31 August 2018

FY2018 Results Announcement

Highlights

- **Record full year revenue of $10.9million, up 10.8% on prior year.**
- **Underlying Profit is in line with expectations**
- **IPO costs(one-off) and non-cash share based payments expenses impact FY2018 profit**

The Company has pleasure in announcing its operating results for the year ended 30 June 2018.

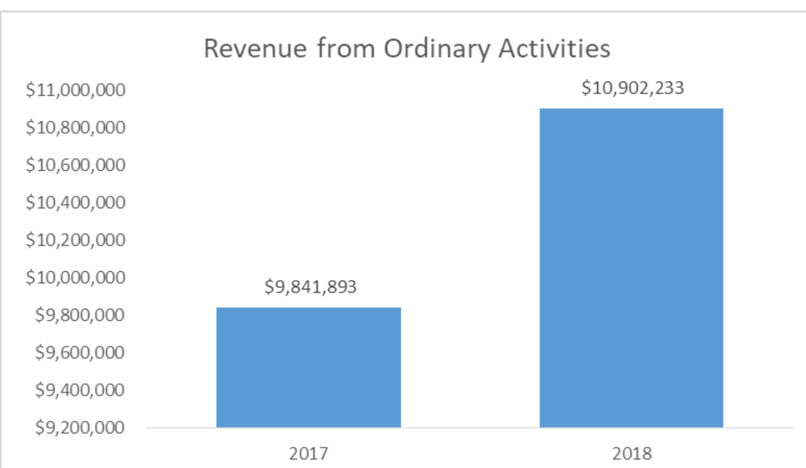
Revenue growth

Star Combo Pharma Ltd (**"The Company or Star Combo"**) derives its revenue through the manufacture and sale of vitamins and dietary supplements.

The group's brands include:

- Costar
- Amax
- J&K
- Living Healthy

In FY2018, the consolidated group achieved record revenue of $10,902,233 ($9,841,893 in FY2017) representing a year on year increase of 10.8%.



This growth reflects the continuing development of the Company's own brands and growth of new sales channels to a broader customer base.

Gross profit increased by 11.2% to $4.49million from $4.04million in FY17 on a similar gross profit margin of 41%. Underlying profit (operating profit before one-off IPO costs and new cost items) remains steady at $2.17m.

Significantly, the Company achieved increased sales of $786,894 of its owned branded products, mainly Living Healthy and Costar brand products through its main sale channel – Australian pharmacies in FY2018, from $51,514 in FY2017 up more than 1,400%.

As a Company we are yet to see the full impact on revenue of the additional resources that we have recruited since the successful completion of the IPO in May 2018. We intend to further increase sales by accessing new distribution channels and markets in China, Australia and Vietnam.

Manufacturing Costs

The Company sources its raw materials and product packaging from a range of reliable suppliers. There is a well-established supplier management system to ensure that the supply chain operates smoothly and efficiently to ensure quality and cost control.

Operating Expenses

Expenses have increased in FY2018 by $5.24million but there were one off costs that were incurred in FY2018 that will not be repeated in FY2019 (costs associated with the IPO). There were also significant non-cash share based expenses and marketing expenses that were not incurred in FY 2017.

The impact of these costs is set out in the below table which highlights the normalised activity of the group:

	$000
(Loss) for the FY 2018 year	(1,973)
Add Back Significant expenses:	
Once-off IPO costs taken as expenses in FY 2018	762
Share based payments - See below	1,919
Additional marketing expenses of $1.466million - See below	1,466
FY 2018 Comparative Profitability	**2,173**
FY 2017 Comparative Profitability	**2,344**

Marketing Expenses: The Company recruited a number of additional personnel ahead of the launch of the TerryWhite Chemmart (TWC) campaign with the Living Healthy brand. These expenses have been incurred to give the company greater control of the brand and to underpin opportunities for growing revenues. The Company initiated marketing activities last year (FY2017) with Terry White Chemmart. The Company has received positive feedback of our progress in re-establishing the Living Healthy brand within the Terry White Chemmart chain of pharmacies.

Share based payments

Staff options: Following the successful listing of the Company on the ASX, the Board embarked on a process to reward the hard work and loyalty of a number of long standing employees. 1,670,000 options were issued to a number of employees. The cost of these options has been assessed and recognised in accordance with Accounting Standards, however it should be noted that no cash has been disbursed, and the exercising of these options will in fact provide a positive cash inflow.

Other Options: The Company has also issued 3,960,171 options to Richlink, 1,800,000 options to the Non-Executive Directors and 400,000 to consultants as set out on the company prospectus.

Corporate Costs

There were also significant public Company costs (Directors, insurance, increased audit fees, ASX Fees etc which have not been added back. Further, there has been considerable executive time and energy committed to the IPO process which will not be a factor in the future.

Manufacturing Capability

Throughout FY2018 the manufacturing facility at Smithfield has operated efficiently but at less than full capacity. The facilities have been developed to accommodate future growth and current utilisation is approximately 20% of total capacity. This gives the Company the opportunity to secure additional growth without the current need to extend our existing manufacturing plant as utilisation can be increased over a short period of time through the recruitment of additional employees and creation of additional shifts.

Financial Position

The Company current financial position remains strong with good cashflow, zero debt, and with $8.9million cash at 30 June 2018, with further $1.8million cash received from August 2018 exercise of option.

Outlook

The outlook for FY2019 remains positive with expected growing revenues from our current base business as well additional revenues and positive cashflow from acquisitions that we intend to bring on line in this financial year as part of the overall business growth plan. Our resources continue to be carefully managed to ensure the appropriate balance between good governance and profitability.

Ausway Acquisition

As previously announced on the 8th August 2018, the Company executed a Heads of Agreement to acquire the Ausway group of companies. At the date of this report our financial or legal due diligence is currently underway and the Company will provide further update as we move to complete this significant acquisition by end of September 2018.

The strategic importance of the Ausway acquisition is to provide Star Combo Pharma an established e-commerce pathway to market and sell the Company's own branded products namely Living Healthy via the e-commerce channel directly into the Chinese market. More than two thirds of Ausway's revenue is realised from the e-commerce channel.

The Company has sufficient cash to fund the Ausway acquisition and believe this a transformative acquisition with strong revenue (more than $18milion in sales), commercial synergies and profitable businesses.

For further information:

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