



**STAR**

**STAR PHARMACEUTICAL LIMITED**

Registration No. 200500429W

**UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2009 (a)	3 months ended 30 September 2008 (b)	Increase/ (decrease) +/- (a) – (b)	9 months ended 30 September 2009 (a)	9 months ended 30 September 2008 (b)	Increase/ (decrease) +/- (a) – (b)
<b>Revenue</b>	37,986	31,096	22	102,175	88,190	16
Cost of sales	(23,212)	(20,203)	15	(62,131)	(48,172)	29
<b>Gross Profit</b>	<b>14,774</b>	<b>10,893</b>	36	<b>40,044</b>	<b>40,018</b>	1
Other income	182	7,894	(98)	1,028	8,483	(88)
Selling and distribution expenses	(3,012)	(1,893)	59	(9,891)	(9,407)	5
Administrative expenses	(5,827)	(7,193)	(19)	(17,157)	(21,650)	(21)
Other expenses	(456)	(49)	831	(885)	(323)	174
<b>Profit from operations</b>	<b>5,661</b>	<b>9,652</b>	(41)	<b>13,139</b>	<b>17,121</b>	(23)
Financial income	56	1,858	(97)	314	3,909	(92)
Financial expenses	(804)	(2,146)	(63)	(5,117)	(6,219)	(18)
<b>Profit before taxation</b>	<b>4,913</b>	<b>9,364</b>	(48)	<b>8,336</b>	<b>14,811</b>	(44)
Taxation	(1,307)	(561)	133	(3,395)	(1,614)	110
<b>Profit for the period</b>	<b>3,606</b>	<b>8,803</b>	(59)	<b>4,941</b>	<b>13,197</b>	(63)
<b>Attributable to:</b>						
Equity holders of the parent	4,054	9,220	(56)	6,127	13,282	(54)
Minority interest	(448)	(417)	7	(1,186)	(85)	1,295
<b>Profit for the period</b>	<b>3,606</b>	<b>8,803</b>	(59)	<b>4,941</b>	<b>13,197</b>	(63)
<b>Earnings per share (RMB cents)</b>						
- Basic (weighted average)	<b>1.73</b>	<b>3.94</b>		<b>2.62</b>	<b>5.67</b>	
- Fully diluted	<b>1.73</b>	<b>1.22</b>		<b>2.62</b>	<b>4.11</b>	

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2009	3 months ended 30 September 2008	Increase/ (decrease) +/(–)	9 months ended 30 September 2009	9 months ended 30 September 2008	Increase/ (decrease) +/(–)
<b>Profit for the period</b>	<b>3,606</b>	<b>8,803</b>	(59)	<b>4,941</b>	<b>13,197</b>	(63)
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
<b>Other comprehensive income for the period, net of tax</b>	<b>3,606</b>	<b>8,803</b>	(59)	<b>4,941</b>	<b>13,197</b>	(63)
<b>Total comprehensive income attributable to :</b>						
Equity holders of the parent, net of tax	4,054	9,220	(56)	6,127	13,282	(54)
Minority interest, net of tax	(448)	(417)	7	(1,186)	(85)	1,295
	<b>3,606</b>	<b>8,803</b>	(59)	<b>4,941</b>	<b>13,197</b>	(63)

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 September 2009	3 months ended 30 September 2008	9 months ended 30 September 2009	9 months ended 30 September 2008
<b>Profit before tax is arrived at after charging / (crediting) :</b>				
Interest income	56	1,858	314	3,909
Interest on borrowings	858	5	2,064	17
Foreign exchange (gain)/loss	(54)	(7,128)	2,076	(6,371)
Dividend on RCPS	-	1,542	977	4,846
Depreciation	1,478	1,887	4,526	4,870
Amortization expenses	1,111	621	3,263	1,863
Amortization of RCPS transaction cost	-	380	185	1,139
Loss on disposal of fixed assets and intangible assets	6	26	1,502	1,146

**1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Note	Group		Company	
		30 Sep 2009	31 Dec 2008	30 Sep 2009	31 Dec 2008
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>					
Property, plant and equipment		46,310	47,930	40	43
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		1,176	1,219	-	-
Intangible assets	(a)	227,072	229,806	-	-
		<b>274,558</b>	<b>278,955</b>	<b>76,647</b>	<b>76,650</b>
<b>Current assets</b>					
Inventories		28,182	28,296	-	-
Trade and bills receivables		9,234	4,733	-	-
Other receivables, prepayments and deposits		60,762	34,251	30,087	23,146
Due from subsidiary (non-trade)		-	-	-	127,507
Due from related corporations		-	130	-	-
Cash and cash equivalents		50,856	164,266	4,360	33,774
		<b>149,034</b>	<b>231,676</b>	<b>34,447</b>	<b>184,427</b>
<b>Total assets</b>		<b>423,592</b>	<b>510,631</b>	<b>111,094</b>	<b>261,077</b>
<b>Equity</b>					
Share capital		144,975	144,975	144,975	144,975
Reserves		17,668	17,668	-	-
Accumulated profits/(losses)		113,603	107,476	(34,338)	(28,455)
		<b>276,246</b>	<b>270,119</b>	<b>110,637</b>	<b>116,520</b>
Minority interests		30,697	31,883	-	-
<b>Total equity</b>		<b>306,943</b>	<b>302,002</b>	<b>110,637</b>	<b>116,520</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		15,269	15,314	-	-
		15,269	15,314	-	-
<b>Current liabilities</b>					
Trade and other payables		47,404	49,840	429	2,465
Secured bank loan		50,000	-	-	-
Due to related parties (non-trade)		1,604	2,011	28	2,607
Redeemable Convertible Cumulative Preference Shares (current portion)	(b) & (c)	-	139,485	-	139,485
Current tax payable		2,372	1,979	-	-
		101,380	193,315	457	144,557
<b>Total liabilities</b>		<b>116,649</b>	<b>208,629</b>	<b>457</b>	<b>144,557</b>
<b>Total equity and liabilities</b>		<b>423,592</b>	<b>510,631</b>	<b>111,094</b>	<b>261,077</b>

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB2,963,000. (At 31/12/2008: RMB5,703,000) and Product Development in Progress of RMB214,018,000 (At 31/12/2008: RMB214,012,000) and Goodwill of RMB10,091,000 (At 31/12/2008: RMB10,091,000).
- (b) The Company issued and allotted 46,668,000 Redeemable Convertible Cumulative Preference Shares (“RCPS”) on 29 December 2006, at a subscription price of S\$0.60 for each RCPS to various subscribers, successfully raising net proceeds of S\$26.5 million, after the deduction of issuing expense of S\$1.5 million.
- (c) Pursuant to the formal requisitions made in August 2008 by several RCPS Holders, the Company had convened the RCPS Class Meeting in September 2008 whereby the RCPS Holders have approved, inter alia, the maturity date for the RCPS be amended and brought forward from 29 December 2011 to 19 February 2009. Payment of the preference cash dividends and cash redemption of RCPS have been made on 27 February 2009.

**1(b)(ii) Aggregate amount of group’s borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

	<b>As at 30 September 2009</b>		<b>As at 31 December 2008</b>	
	<b>Secured</b>	<b>Unsecured</b>	<b>Secured</b>	<b>Unsecured</b>
	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>	<b>RMB’000</b>
Bank Loan	50,000 *	-	-	-
Redeemable Convertible Cumulative Preference Shares	-	-	-	139,485

**Details of any collateral:**

\* The bank loan of RMB50 million as at 10 February 2009 was secured by property, plant and equipment in Hainan STAR.

**1(c) Consolidated Statement of Cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Consolidated cash flow statement for the period ended 30 September**

<b>Group</b>	<b>RMB'000</b>		<b>RMB'000</b>	
	<b>3 months ended 30 September 2009</b>	<b>3 months ended 30 September 2008</b>	<b>9 months ended 30 September 2009</b>	<b>9 months ended 30 September 2008</b>
<b>Cash flow from operating activities</b>				
<b>Profit before taxation</b>	<b>4,913</b>	<b>9,364</b>	<b>8,336</b>	<b>14,811</b>
Adjustments for:				
Amortization of deferred development costs	1,097	606	3,220	1,820
Amortization of lease prepayment	14	15	43	43
Amortisation of RCPS transaction cost	-	380	185	1,139
Depreciation of property, plant and equipment	1,478	1,887	4,526	4,870
Loss on disposal of property, plant and equipment	2	26	32	1,146
Product development in progress written off	4	-	1,470	-
Interest expense	858	5	2,064	17
Interest income	(56)	(1,858)	(314)	(3,909)
Exchange gain on RCPS	-	(7,728)	(9,621)	(7,728)
Dividend on RCPS	-	1,542	977	4,846
<b>Operating profit before working capital changes</b>	<b>8,310</b>	<b>4,239</b>	<b>10,918</b>	<b>17,055</b>
<b>Changes in working capital:</b>				
Inventories	(3,126)	2,471	114	(4,253)
Trade and bills receivables	(468)	(829)	(4,501)	(3,495)
Other receivables, prepayments and deposits	(1,469)	(4,159)	(8,977)	(5,656)
Trade and other payables	3,224	(8,104)	(2,122)	(1,788)
<b>Cash generated from/ (used in) operations</b>	<b>6,471</b>	<b>(6,382)</b>	<b>(4,568)</b>	<b>1,863</b>
Income tax paid	(835)	(260)	(3,361)	(1,827)
<b>Net cash generated from/ (used in) operating activities</b>	<b>5,636</b>	<b>(6,642)</b>	<b>(7,929)</b>	<b>36</b>
<b>Cash flows from investing activities</b>				
Payments for product development in progress	(464)	(94)	(1,956)	(559)
Purchase of property, plant and equipment	(755)	(3,794)	(3,069)	(5,340)
Proceeds from disposal of property, plant and equipment	3	-	131	-
Repayment deposit from potential investment	-	-	5,000	-

Deposit for patents	-	-	(22,404)	-
Interest received	56	1,858	314	3,909
<b>Net cash used in investing activities</b>	<b>(1,160)</b>	<b>(2,030)</b>	<b>(21,984)</b>	<b>(1,990)</b>
<b>Cash flows from financing activities</b>				
Proceeds from bank loan, net	-	-	50,000	-
Repayment to related parties	(168)	(200)	(407)	(5,021)
Repayment of bank loan	-	-	-	(30,000)
Payment of RCPS principle	-	-	(123,856)	-
Payment of RCPS dividends	-	(1)	(7,170)	(6,858)
Interest paid	(858)	(5)	(2,064)	(17)
<b>Net cash used in financing activities</b>	<b>(1,026)</b>	<b>(206)</b>	<b>(83,497)</b>	<b>(41,896)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
	<b>3,450</b>	<b>(8,878)</b>	<b>(113,410)</b>	<b>(43,850)</b>
Cash and cash equivalents at beginning of the period	47,406	164,756	164,266	199,728
<b>Cash and cash equivalents at end of the period</b>	<b>50,856</b>	<b>155,878</b>	<b>50,856</b>	<b>155,878</b>

1d(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) change in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.

**Consolidated Statement of Changes in Shareholders' Equity for the period ended 30 September**

<u>Group</u>	Share capital	Statutory reserves	Accumulated profits	Total attributable to equity holders of the parents	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2008</b>	<b>144,975</b>	<b>15,948</b>	<b>115,256</b>	<b>276,179</b>	<b>31,176</b>	<b>307,355</b>
Total comprehensive income for the period	-	-	13,282	13,282	(85)	13,197
<b>At 30 September 2008</b>	<b>144,975</b>	<b>15,948</b>	<b>128,538</b>	<b>289,461</b>	<b>31,091</b>	<b>320,552</b>
<b>At 1 January 2009</b>	<b>144,975</b>	<b>17,668</b>	<b>107,476</b>	<b>270,119</b>	<b>31,883</b>	<b>302,002</b>
Total comprehensive income for the period	-	-	6,127	6,127	(1,186)	4,941
<b>At 30 September 2009</b>	<b>144,975</b>	<b>17,668</b>	<b>113,603</b>	<b>276,246</b>	<b>30,697</b>	<b>306,943</b>

<b>Company</b>	<b>Share capital</b>	<b>Accumulated losses</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>At 1 January 2008</b>	144,975	(16,190)	128,785
Total comprehensive income for the period	-	(2,438)	(2,438)
<b>At 30 September 2008</b>	<b>144,975</b>	<b>(18,628)</b>	<b>126,347</b>
<b>At 1 January 2009</b>	<b>144,975</b>	<b>(28,455)</b>	<b>116,520</b>
Total comprehensive income for the period	-	(5,883)	(5,883)
<b>At 30 September 2009</b>	<b>144,975</b>	<b>(34,338)</b>	<b>110,637</b>

**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

On 15 February 2006, the Company launched its initial public offering ("IPO"). Total 46,825,000 ordinary shares were issued to the public. As a result of the Amendments, as at the date of our invitation, our Company has an issued and paid-up capital of S\$14,984,227, comprising 187,300,000 ordinary shares of no par value and has no authorized share capital.

As at 31 December 2006, the issued and paid-up capital of the Company was RMB 144,975,729 comprising 234,125,000 ordinary shares.

The Company issued and allotted 46,668,000 RCPS on 29 December 2006, at a subscription price of S\$0.60 for each RCPS to various subscribers, successfully raising net proceeds of S\$26.5 million. The RCPS are convertible to 46,668,000 ordinary shares at a conversion ratio of 1 RCPS to 1 Conversion Share at any time during the 5-year period from the issue date to the maturity date (i.e. 28 December 2011), subject to adjustment in the event of, amongst other things, the Company not attaining the target net profit before tax of RMB120 million for financial year 2009. A cumulative preference dividend of 5% will be payable on an annual basis to the RCPS holders.

The Company convened a RCPS Class Meeting in September 2008 whereby the RCPS Holders sought approval for the maturity date for the RCPS to be amended and brought forward from 29 December 2011 to 27 February 2009. Accordingly, the outstanding balance as at 31 December 2008 was reclassified as a current liability.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares excluding treasury shares: 234,125,000 (31 December 2008: 234,125,000)

**1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of the treasury shares at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Group's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation applied in the financial statements for the current financial year are consistent with those of the audited financial statements for the year ended 31 December 2008.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed as well as the reasons for, and the effect of, the change.**

The adoption of certain new/revised accounting standards effected on 1 January 2009 have no significant impact on the Group's result of operations.



**6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	3 months ended 30 September 2009	3 months ended 30 September 2008	9 months ended 30 September 2009	9 months ended 30 September 2008
Net Profit for the period (RMB'000)	4,054	9,220	6,127	13,282
No. of ordinary shares used in calculation of basic earning per share	234,125,000	234,125,000	234,125,000	234,125,000
<b>Earnings per ordinary share of the group, based on net profit attributable to the shareholders of the Company (in RMB cents):</b>				
(a) Based on weighted average number of ordinary share on issue: and (in RMB cents)	1.73	3.94	2.62	5.67
(b) On a fully diluted basis (in RMB cents)	1.73	1.22	2.62	4.11

- For the financial period ended 31 March 2009, the diluted earnings per share was the same as the basic earnings per share as the effects of the RCPS is anti-dilutive.

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-**

- (a) current financial year reported on ; and
- (b) immediate preceding financial year.

	Group		Company	
	9 months ended 30 September 2009	Year ended 31 December 2008	9 months ended 30 September 2009	Year ended 31 December 2008
Net asset value per ordinary share capital at the end of the period (in RMB cents)	131.1	129.0	47.3	49.8

**8. A review of the performance for the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the followings :-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for current financial period reported on, including ( where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

## Overview

The Group achieved a 22% growth in revenue to RMB38.0 million in 3Q09 on strong domestic demand in the PRC. Gross profit jumped 36% to RMB14.8 million on higher sales and gross margin expansion from 35% in 3Q08 to 39% in 3Q09. Despite better operating performance, net profit attributable to equity holders of the Company fell to RMB4.1 million (3Q08: RMB9.2 million) due to a one-off RMB7.7 million exchange gain in 3Q08 on revaluation of RCPS liabilities. Excluding the RMB7.7 million gain in 3Q08 for comparative purpose, net profit attributable to equity holders of the Company would have almost tripled from the adjusted RMB1.5 million in 3Q08 to RMB4.1 in 3Q09.

For 9 months to date, net profit attributable to equity holders of the Company amounted to RMB6.1 million (9M08: RMB13.3 million) on revenue of RMB102.2 million (9M08: RMB88.2 million). Had the RMB7.7 million one-off exchange gain in 9M08 been excluded, net profit attributable to equity holders of the Company would have risen 18.2% from the adjusted RMB5.6 million in 9M08.

## Revenue

Group revenue rose 22% to RMB38.0 million in 3Q09 supported by growing demand in the PRC for the Group's antibiotics and other specialized drugs.

	3 months ended 30 September 2009	3 months ended 30 September 2008	Change		9 months ended 30 September 2009	9 months ended 30 September 2008	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	26,364	21,742	21	4,622	72,318	56,838	27	15,480
Cardiovascular drugs and cerebrovascular drugs	1,064	2,416	(56)	(1,352)	5,068	7,536	(33)	(2,468)
Other specialized drugs	10,417	6,805	53	3,612	23,927	18,661	28	5,266
TCM R&D	141	133	6	8	862	5,155	(83)	(4,293)
<b>Total</b>	<b>37,986</b>	<b>31,096</b>	<b>22</b>	<b>6,890</b>	<b>102,175</b>	<b>88,190</b>	<b>16</b>	<b>13,985</b>

The Group's key product segment, antibiotics, delivered 21% jump in revenue to RMB26.4 million in 3Q09 on strong domestic demand for Azithromycin Aspartate for Injection, Aztreonam for Injection and the newly launched Cefpiramide Sodium for Injection. Antibiotics remained the largest revenue contributor, accounting for 69% of Group revenue in 3Q09.

Cardiovascular drugs and cerebrovascular drugs registered sales of RMB1.1 million in 3Q09, which was down 56% from the RMB2.4 million in 3Q08. This was due to weaker demand for major product, Cerebroprotein Hydrolysate Injection.

Other specialized drugs sales soared 53% to RMB10.4 million in 3Q09 on strong demand for Potassium Sodium Dehydroandrographolide, Potassium Sodium Dehydroandrographolide Succinate for Injection, Vecuronium Bromide for Injection, and Amoxicillin and Dicloxacillin Sodium Tablets.

TCM R&D revenue - upfront fee and share of future profit from preliminary TCM R&D results – rose 6% to RMB141k in 3Q09 from RMB133k in 3Q08.

### **Profitability**

Gross profit surged 36% from RMB10.9 million in 3Q08 to RMB14.8 million in 3Q09 on higher revenue and margin. Gross profit margin expanded from 35% in 3Q08 to 39%.

Other income plunged 98% from RMB7.9 million in 3Q08 to RMB182k in 3Q09. This was due to the non-recurrence of a one-off exchange gain of RMB7.7 million on revaluation of RCPS liabilities in 3Q08.

Selling and distribution expenses increased 59% from RMB1.9 million in 3Q08 to RMB3.0 million in 3Q09 as business volume increased. Successful cost control measures kept administrative expenses in check, dipping 19%. Other expenses increased 831% was due to reclassification of certain expenses from “Administrative expenses” to “Other expenses” in FY2009.

Financial income decreased from RMB1.9 million in 3Q08 to RMB0.06 million in 3Q09 as interest income fell on lower fixed deposit.

Financial expenses dropped from RMB2.1 million in 3Q08 to RMB0.8 million in 3Q09 as the Group no longer incurs interest on the RCPS which was fully redeemed in 1Q09.

Taxation increased from RMB0.6 million in 3Q08 to RMB1.3 million in 3Q09 due to higher income tax rate starting FY2009 and an under-provision of income tax expenses for FY2008. The Group’s concessionary 9% tax rate ended in FY2008 after the new PRC tax laws came into effect on 1 January 2008 which stipulates a unified income tax rate of 25%. As a high-tech enterprise, the Group is entitled to a preferential income tax rate of 15% which will however increase going forward due to the increase in applicable income tax rate starting from FY2009.

Net profit attributable to equity holders decreased 56% from RMB9.2 million in 3Q08 to RMB4.1 million in 3Q09. For comparative purpose, excluding the RMB7.7 million exchange gain on revaluation of RCPS liabilities recognized in 3Q08, net profit attributable to equity holders of the Company would have almost tripled from the adjusted RMB1.5 million in 3Q08 to RMB 4.1 in 3Q09.

**Financial Position**  
*(30 September 2009 vs. 31 December 2008)*

Non-current assets fell from RMB279.0 million to RMB275.0 million. Property, plant and equipment decreased from RMB47.9 million to RMB46.3 million due to depreciation and equipment disposal. Intangibles assets also dropped from RMB229.8 million to RMB227.1 million as a result of amortization of the intangible assets and disposal of product development in progress.

Current assets declined from RMB231.7 million to RMB149.0 million. Inventories remained relatively unchanged from RMB28.3 million to RMB28.2 million. Trade & bills receivables increased from RMB4.7 million to RMB9.2 million in line with higher sales. Other receivables, prepayments and deposits increased from RMB34.3 million to RMB60.8 million as the Group put down initial deposits for the acquisitions of certain product manufacturing rights and technical know-how. Cash and cash equivalents fell from RMB164.3 million to RMB50.9 million due to the utilization of funds to fully redeem the RCPS in 1Q09 and clear most debts.

Non-current liabilities comprising deferred tax liabilities remained at RMB15.3 million level.

Current liabilities fell from RMB193.3 million to RMB101.4 million. Trade and other payables decreased from RMB49.8 million to RMB47.4 million due to repayments. The Group procured RMB50 million in bank loan in 2Q09 to partially finance the redemption of RCPS. Amount due to related parties also declined from RMB2.0 million to RMB1.6 million due to repayments. RCPS was fully redeemed in 1Q09 bringing the RCPS liabilities down to zero.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group maintains cautiousness even as it improved operating performance in the quarter amidst an uncertain environment. Long-term growth remains the cornerstone of the Group's strategic efforts.

Investments in product R&D continue to be key in maintaining a strong innovative product pipeline. The Group will also continue to strengthen its business development efforts by further expanding domestic sales and capture opportunities to grow both internally and externally. The Chinese government's industry-stimulus package and ongoing health care reform extending health insurance coverage to the rural population will provide impetus for the growth of the Chinese pharmaceutical market.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

**Ordinary Shares:**

No.

**RCPS:**

No

**(b) Corresponding Period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

**Ordinary Shares:**

NIL

**RCPS:**

NIL

**(c) Date payable**

**Ordinary Shares:**

Not applicable.

**RCPS:**

Not applicable.

**(d) Book Closure Date**

**Ordinary Shares:**

Not applicable.

**RCPS:**

Not applicable.

**12. If no dividend has been declared/recommend, a statement to that effect.**

No dividend has been declared.

**13. Negative Assurance Confirmation pursuant to SGX Listing Rule 705(4)**

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Third Quarter Results of the Group for the financial period ended 30 September 2009 to be false or misleading in any material aspect.

**By Order of the Board**

**Wong Kai  
Chairman  
13 November 2009**