



February 6, 2018

ASX Announcement

Star Combo Boosts Aust-China Product Sales Network with Transformational E-Commerce Acquisition

Key Points:

- Star Combo will acquire Austoyou Group Pty Ltd and Koala Mall Pty Ltd (“acquisitions”)
- Austoyou is a fast-growing Australian based E-commerce platform with over 5,000 high demand product lines selling direct to Chinese consumers (B2C)
- Purchase price of A\$10m representing a 10x multiple on FY18 Net Profit After Tax (NPAT) of A\$1.0m.
- Management expects NPAT of the acquired businesses to grow in excess of 20% in the FY19 year from FY18 revenue of approximately \$17 million
- Acquired B2C channel will complement Star Combo’s existing B2B channels into China. Existing Star Combo products will be sold on the Austoyou platform over time.
- E-commerce platform now positions Star Combo as a vertically integrated brand owner, manufacturer and distributor of vitamins and health supplements into China.
- 2018 Chinese market for vitamins and supplements over US\$5.2 billion, Australian trusted products in demand

Sydney, Australia. Star Combo Pharma Limited (ASX: S66, Star Combo, the Company) is pleased to announce that it has entered into an agreement to acquire the businesses of **Koala Mall Pty Ltd** and **Austoyou Group Pty Ltd** for A\$10 million. This acquisition represents the completion of a due diligence period on the Ausway Group of companies as flagged in the Company’s announcement on 8 August 2018.

The CEO of Star Combo Pharma, Su Zhang noted, *“The company’s due diligence in August of last year, has resulted in the successful acquisition of Austoyou and the Koala Mall retail business. These acquisitions are consistent with the Company’s listing strategy of acquiring an e-commerce platform that will advance the evolution of our business from a vitamin and supplements manufacturer and supplier to a fully integrated Australia - China health care company with manufacturing and multiple sales channels along with the expansion of our distribution networks”.*

Austoyou is a well-established Australia-China e-commerce platform that offers over 5000 high-demand product lines directly to Chinese health product consumers. This direct-to-consumer platform provides Star Combo with an opportunity to significantly increase product sales and accelerate its China growth strategy. Importantly, Austoyou has the ability to provide Star Combo with customer demand feedback



and will allow the Company to enhance its product lines according to changing customer demand trends. Austoyou gives Star Combo an immediate competitive advantage in the high-demand market for Australian vitamins, skincare and health supplements into the large China consumer market.

The acquired businesses delivered approximately \$17 million in sales in FY18 and have shown growth of more than 20% per annum in the past two years as demand for a broad range of Australian manufactured and quality controlled consumer goods, continues to increase from Chinese consumers.

In 2018 the market in China, for vitamins and health supplements, was estimated to be in excess of US\$5.2 billion and growing. Chinese consumers view Australian produced products as being of high quality and subject to rigorous regulation and quality control. Hence, the addition of the Austoyou e-commerce platform, which will deliver Australian made supplements direct to the consumer in China, is viewed by the Company as a transformational acquisition that will accelerate growth plans with a significant near term increase in revenue.

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.

Acquisition details:

Austoyou and Koala Mall will be acquired via the Share Sale 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
- Stage 2. 12 months post settlement, a further 15% of the Purchase Amount. If any shares are to be issued for this payment, they will be issued at a 10% discount from the VWAP in the 10 days prior to payment.
- Stage 3. 24 months post settlement, a final 15% of the Purchase Amount. If any shares are to be issued for this payment, they will be issued at a 10% discount from the VWAP in the 10 days prior to payment.

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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 our current operations to serve our loyal business partners, customers and employees.