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23 August 2022 **ASX Announcement**

Financial Highlights for year ended 30th June 2022

- **Strong Growth in Earnings (excluding non-cash impairment of Intangibles)**
- **Positive Operating Cash Flow in FY and strong cash position at year end**
- **Outlook for FY23 is positive**

Star Combo Pharma Limited (ASX: S66) (Star Combo) today announced its results for the financial year ended 30 June 2022 (FY22).

Financial update

In FY22, Star Combo earned a profit before the write down of intangibles of $804k due to the continuing improvement and additional impact of the OEM division compared to the Retail division. In FY21 earnings before the write down of intangibles was a loss of $1,538k.

The OEM division continued its strong growth as it won new OEM customers. It delivered $16.3m revenue during the year which is 70.8% of total group revenue compared to $12.5m in FY21 which was 46.9% of total group revenue.

This division gross profit increased by 60%.

Star Combo revenue was $22.9M for the year, down 14.4% (FY21: $26.7M) as the retail division (online platform business Austoyou.com and Koala Mall retail stores) continued to be impacted by the COVID pandemic. The retail division was affected by international border closures, decreased tourism and logistics. The retail division revenue totaled $6.7M for the year compared with $14.2M in FY21.

Star Combo recorded a non-operating impairment loss of $1.4m in the carrying value of the investment in Austoyou and Koala Mall. While this impairment is a “non-cash” reduction to the carrying value of the asset, it is the reason for Star Combo’s loss before tax this year.

In FY22 Star Combo generated positive operating cash flow of $0.7M, up from $0.3M in FY21, and invested $7.3 in additional manufacturing capacity. The group ended the quarter and the financial year at 30 June 2022 with a strong cash balance of $10.4M.

Business and operational update

During FY22 the Group continued its focus on implementing and transitioning its strategy to become a leading contract manufacturer in Australia for the vitamin and health supplements sector.

Star Combo’s core OEM and own brands business continued to grow during the year, with record manufacturing output as the Company executed its order book, benefiting from intermittent 24 hour manufacturing capabilities to increase production and improved supply chain dynamics.

Star Combo has distribution arrangements in place in Australia and overseas for its proprietary health supplement product lines including Living Healthy, Costar, Amax, and J&K. Domestic distribution has continued to strengthen during the year with improved performances from Terry White Chemmart and other customers.

Star Combo's 12-month distribution agreement with leading Vietnamese distributor for the sale and distribution of Costar across Vietnam, commenced in August 2021 for a 12 month period. The arrangement operated successfully, with the distributor exceeding its $1.0M sales target and has provided an appropriate prototype for renewed arrangements in Vietnam and other Asian countries. The distribution arrangements seek to capture an increasing middle class and an aging population in Asia. Since the end of the financial year, Star Combo has extended the Distribution arrangements in Vietnam for an additional two years.

To reinforce this strategy, the Company has undertaken a $10.7M manufacturing upgrade at 171-177 Woodpark Road in Smithfield . The TGA inspected the new facilities in late June 2022 and the Group now awaits confirmation of TGA approval to commence manufacturing in early FY23. The new production lines when commissioned, can be configured for operation running 24 hours a day, thus significantly increasing output as Star Combo continues to build its OEM and own brands order book. The additional facilities enable Star Combo to better address the growing demand in both local and overseas markets and move closer to becoming Australia's leading nutraceutical manufacturer.

Retail Division (Austoyou & Koala Mall)

The COVID 19 pandemic continues to have a very negative impact on the Retail Division (Austoyou and Koala Mall) given the closure of Australia's borders to international travelers for most of FY2022 and continuing. This has caused sales to decline significantly and combined with lower demand from China for products available through the Group's Austoyou online platform, has driven the overall decline in revenue for the Retail Division.

The decline in Revenue and earnings in this Division, coupled with a very low expectation for a recovery in the near future, has caused the directors, to assess the carrying value of the investment in Austoyou and Koala Mall and determine an impairment of the asset value as is required under the Australian Accounting Standards. This assessment revealed that the carrying value of Austoyou & Koala Mall should be reduced by a further $1.43m to effectively nil.

Further, the Group is conducting a strategic review of this business to determine the best way forward.

-ENDS-

This ASX announcement has been approved by the Star Combo Pharma's Board of Directors.

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About Star Combo Pharma

Star Combo Pharma Ltd (ASX: S66) is a Sydney based contract manufacturer of vitamins, health and beauty products with a portfolio of own brands and distribution capabilities. Our products are made from natural ingredients with scientific R&D and adheres to the highest manufacturing practices governed by the Therapeutic Goods Administration. Star Combo has offices in China and currently supplies the Australian pharmacy network through 450 Terry White Chemmart stores as well as wholesale customers in Australia and China. Directed by pharmacist and experts in health supplement manufacturing, Star Combo's vision is to be the leading manufacturer of premium vitamins and dietary supplements in Australia. Since its establishment in 2004, Star Combo has demonstrated strong product and business development and continues to expand our current operations to serve our loyal business partners, customers and employees.