinary shares		
Balance at beginning of period	37,325,236	5,001,100
Reclassified to reorganisation reserve	-	(5,001,100)
Issue of shares	-	37,664,500
Exercised share options	1,845,000	-
Capital raising costs	(9,950)	(339,264)
Closing balance at end of period	39,160,286	37,325,236

	No. of options	No. of options
(b) Movement in unlisted options		
Balance at beginning of period	7,730,171	-
Issued during the period	-	7,730,171
Exercised during the period	(4,050,171)	-
Lapsed during the period	-	-
Balance at end of period	3,680,000	7,730,171

Note 9: Share Options Reserves:

	Consolidated Group	
	31 Dec 2018	30 June 2018
	\$	\$
Balance at beginning of period	1,856,279	-
Share based compensation expensed	(329,184)	1,856,279
Balance at end of period	1,527,095	1,856,279

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

Note 10. Earnings per share

	Consolidated	
	31 Dec 2018	31 Dec 2017
Basic earnings per share	(1.67)	(0.10)
Diluted earnings per share	(1.69)	(0.10)
Reconciliation of earnings used in calculating Earnings per share		
Net loss for the period	(1,327,984)	(62,813)
Reconciliation of shares used in calculating earnings per share		
Opening balance	75,505,315	61,000,000
Shares issued during the period	4,050,171	-
Closing balance of shares for the period	<u>79,555,486</u>	<u>61,000,000</u>
Weighted average number of ordinary shares used in calculation of basic and diluted earnings per share	<u>78,701,734</u>	<u>61,000,000</u>

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

Note 11: Cash Flow Information

	Consolidated Group	
	31 Dec 2018	31 Dec 2017
	\$	\$
Reconciliation of loss for the year to net cash flows from operating activities:		
Loss from continuing operations after income tax	(1,327,984)	(62,813)
Non-cash and non-operating cash items:		
Depreciation and Amortisation	124,162	120,307
Provision for Doubtful Debts	(16,674)	-
Unrealised foreign exchange loss	(1,158)	-
Changes in assets and liabilities		
Increase in deferred tax		(42,632)
Increase in other assets	(234,366)	(164,670)
Increase in income tax receivable	(201,550)	-
Decrease in income tax payable	-	(431,515)
Increase in trade and other receivables	(58,741)	(768,465)
Increase in inventory	(450,150)	(991,409)
Increase/(Decrease) in provision	18,854	(6,706)
(Decrease)/Increase in trade & other payables	(773,432)	1,836,860
Net Cash from operating activities	(2,921,039)	(511,043)

Note 12: Interests in Subsidiaries

Name of entity	Country of Incorporation	Class of shares	2018	2017
			Proportion of ownership interest and voting power held by the group	
Costar Pharma Laboratory Pty Ltd	Australia	Ordinary	100%	100%
Star Combo Australia Pty Ltd	Australia	Ordinary	100%	100%
Chongqing Lingkang Business Co, Ltd	China	Ordinary	100%	-

Chongqing Lingkang Business Co, Ltd is a new entity based in Chongqing, incorporated on the 13 August 2018, and 100% owned by Star Combo Australia Pty Ltd.

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

Note 13: Commitment

Terry White Chemmart

Star Combo Australia Pty Ltd has entered 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 Deed, the following expenditures must be paid or incurred dependent on future events:

	Sales support	ATL Marketing (i)	Other(ii)	Total
Within one year	500,000	2,500,000	80,000	3,080,000
One to five years	-	-	80,000	80,000
	500,000	2,500,000	160,000	3,160,000

- (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.

Factory Clean Room Extension

Star Combo Australia Pty Ltd entered into an agreement with a subcontractor (Company in China) to extend existing clean rooms in the plant at the premises in Smithfield.

The total contract value is the material cost plus the labour cost which is 2,050,000RMB, which translates to \$420,633 AUD based on the exchange rate at 21 Jan 2019.

The amount is payable within one year.

Note 14: Contingences

There are no contingent liabilities or assets that require disclosures in the financial statements.

Note 15: Operating Segments

The Group has only one operating segment during the reporting period, which is the development, manufacture, marketing and sales of natural health supplements and skin care products.

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

Note 16. 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:

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

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

Statement of financial position (Extract)

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

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

Note 17: Events after the balance sheet date

On 7 February the company announced the acquisition of 100% of the capital of Austoyou Group Pty Limited and Koala Mall Pty Limited (“the Koala Mall Group”) at an acquisition price of \$10,172,483 plus the value of surplus assets and liabilities over and above \$250,000.

Under the Share Sale and Purchase Agreement, which was executed on 5 February 2019 and settled on 19 February 2019, payment to the vendors totaling \$10,172,483 is to be completed in instalments:

- On completion date, a cash payment was made of \$2,490,000, together with the issue of 6,981,115 shares in the company at \$0.51 each
- On 1 March 2019, a further cash payment will be made to bring the total cumulative consideration paid to 70% of the total Purchase Amount.
- In February 2020, a further 15% of the Purchase Amount will be paid in cash or a combination of cash and shares.
- In February 2021, a final 15% of the Purchase Amount will be paid in cash or a combination of cash and shares.

The acquired businesses delivered approximately \$17 million in revenue in FY18 and the directors expect the acquisition to be earnings positive. 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.

At the date of this report, the accounting for the business combination is incomplete, and financial information is not yet available to determine the combined revenue and profit that would have occurred had the acquisition date been 1 July 2018, and to determine the value of tangible and intangible assets and liabilities being acquired as at the acquisition date and acquisition costs. Completion Accounts will be prepared in March 2019, which will enable the recognition of these amounts by the consolidated group.

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

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, Australia Accounting Standard AASB 134 "Interim Financial Reporting", the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors

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

Richard Allely
27 February 2019

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Star Combo Pharma Ltd

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Star Combo Pharma Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 half-year then ended, and notes comprising a statement of 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 Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2018
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 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 in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, 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 *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature of the BDO logo, consisting of the letters 'BDO' in a stylized, cursive script.

A handwritten signature in cursive script, which appears to read 'Grant Saxon'.

Grant Saxon
Partner

Sydney, 27 February 2019