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3 May 2022 ASX Announcement

Star Combo Pharma Quarterly Business Update

Highlights

- 31% increase in OEM revenue to \$3.8M (Q3 FY21 \$2.9M)
- 71% increase in quarterly capsule production on pcp
- Strongest order book to date in place including \$2.3M order received for the manufacture of 120M capsules with a strategically important recurring customer
- \$10.7M upgrade and expansion of manufacturing facilities in final stages
- Q3 FY22 Customer cash receipts of \$5.3M with operating cash inflow of \$0.4M
- FY22 outlook positive for core OEM business with a strong manufacturing order book in place. Expect
 increase in output in 1H2023 as upgraded manufacturing facility commences operations

Star Combo Pharma Limited (ASX: S66) (Star Combo) announced today a business update for the quarter ended 31 March 2022 (Q3 FY22).

Business and operational update for Q3 FY22

Star Combo Pharma's group revenue was \$5.0M for the quarter (Q3 FY21 \$6.1M) . OEM revenue totaled \$3.8M compared to \$2.9M in Q3 FY21, up 31%.

The Company has demonstrated a positive quarter of OEM revenue growth with capsule production increasing 71% on the prior corresponding period. The division has strengthened existing relationships, receiving larger recurring OEM orders which has helped to build the Company's strongest order book to date. In the latter half of the quarter, Star Combo received a \$2.3M OEM order from an existing customer. The order was for the manufacture of approximately 120 million bulk capsules to be completed by the end of 2022. The division continues to be subject to ongoing supply constraints.

Star Combo's 12-month distribution agreement with leading Vietnamese distributor Happy Co Ltd, which began in August 2021, has progressed successfully. The distributor has performed ahead of expectations, reaching the 12-month sales target of \$1.0M in March 2022. The agreement is for the sale and distribution of the Company's proprietary health supplement product line, Costar across Vietnam. Vietnam's health supplement market is estimated to be worth circa \$800M and is growing rapidly due to an increasing middle class and an aging population.

The retail division of Star Combo (online platform business Austoyou.com and retail stores Koala Mall) continued to be impacted by the COVID pandemic as decreased tourism continued.

The much-anticipated manufacturing upgrade at 171-177 Woodpark Road in Smithfield is due to be complete in June 2022, with TGA licenced manufacturing to commence in July. The new production lines will be commissioned and configured to be ready for operation with the facility running 24 hours a day, significantly increasing output as Star Combo builds its order book.

\$10.7M has been invested in the upgrade, the company's largest facilities investment to date.

Cash

Cash receipts from customers in Q3 FY22 were \$5.3M with operating net cash inflow in the quarter being \$0.4M, with strong cash collection initiatives being implemented by Star Combo. The company invested in facilities improvements amounting to \$2.1M in the quarter.

Star Combo ended the guarter and financial half year with a strong cash balance of \$11.9M at 31 March 2022.

Outlook

Star Combo CEO, Ms Su Zhang said, "We are entering a significant new phase for the company as our manufacturing facilities upgrade completes in the second half of financial year 2022, the Company is readying itself for larger output and associated revenue growth. We will continue to be constrained by supply challenges however the company is working hard to ensure it maximises its ability to grow output. Pleasingly, we continue to see strong demand for Australian made health products."

-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.