



STAR COMBO PHARMA LTD
ABN 38 6157 283 75
171 -177 Woodpark Rd
Smithfield NSW 2164
P: +61 2 9756 6555
sales@starcombo.com.au

25 February 2020

ASX Announcement

Star Combo (S66) December 2019 Half Year Report

We attach the App 4D and Financial Statements for immediate release to the market.

The report has been approved by the Board of Directors.

For additional information contact Patrick Raper on email patrickraper@starcombo.com.au

Patrick Raper
Company Secretary
Star Combo Pharma Limited

About Star Combo Pharma

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



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

APPENDIX 4D
HALF YEARLY REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

Appendix 4D half year report	2
Directors' report	4
Auditor's independence declaration	6
Financial statements	7
Directors' declaration	26
Independent auditor's review report	27

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 2019

1. Company details

Name of entity: STAR COMBO PHARMA LTD AND CONTROLLED ENTITY
ABN: 38 615 728 375
Current period: 1 July 2019 to 31 December 2019
Previous corresponding period: 1 July 2018 to 31 December 2018

2. Results for announcement to the market

	Half year ended 31 December 2019 \$	Half year ended 31 December 2018 \$	Change %
Revenue from ordinary activities	21,142,644	5,868,630	260%
Operating loss after tax from ordinary activities attributable to owners	(1,232,589)	(1,327,984)	7%
Loss attributable to the shareholders of Star Combo Pharma Limited	(1,231,134)	(1,329,142)	7%

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 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 2019 \$	31 December 2018 \$
Net asset backing per ordinary share	\$ 0.215	\$ 0.211
Net tangible asset backing per ordinary share	\$ 0.205	\$ 0.203

STAR COMBO PHARMA LTD AND CONTROLLED ENTITIES
APPENDIX 4D HALF YEAR REPORT
For the half year ended 31 December 2019

5. Audit

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

6. Investments in associates and joint ventures

Not applicable.

Signed By:

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

Richard Allely – Chairman
26 February 2020

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 2019.

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 (resigned 16 August 2019)

Non-executive Director – Dr Ziye Sui

Principal Activities

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

Review of operations

After posting significant one-off costs of circa \$2.0m in the half year ended 31 December 2019, the Group incurred a loss after income tax of \$1.2m (half year ended 31 December 2018: loss after income tax of \$1.3m)

The main highlight for the half year period was the significant increase in revenue to \$21.1 million compared to \$5.9 million in half year ended 31 December 2018. This is a growth of 260% which was achieved primarily through the acquisition of Austoyou and Koala Mall in February 2019.

Segment Name	Half Year ended 31 Dec 2018	Half Year ended 31 Dec 2019	Growth %
Star Combo	\$5.9m	\$6.2m	5%
Austoyou and Koala Mall	-	\$14.9m	N/A
Total Group Revenue	\$5.9m	\$21.1m	260%

The profit/(loss) result was impacted by a number of expenses that were not incurred in the prior year as follows:

	Half Year ended 31 Dec 2018	Half Year ended 31 Dec 2019
Profit / (Loss) for the Period	(\$1.3m)	(\$1.2m)
New product marketing costs (Living Healthy) <i>Note</i>	\$0.7m	\$0.4m
New product development costs (Living Healthy)	\$0.5m	-
One-off manufacturing machinery validation fees	-	\$0.6m
M&A Transaction expenses and fees	\$0.2m	\$1.0m
Comparative Profit / (Loss)	\$0.1m	\$0.8m

Note: marketing support fees not recurring after FY20 financial year

During the half year, the Group has commenced the development, acquisition and installation of a Milk Formula Powder Plant at the premises in Smithfield. A \$2.0m equipment finance loan was approved by CBA for the purchase and installation of these additional manufacturing facilities. \$0.6m of the \$2.0m loan facility was drawn down during the half year.

DIRECTORS' REPORT

Working capital has decreased by 31% to \$5.3 million (30 June 2019: \$7.7 million) mostly associated with the investment in the manufacturing plant and equipment for the Milk Powder project and acquisition of Austoyou and Koala Mall. The continued improvement in aged debtors recovery has resulted in a net gain of \$83k to profit and loss due to reversal of trade receivables provisions relating to bad and doubtful debts.

Significant changes in the state of affairs

On 18 November 2019, Star Combo announced that it had entered into an agreement to acquire 51% of Australian Inature Organic Care Pty Ltd (Inature).

Star Combo has an option to acquire 51% of Inature. The option period is from the date of the Agreement to 30 June 2020 or the 10th business day from the date that the value of the net assets of Inature is agreed between the parties.

The acquisition transaction is to be funded by the Group's internal funds; no capital raising is anticipated. The option fee of \$300,000 which is refundable if the option is not exercised will be paid out of operating funds.

The value of the net assets of Inature needs to be agreed between the parties or confirmed by an Independent Professional Party before the option is exercised.

Dividends

No dividends have been paid or declared during the period.

Matters subsequent to the end of the financial period

Being a health and natural beauty product manufacturer and distributor, Star Combo has a particular focus on distribution to China and other Asian markets. Our Austoyou China/Australia e-commerce platform offers over 5,000 product lines directly to consumers in China.

The recent coronavirus outbreak in China will likely impact on Star Combo's business performance in the second half of the financial year ending 30 June 2020. The negative impact on global supply chains have caused delays of material supplies and the development of Milk Formula Powder Plant project to Star Combo. However, Star Combo does not expect material impact on sales or profits due to the nature of the business and its health related products. Star Combo has also considered the impairment of financial and non-financial assets including accounts receivables, intangible assets and goodwill, the ability to meet commitments and possible going concern issues. Star Combo does not expect any material impacts.

Other matters

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs.

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 2019 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

26 February 2020

DECLARATION OF INDEPENDENCE BY RYAN POLLETT 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 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the 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.


Ryan Pollett
Partner

BDO East Coast Partnership

Sydney 26 February 2020

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 2019**

		31 Dec 2019	31 Dec 2018
		\$	\$
	Note		
Revenue from ordinary activities	3	21,142,644	5,868,630
Cost of sales		(19,565,517)	(4,303,388)
Impairment gain/(loss) on trade receivables		83,852	(16,674)
Distribution expense		(24,470)	(89,288)
Marketing and selling costs		(553,288)	(1,073,433)
Administrative expenses		(2,341,601)	(1,830,497)
Finance costs		(324,969)	(803)
Foreign exchange gain/(loss)		(23,736)	117,469
Loss before income tax		(1,607,085)	(1,327,984)
Income tax benefit		374,496	-
Loss for the period		(1,232,589)	(1,327,984)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation of foreign operations		1,455	(1,158)
Total comprehensive income attributable to Members of Star Combo Pharma Ltd		(1,231,134)	(1,329,142)
Earnings per share		Cents	Cents
Basic loss per share (cents)		(0.01)	(0.02)
Diluted loss per share (cents)		(0.01)	(0.02)

The accompanying notes on pages 11 to 25 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 2019

		31 Dec 2019	30 June 2019 (Restated)
		\$	\$
ASSETS	Note		
Current assets			
Cash and cash equivalents		2,353,513	4,621,024
Trade and other receivables		2,586,419	2,815,981
Inventories		5,445,727	4,937,951
Current tax assets		154,974	52,357
Financial assets measured at FVTPL		132,990	-
Receivables due to share reductions	12	420,306	-
Other assets		590,964	350,425
Total current assets		11,684,893	12,777,738
Non-current assets			
Property, plant and equipment	4	4,609,602	2,941,931
Intangible assets and goodwill	5	9,415,747	9,534,491
Right-of-use assets	6	3,394,834	-
Receivables due to share reductions	12	-	420,306
Deferred tax assets		1,498,535	1,112,222
Total non-current assets		18,918,718	14,008,950
Total assets		30,603,611	26,786,688
LIABILITIES			
Current liabilities			
Trade and other payables		4,151,118	3,368,621
Lease liabilities	8	182,993	-
Deferred consideration	12	1,345,741	1,403,493
Borrowings	7	135,993	10,119
Provisions		106,055	88,991
Total current liabilities		5,921,900	4,871,224
Non-current liabilities			
Deferred consideration	12	1,179,072	1,052,743
Lease liabilities	8	3,452,665	-
Borrowings	7	617,250	47,739
Provisions		15,788	13,361
Deferred tax liabilities		781,366	729,856
Total non-current liabilities		6,046,141	1,843,699
Total liabilities		11,968,041	6,714,923
Net assets		18,635,570	20,071,765
EQUITY			
Issued capital	9	42,760,654	42,760,654
Group reorganisation reserve		(25,498,900)	(25,498,900)
Share based payment reserve	10	1,020,412	1,436,855
FX Reserve		2,490	1,035
Retained earnings		350,914	1,372,121
Total equity		18,635,570	20,071,765

The accompanying notes on pages 11 to 25 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 2019**

	Ordinary share capital	Group Reorganisation reserve	Share Based Payment reserve	Foreign Currency Translation reserve	Retained earnings	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2018	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
Balance at 30 June 2019 (Restated – Note 12)	42,760,654	(25,498,900)	1,436,855	1,035	1,299,619	19,999,263
Adjustment made for business combination	-	-	-	-	72,502	72,502
Balance at 1 July 2019 (Restated)	42,760,654	(25,498,900)	1,436,855	1,035	1,372,121	20,071,765
Impact of adoption of AASB 16 Leases	-	-	-	-	(205,061)	(205,061)
Foreign Currency Translation Reserve	-	-	-	1,455	-	1,455
Loss after income tax for the period	-	-	-	-	(1,232,589)	(1,232,589)
Total comprehensive income for the period	-	-	-	1,455	(1,232,589)	(1,231,134)
Transactions with equity holders in their capacity as owners:						
Share options expired	-	-	(416,443)	-	416,443	-
Balance at 31 December 2019	42,760,654	(25,498,900)	1,020,412	2,490	350,914	18,635,570

The accompanying notes on pages 11 to 25 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 2019

	31 Dec 2019	31 Dec 2018
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (Inclusive of GST)	23,540,839	6,443,757
Payments to suppliers and employees (Inclusive of GST)	(23,950,143)	(9,231,171)
Interest and other income received	24,926	67,925
Interest and other financial cost paid	(31,971)	-
Income tax paid	(62,924)	(201,550)
Net cash used in operating activities	(479,273)	(2,921,039)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(1,787,447)	(69,316)
Payments for intangible assets	(64,092)	-
Payments for net NFP of the acquisition	(324,481)	-
Payment for financial assets	(132,990)	-
Net cash used in investing activities	(2,309,010)	(69,316)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings	708,799	-
Repayments of Borrowings	(3,296)	-
Repayment of lease liabilities	(184,731)	-
Proceeds from issue of shares	-	1,835,050
Net cash from financing activities	520,772	1,835,050
Net decrease in cash and cash equivalents	(2,267,511)	(1,155,305)
Cash at the beginning of the financial period	4,621,024	8,941,796
Cash and cash equivalents at end of the financial period	2,353,513	7,786,491

The accompanying notes on pages 11 to 25 form part of these financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) REPORTING ENTITY

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

The consolidated half year financial report as at and for the six months ended 31 December 2019 comprise the Company and its subsidiaries (the Group). The financial statements are presented in Australian dollars, which is Group's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors on 26 February 2020.

(B) BASIS OF PREPARATION

Statement of compliance

This consolidated interim financial report is a general purpose financial statement that 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 half year financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 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.

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.

(C) SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2019 annual financial report for the financial year ended 30 June 2019, except as follows:

AASB 16 Leases

Details of the impact of the new lease standard to the Group can be found under Note 6. The Group has elected to apply the transition of the standard under the modified retrospective approach option 2A.

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 period.

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

NOTE 2 – OPERATING SEGMENTS

During the half year ended 31 December 2019, the Group operated in two operating segments being Star Combo the business of development, manufacturing, marketing and sales of natural health supplements and skin care products, and Austoyou retail business made up of the Australia-China e-commerce platform that offers over 5,000 high-demand product lines directly to Chinese health product consumers; and Koala Mall's two retail stores in Sydney. The Group considers Austoyou and Koala Mall as one segment due to their operations consisting mainly in retail business and the common business platform shared by the two. The Group has sold to both Australian and China markets during the current half year period and the half year ended 31 December 2018. The Group operated in one operating segment being Star Combo business in the half year ended 31 December 2018, therefore there are no comparatives for the segment performance.

Segment information

(i) Segment performance

	Star Combo business	Austoyou retail	Total
	\$	\$	\$
31 December 2019			
Revenue			
External sales	6,160,518	14,957,200	21,117,718
Interest revenue	909	-	909
Other revenue	23,335	682	24,017
Total segment revenue	6,184,762	14,957,882	21,142,644
 Total group revenue	 6,184,762	 14,957,882	 21,142,644
 Segment net (loss)/profit from continuing operations	 (1,702,861)	 525,601	 (1,177,260)
- depreciation and amortisation	(387,430)	(42,395)	(429,825)
Segment net (loss) / profit from continuing operations before tax	(2,090,291)	483,206	(1,607,085)
Reconciliation of segment result to group net profit/loss before tax			
i. Amounts not included in segment result but reviewed by the Board:			
- corporate charges			-
ii. Unallocated items:			
- others			-
Net profit before tax from continuing operations			(1,607,085)

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

NOTE 2 – OPERATING SEGMENTS (CONTINUED)

(ii) *Segment assets*

	31 Dec 2019			30 June 2019		
	Star Combo business	Austoyou retail	Total	Star Combo business	Austoyou retail	Total
	\$	\$	\$	\$	\$	\$
Segment assets						
Segment assets include	17,689,474	11,415,602	29,105,076	15,048,005	10,626,462	25,674,467
Reconciliation of segment assets to group assets						
Intersegment eliminations						
Unallocated assets:						
- deferred tax assets			1,498,535			1,112,221
Total group assets			<u>30,603,611</u>			<u>26,786,688</u>

(iii) *Segment liabilities*

	31 Dec 2019			30 June 2019		
	Star Combo business	Austoyou retail	Total	Star Combo business	Austoyou retail	Total
	\$	\$	\$	\$	\$	\$
Segment liabilities						
Segment liabilities include	10,203,199	983,476	11,186,675	5,577,140	407,927	5,985,067
Reconciliation of segment assets to group liabilities						
Intersegment eliminations						
Unallocated liabilities:						
- deferred tax liabilities			781,366			729,856
Total group liabilities			<u>11,968,041</u>			<u>6,714,923</u>

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

Note 3: REVENUE AND OTHER INCOME

	Consolidated Group	
	Half year ended 31 Dec 2019	Half year ended 31 Dec 2018
	\$	\$
Sales of goods	21,117,718	5,735,485
Other revenue	24,017	65,220
Interest income	909	67,925
Total revenue and other income	21,142,644	5,868,630

Revenue from contracts with customers

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

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

Type of product	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under AASB 15
Star Combo manufactured products	Customers obtain control of products when the goods are delivered to their premises. Invoices are generated at that point in time. Invoices are paid within the agreed trading terms. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.	Revenue is recognised when the goods are delivered to the customers at their premises. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.
Austoyou retail products	The goods are delivered to the customers by a third-party delivery company after the customer confirms the order and makes payment. Customers obtain control of products when the goods are dispatched from the Group's warehouse. Customers pay the delivery costs and track the delivery through the delivery company's website with a tracking reference number. If the goods lost in transit, the delivery company provide a certain amount of compensation to the customer up to a capped amount.	Revenue is recognised when the goods are dispatched from the Group's warehouse.
Revenue from contracts with customers (Terry White Chemmart)	Star Combo has an agreed arrangement to sell the Living Healthy Brand in Australia exclusively through Terry White Chemmart's nominated distributor.	Revenue is recognised when the goods are dispatched from Star Combo's warehouse

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

Disaggregation of revenue from contracts with customers

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

	Half year ended 31 Dec 2019		Half year ended 31 Dec 2018	
	Star Combo	Austoyou retail	Star Combo	Austoyou retail
<i>AUD \$</i>				
Revenue				
Australia	6,060,994	4,420,680	5,674,588	-
China	99,524	10,536,520	60,897	-
Total revenue	6,160,518	14,957,200	5,735,485	-

Other income

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

Interest income

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

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

NOTE 4 – PROPERTY, PLANT & EQUIPMENT

	Plant and equipment \$	Leasehold Improvements \$	Plant Under development \$	Total \$
Consolidated				
At 30 June 2019				
Cost	2,763,087	986,930	497,684	4,247,701
Accumulated depreciation	(1,213,463)	(92,307)	-	(1,305,770)
Net book amount	1,549,624	894,623	497,684	2,941,931
Year ended 30 June 2019				
Opening net book amount	1,620,317	900,885	-	2,521,202
Additions	171,574	16,364	497,684	685,622
Disposals	(7,418)	-	-	(7,418)
Depreciation	(243,850)	(22,625)	-	(257,475)
Closing net book amount	1,549,623	894,624	497,684	2,941,931
At 31 December 2019				
Cost	2,796,106	986,930	2,252,677	6,035,713
Accumulated depreciation	(1,322,622)	(103,489)	-	(1,426,111)
Net book amount	1,473,484	883,440	2,252,677	4,609,602
Period ended 31 December 2019				
Opening net book amount	1,549,623	894,624	497,684	2,941,931
Additions	33,076	-	1,754,993	1,788,070
Disposals	(58)	-	-	(58)
Depreciation	(109,158)	(11,183)	-	(120,341)
Closing net book amount	1,473,484	883,441	2,252,677	4,609,602

Plant Under Development

The Group has started the development of a Milk Formula Powder Plant at the premises in Smithfield. The costs incurred during the half year ended 31 December 2019 mainly relate to purchase of plant facilities. Star Combo Australia Pty Ltd entered into a number of contracts to purchase plant and equipment to develop the facility. The total contract value amounted to AUD \$2.3m, of which there is a remaining commitment of \$237k to be paid within one year.

The Plant under development is not depreciated during the half year ended 31 December 2019. It commences the depreciation when the development project is completed, and the milk formula powder production line is ready to use.

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

NOTE 5 – INTANGIBLE ASSETS AND GOODWILL

	Brand Name Living Healthy \$	Brand Name ATY&KOM \$	Technology Platform \$	Customer Relationships \$	Licences \$	ERP \$	Goodwill	Total \$
At 30 June 2019								
Cost (Restated – Note 12)	664,587	1,325,287	733,602	432,114	163,020	-	6,337,772	9,656,382
Accumulated amortisation	-	(44,176)	(48,907)	(28,808)	-	-	-	(121,891)
Net book amount (Restated)	664,587	1,281,111	684,695	403,306	163,020	-	6,337,772	9,534,491
Year ended 30 June 2019								
Opening net book amount	664,587	-	-	-	-	-	-	664,587
Additions	-	1,325,287	733,602	432,114	163,020	-	7,477,121	10,131,144
Disposals	-	-	-	-	-	-	-	-
Amortisation	-	(44,176)	(48,907)	(28,808)	-	-	-	(121,891)
Closing net book amount	664,587	1,281,111	684,695	403,306	163,020	-	7,477,121	10,673,840
Business combination adjustments (Note 12)	-	-	-	-	-	-	(1,139,349)	(1,139,349)
Closing net book amount	664,587	1,281,111	684,695	403,306	163,020	-	6,337,772	9,534,491
At 31 December 2019								
Cost	664,587	1,325,287	733,602	432,114	163,020	64,091	6,337,772	9,720,474
Accumulated amortisation	-	(110,440)	(122,267)	(72,019)	-	-	-	(304,727)
Net book amount	664,587	1,214,847	611,335	360,095	163,020	64,091	6,337,772	9,415,747
Period ended 31 December 2019								
Opening net book amount	664,587	1,281,111	684,695	403,306	163,020	-	6,337,772	9,534,491
Additions	-	-	-	-	-	64,091	-	64,092
Disposals	-	-	-	-	-	-	-	-
Amortisation	-	(66,264)	(73,360)	(43,211)	-	-	-	(182,836)
Closing net book amount	664,587	1,214,847	611,335	360,095	163,020	64,091	6,337,772	9,415,747

Note 6: LEASES (GROUP AS A LESSEE)

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group has used 5% as the incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used) .
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Under the modified retrospective approach – option 2A, comparative amounts are not restated and the lease liabilities are calculated at the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. The right-of-use assets are measured as if AASB 16 had been applied since the commencement date, but discounted using the incremental borrowing rate at the date of initial application.

Note 6: LEASES (GROUP AS A LESSEE) (CONTINUED)

The Group leases a number of properties being the main site at Smithfield for the manufacturing and the under production Milk Powder Facility, as well as commercial shops. It is customary for lease contracts to provide for payments to increase each year by inflation or/and in others to be reset periodically to market rental rates. All contracts for the Group are incur periodic market rental uplifts.

It is customary for lease contracts to include extension options. The Group has chosen to use the extension option within their transition calculation. There are no immediate plans to leave the properties being leased and it is reasonable to presume the Group will continue to extend per the option.

Right-of-use assets

	Buildings	Total
	\$	\$
Costs		
At 1 July 2019		
AASB 16 Leases (modified retrospective approach – option 2A)	4,148,607	4,148,607
Additions	-	-
At 31 December 2019	4,148,607	4,148,607

Accumulated depreciation

At 1 July 2019		
AASB 16 Leases (modified retrospective approach – option 2A)	(626,460)	(626,460)
Charge for the period	(127,313)	(127,313)
At 31 December 2019	(753,773)	(753,773)

	Buildings	Total
	\$	\$
Carrying amount		
At 30 June 2019	-	-
At 31 December 2019	3,394,834	3,394,834

Consolidated Group	
Half year ended	Half year ended
31 Dec 2019	31 Dec 2018
\$	\$

Amounts recognised in profit and loss

Depreciation expense on right-of-use assets	127,313	-
Interest expense on lease liabilities	93,180	-
Expense relating to leases of low value assets	4,071	3,039
Income from sub-leasing right-of-use assets	20,633	48,766

Note 6: LEASES (GROUP AS A LESSEE) (CONTINUED)

The impact of adoption of AASB 16 Leases:

On transition	Lease liabilities	Total
	\$	\$
At 1 July 2019		
AASB 16 Leases (modified retrospective approach – option 2A)	(3,727,209)	(3,727,209)
Lease payment cash element	184,731	184,731
Finance costs	(93,180)	(93,180)
Lease liability carried forward	(3,635,658)	(3,635,658)

Note 7: BORROWINGS

The book value of loans and borrowings are as follows:

	Consolidated Group	
	31 Dec 2019	30 June 2019
	\$	\$
Current		
Bank Loans	114,666	-
Finance loan ERP system	14,504	-
Finance loan Motor Vehicle	6,823	10,119
	135,993	10,119
Non-Current		
Bank Loan	513,292	-
Finance loan ERP system	66,338	-
Finance loan Motor Vehicle	37,620	47,739
	617,250	47,739

For the half year ended December 2019, the Group obtained an equipment loan of \$628k from the bank (2018: nil). The loan bears an interest rate of 4.46% and the term of the loan is 5 years. The loan is for the purchase of plant facilities for the Milk Formula Powder Plant currently under development.

A loan of \$81k was obtained by the Group during the period for the purchase of ERP system to be operated for the production process. The loan bears an interest rate of 6.3% and the term of the loan is 5 years.

Note 8: LEASE LIABILITIES

	Consolidated Group	
	31 Dec 2019	30 June 2019
	\$	\$
Maturity analysis		
Year 1	182,993	-
Year 2	159,481	-
Year 3	139,951	-
Year 4	148,181	-
Year 5	156,850	-
Onwards	2,848,202	-
	<hr/> 3,635,658	<hr/> -
Less: unearned interest	<hr/> -	<hr/> -
	<hr/> 3,635,658	<hr/> -
 Analysed as:		
Current	182,993	-
Non-current	3,452,665	-
	<hr/> 3,635,658	<hr/> -

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

Note 9: ISSUED CAPITAL

	Consolidated Group	
	31 Dec 2019	30 June 2019
	\$	\$
86,616,601 fully paid ordinary shares (30 June 2019: 86,616,601)	42,760,654	42,760,654

	Value of Shares	Value of Shares
	\$	
Movement in fully paid ordinary shares		
Balance at 30 June 2019	42,760,654	86,601,601
Closing balance at 30 June 2019	42,760,654	86,601,601
 Opening balance at 1 July 2019	 42,760,654	 86,601,601
Closing balance at 31 December 2019	42,760,654	86,601,601

Note 10: SHARE OPTIONS RESERVES:

	Share options numbers	Share options reserve \$
Balance at 1 July 2018	7,730,171	1,856,279
Exercised	(4,130,171)	(419,424)
Expired	(300,000)	-
Balance at 30 June 2019	3,300,000	1,436,855
 Balance at 1 July 2019	 3,300,000	 1,436,855
Exercised	-	-
Expired	(1,190,000)	(416,443)
Balance at 31 December 2019	2,110,000	1,020,412

Note 11: DIVIDENDS:

No dividends have been paid or declared during the half year ended 31 December 2019 (2018: nil).

NOTE 12 – BUSINESS COMBINATIONS

Acquisition of Controlled Entities

On 19 February 2019, Star Combo Pharma Ltd acquired 100% of the shares and voting interests in Austoyou Group Pty Ltd and Koala Mall Pty Ltd (the Companies). Purchase price is \$8.8m plus Net Financial Position (NFP), representing a 10x multiple on FY18 Net Profit After Tax (NPAT) of \$0.9m and the surplus net assets and liabilities of the Companies calculated at the completion date in excess of \$250,000 respectively.

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

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

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

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

Provisional Accounting

The initial acquisition accounting of Austoyou and Koala Mall has been provisionally determined in the annual financial report ended 30 June 2019. The Group have been worked with the external valuation expert to gather evidence around the values, to reflect any new information. An adjustment was made to Austoyou FY18 NPAT. The purchase consideration has been adjusted to reflect the changes. The value of the identifiable net assets of Austoyou and Koala Mall have now been finalised. Had the purchase accounting been finalised the annual financial report ended 30 June 2019 would have been differed to those previously reported as below:

- The purchase consideration would have been \$1.1m lower due to an adjustment made to Austoyou FY18 NPAT, with a corresponding decrease in the cost of goodwill.
- The \$1.1m decrease in purchase consideration represents the corresponding decrease in \$420k cash payment, \$420k shares issued and \$300k of the two 15% deferred payment consideration as referred to under stage 3 above. The cancellation of \$420k shares issued will be completed at the Group next shareholders annual general meeting. The \$420k has been presented as current receivables in the 31 December 2019 consolidated half year financial reports and non-current receivables in the 30 June 2019 annual financial reports.
- The decrease in net assets acquired has been fully offset by the same amount of an increase in NFP.

NOTE 12 – BUSINESS COMBINATIONS (CONTINUED)

	Reported value \$	Restated adjustment \$	Restated fair value \$
Purchase consideration:			
– cash	3,560,369	(420,306)	3,140,062
– fully paid ordinary shares	3,560,369	(420,306)	3,140,062
– NFP	717,729	27,498	744,727
– contingent consideration year 1	1,336,895	(157,823)	1,179,072
– contingent consideration year 2	1,193,656	(140,913)	1,052,743
	10,368,516	(1,111,850)	9,256,666
Less:			
Cash	315,800	-	315,800
Receivables	354,592	99,999	454,591
Inventories	1,125,138	-	1,125,138
Brand name – Austoyou	1,026,018	-	1,026,018
Brand name – Koala Mall	299,269	-	299,269
Technology platform - Austoyou	733,602	-	733,602
Licenses – Austoyou	163,020	-	163,020
Customer relationships – Austoyou	432,114	-	432,114
Payables	(828,302)	(72,500)	(900,802)
Deferred Tax Liability	(729,856)	-	(729,856)
Identifiable assets acquired and liabilities assumed	2,891,395	27,499	2,918,894
Goodwill	7,477,121	(1,139,349)	6,337,772

- (i) The consideration paid to acquire the Companies includes 6,156,983 fully paid ordinary shares at \$0.51 each issued to the vendors of the Companies. The shares are not restricted securities within the meaning of the Listing Rules; and 50% of the shares are subject to a 12 months escrow as contemplated in the Voluntary Escrow Deed.
- (ii) The consideration paid to acquire the Companies consisted of \$3,140,062 in cash, and an additional \$744,727 NFP.
- (iii) The directors believe the receivables are fully recoverable and no provision for impairment is required.
- (iv) The goodwill is attributable to the high profitability of the acquired business and the significant synergies that are expected to arise after the Group's acquisition of the Companies.
No amount of the goodwill is deductible for tax purposes.
- (v) There are temporary differences between the carrying value of the intangible assets acquired in a business combination and the tax bases which resulted in the recognition of deferred tax liabilities in the consolidated accounts.

Note 13. RELATED PARTY TRANSACTIONS

Transactions with other related parties

Rent of office premises

We have recognised the Right-of-use assets and lease liabilities in regards to the rental of Star Combo premises owned by Antoine International Pty Ltd. Antoine International Pty Ltd is a related party by virtue of Jinxing (Star) Zhang being a common director. The closing balance as at 31 December 2019 is \$2,986,679 for Right-of-use assets and \$3,183,305 for the lease liabilities.

Consultancy services

During the half year ended 31 December 2019, \$22,500 (2018: nil) was paid to Richlink Capital Pty Ltd in respect of consultancy services provided.

Related party receivables/payables

As at 30 June 2019, Mr Zhang owed Star Combo Australia Pty Ltd \$102,153, which was fully repaid during the half year ended 31 December 2019. Balance outstanding as at 31 Dec 2019 was \$3,395. The balance is expected to be repaid in 2020. No interest was charged in respect of the loan during the half year ended 31 December 2019 (2018: nil).

Note 14: Events after the balance sheet date

Being a health and natural beauty product manufacturer and distributor, Star Combo has a particular focus on distribution to China and other Asian markets. Our Austoyou China/Australia e-commerce platform offers over 5,000 product lines directly to consumers in China.

The recent coronavirus outbreak in China will likely impact on Star Combo's business performance in the second half of the financial year ending 30 June 2020. The negative impact on global supply chains have caused delays of material supplies and the development of Milk Formula Powder Plant project to Star Combo. However, Star Combo does not expect material impact on sales or profits due to the nature of the business and its health related products. Star Combo has also considered the impairment of financial and non-financial assets including accounts receivables, intangible assets and goodwill, the ability to meet commitments and possible going concern issues. Star Combo does not expect any material impacts.

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 2019 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
26 February 2020

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 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2019 and of its financial performance for the half-year ended on that date; and
- (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 2019 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

BDO

Ryan Pollett
Partner

Sydney, 26 February 2020