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23 November 2021 ASX Announcement

Star Combo Pharma Business Update

Q1 FY22

- Q1 FY22 Revenue of \$5.8M (Q4 FY21 \$6.0M), as OEM division performed ahead of expectations and retail division continued to be impacted by COVID
- Relationship with Terry White Chemmart continues to strengthen with growth in order volume and new products being developed
- Development Approval received for the R&D facilities at 165 Woodpark Road Smithfield
- Expansion and development of manufacturing facilities at 171 Woodpark Road, Smithfield on track
- Q1 FY22 Customer cash receipts of \$5.3M
- One off payment of \$0.3M in government grant and COVID related financial support received Subsequent to quarter end;
 - Continued expansion into new territories with \$1.0M distribution agreement signed with
 Vietnam in early October for supply of Costar products
 - \$5.0M order received, Company's largest OEM order, with a leading Australian health supplement brand, Natures Care
 - o Chemist Warehouse relationship strengthens with order book value in October at \$1.5M
 - FY22 outlook positive for OEM with a strong manufacturing order book in place

Star Combo Pharma Limited (ASX: S66) (Star Combo) announced today a business and operational update.

Business and operational update for Q1 FY22

Star Combo's manufacturing division continued to perform strongly during the quarter as its existing manufacturing relationships strengthened with increased order books and new products were developed to fulfill orders. Supply chain limitations which have arisen due to COVID related events, restricted the pace at which the Company could execute orders.

Group revenue was \$5.8M (Q4 FY21 \$6.0M) for the quarter. The OEM division performed ahead of expectations with the volume of bulk orders manufactured in September more than double the number of orders manufactured in the same period last year due to new strategic customers with large production orders. OEM revenue totaled \$3.6M in Q1 FY22, compared with \$3.3M in Q4 FY21.

The retail division of the business (online platform business Austoyou.com and retail stores Koala Mall) continued to be impacted by the COVID pandemic as border closures and decreased tourism continued. One of the Company's two retail stores was closed in August with part of the store's sales expected to be picked up by online platforms. The opening up of borders in the coming months is expected to improve trading conditions for the retail division as international travel re-commences.

Star Combo's relationship with Terry White Chemmart (Terry White) continues to strengthen. Star Combo has developed a number of new supplement formulations with two new products to be launched within Terry White channels early next year. Star Combo has also commenced working with Terry White's Personal Care business and the Company will supply five Living Healthy supplement products in bulk capsule, for the division to use in its individual client supplement program.

Following Star Combo's launch on Tmall.com in April, the Company's product liver tonic remains the best-selling item along with their fish oil capsules. Feedback received from customers regarding the brand is strong and Star Combo Continues to work with key opinion leaders (KOI's) to promote its products.

In September, Star Combo received approval from the Cumberland City council for its Development Application at 165 Woodpark Road, Smithfield, New South Wales. The site will accommodate a new multi-level complex and purpose-built R&D and Test Laboratory Facility. Once complete, the facility will enable Star Combo to extend its service offering and support their existing OEM Customers. It will significantly enhance the Company's capability to develop new and innovative products to address the growing demand in both local and overseas markets for vitamins and dietary supplements. These new and innovative products by their nature will attract a higher margin so as this area of the business grows it is expected that it will become increasingly profitable.

Star Combo is making good progress on its site upgrade and expansion to its manufacturing facilities at 171 Woodpark Road, Smithfield, New South Wales. \$4.7M has been invested to date in the acquisition of 13 new production lines along with a substantial upgrade of the existing manufacturing facility at the site.

Subsequent to quarter end

Pleasingly, market opportunities opened-up in new territories overseas as Star Combo signed a 12-month exclusive distribution agreement with leading Vietnamese distributor, Happy Co Ltd, for the sale and distribution of the Company's proprietary health supplement product line, Costar across Vietnam. The agreement has a minimum order quantity of \$1.0M and provides Star Combo with direct access to the growing Vietnamese market via Happy Co's well established and extensive distribution channels. Vietnam's health supplement market is valued £423.1M and is rapidly growing due to an increasing middle class and an aging population.

Star Combo received its largest OEM order to date with a \$5.0M order received from Natures Care, a leading Australian health supplements brand for the manufacture of approximately 290 million bulk capsules to be completed by the end of the third quarter of 2022 financial year.

Star Combo's relationship with Chemist Warehouse continues to strengthen with a new order received in October for \$0.5M taking the October book with Chemist Warehouse order value to \$1.5M.

Cash

Cash receipts from customers in Q1 FY22 were \$5.3M. There was a net cash outflow for the quarter of \$0.2M.

\$0.3M in a one-off government COVID business grant and NSW Job Saver payment were received in Q1 FY22.

Star Combo ended the quarter and financial year with a strong cash balance of \$16.2M at 30 September 2021.

Outlook

Star Combo CEO, Ms Su Zhang said, "Our OEM business continues to strengthen and is proving to be the right strategy for Star Combo as the Company leverages value from macro trends such as the growing demand for Australian made health products. We have a strong order book in place and are building relationships in new territories. The Company is developing new products and expanding our network all the time. We are excited by the new opportunities ahead as we move closer to becoming the most comprehensive pharmaceutical manufacturer in Australia."

-ENDS-

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

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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.