



28 August 2019

ASX Announcement (ASX: S66)

2019 Results Commentary

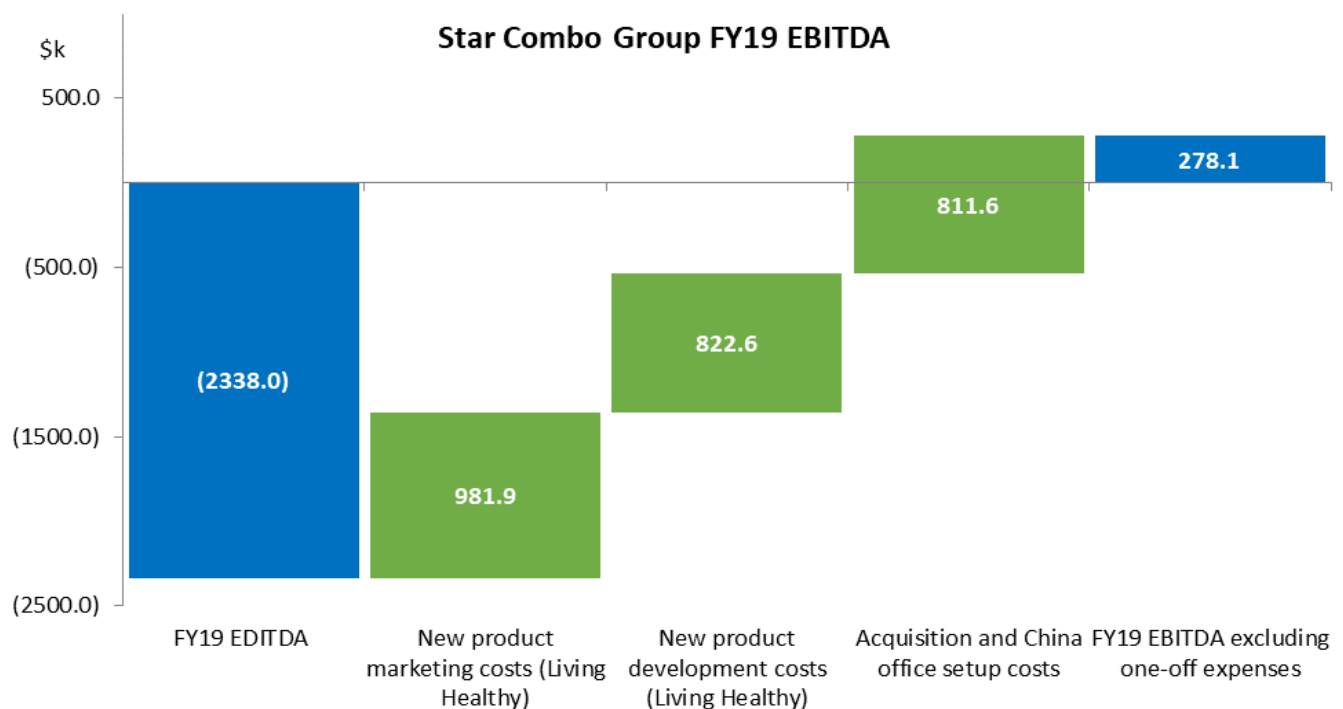
Highlights

- Full year revenue \$22m representing a growth of 98%
- Acquisition of Austoyou e-commerce platform and Koala Mall offline shops
- Austoyou e-commerce platform 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
- Expansion into China and establishment of local operations including gaining 9 CIQ registrations for Living Healthy Little Koala range

Star Combo Pharma presents its operating results for the year ended 30 June 2019.

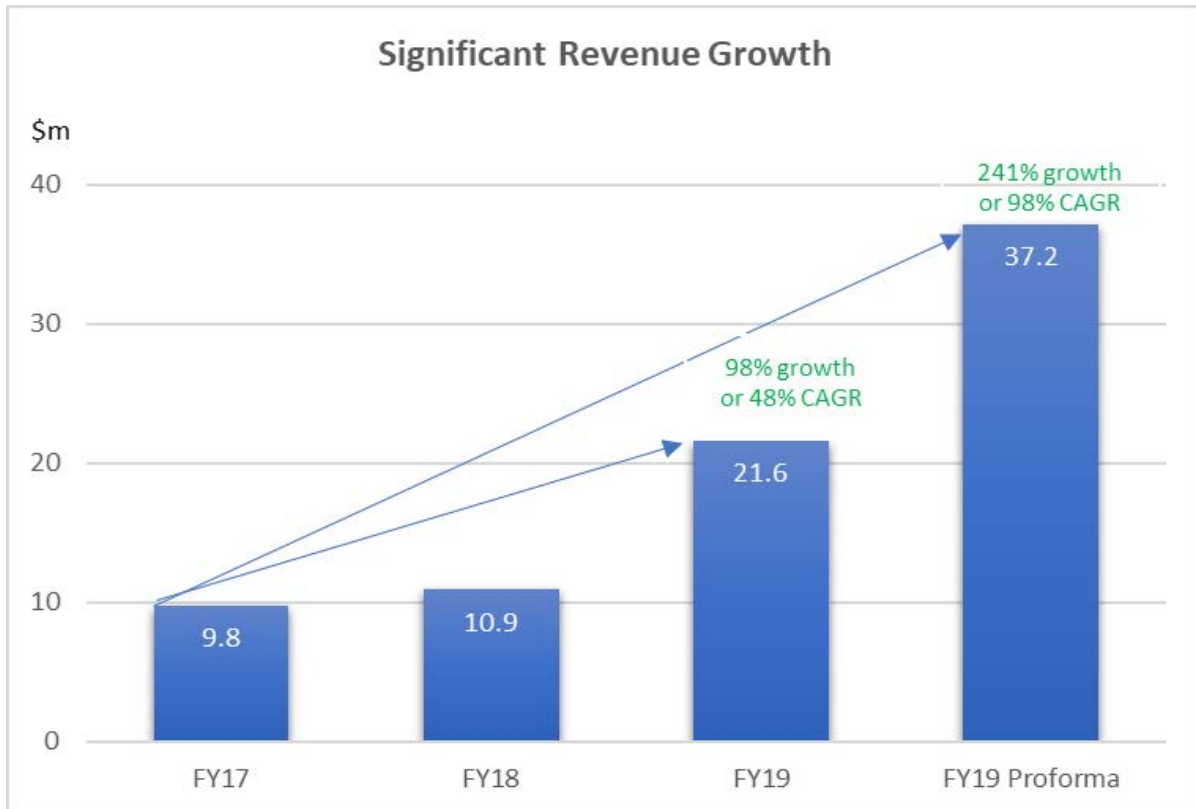
Overview of financials

The operating profit (EBITDA) for fiscal year 2019 after excluding significant one-off costs of circa \$2.6m, was a positive result of \$0.3m as can be seen in the graph below.



The main highlight for the financial year was the significant increase in revenue to \$21.6 million compared to \$10.9 million in FY 2018. This is a growth of 98.1% which was achieved through a combination of organic growth and the acquisition of Austoyou and Koala mall during the year.

If the Austoyou and Koala Mall revenues for the full financial year ended 30 June 2019 were included in the consolidated group revenue for the financial year ended 30 June 2019, the consolidated group revenue would have been \$37.2 million.



Operational Update

Throughout the year Star Combo Pharma focused on expanding its distribution network to increase sales and the Company's profile. To date, the Company has multiple distribution channels with a focus on Asian consumer demand, particularly demand from China for Australian made products.

The Company has wholesale distribution agreements in China, Hong Kong, Thailand and Korea and an online sales channel through Austoyou.com.au (acquired February 2019), also through JDMall and Tmall.

Star Combo achieved a significant milestone with the expansion of its operations into China in September 2018 with the Company opening its first China representative office in Chongqing China.

Establishing a physical presence in China has raised the Company's profile in China and has allowed the Company to engage with its channel partners and customers more effectively and respond to consumer demand more efficiently. The manager in charge of the Chongqing office has over 20 years' experience in the marketing of vitamins.

At present, Star Combo has 9 products that have been approved by Chinese authorities for offline sale in China. The Chinese market is expected to be a key contributor to the future revenue growth of the Company.

Acquisition of Austoyou e-commerce platform and the Koala Mall offline shops

Star Combo entered into an agreement to acquire the businesses of Koala Mall Pty Ltd and the Austoyou Group Pty Ltd for A\$10 million in February 2019. The acquisition was completed on 26 February 2019.

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 the opportunity to significantly increase product sales and accelerate its China growth strategy.

Austoyou can provide Star Combo with customer feedback and will allow the Company to enhance its product lines according to changing customer demand trends.

Outlook

According to Daxue Consulting, the value of the Vitamin and Dietary Supplements (VDS) market in China is steadily increasing. In 2017, the total market value of vitamins in China reached 3.4 billion USD, an increase of 32% since 2014. By 2020, the VDS market is projected to reach over 22 billion USD or 169 billion RMB.

With that back drop and Star Combo's focus on the China market, we expect 2020 will deliver strong revenue growth and earnings.

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