



**STAR**

**STAR PHARMACEUTICAL LIMITED**

Registration No. 200500429W

**UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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 31 December 2009	3 months ended 31 December 2008	Increase/ (decrease) +/-	Year ended 31 December 2009	Year ended 31 December 2008	Increase/ (decrease) +/-
	(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
<b>Revenue</b>	39,038	30,089	30	141,213	118,279	19
Cost of sales	(25,976)	(24,231)	7	(88,107)	(72,403)	22
<b>Gross Profit</b>	<b>13,062</b>	<b>5,858</b>	123	<b>53,106</b>	<b>45,876</b>	16
Other income	2,902	666	336	3,930	9,149	(57)
Selling and distribution expenses	(7,470)	(6,986)	7	(17,361)	(16,393)	6
Administrative expenses	(12,977)	(10,555)	23	(30,135)	(32,205)	(6)
Other expenses	(50,684)	(11,945)	324	(51,568)	(12,268)	320
<b>Loss from operations</b>	<b>(55,167)</b>	<b>(22,962)</b>	140	<b>(42,028)</b>	<b>(5,841)</b>	620
Finance income	-	7,709	n.m.	312	11,618	(97)
Finance expenses	(1,399)	(1,734)	(19)	(6,514)	(7,953)	(18)
<b>Loss before income tax</b>	<b>(56,566)</b>	<b>(16,987)</b>	233	<b>(48,230)</b>	<b>(2,176)</b>	2116
Income tax	1,076	(1,563)	n.m.	(2,319)	(3,177)	(27)
<b>Loss for the period/year</b>	<b>(55,490)</b>	<b>(18,550)</b>	199	<b>(50,549)</b>	<b>(5,353)</b>	844
<b>Attributable to:</b>						
Equity holders of the parent	(54,949)	(19,342)	184	(48,822)	(6,060)	706
Minority interest	(541)	792	n.m.	(1,727)	707	n.m.
<b>Loss for the period/year</b>	<b>(55,490)</b>	<b>(18,550)</b>	199	<b>(50,549)</b>	<b>(5,353)</b>	844
<b>Earnings per share (RMB cents)</b>						
- Basic (weighted average)	(23.47)	(8.26)		(20.85)	(2.60)	
- Fully diluted	(23.47)	(8.26)		(20.85)	(2.60)	

n.m – not meaningful.

Consolidation statement of Comprehensive Income for the year

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 31 December 2009 (Unaudited)	3 months ended 31 December 2008 (Unaudited)	Increase/ (decrease) +/(-)	Year ended 31 December 2009 (Unaudited)	Year ended 31 December 2008 (Audited)	Increase/ (decrease) +/(-)
<b>Loss for the period/year</b>	<b>(55,490)</b>	<b>(18,550)</b>	199	<b>(50,549)</b>	<b>(5,353)</b>	844
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
<b>Other comprehensive expense for the period/year, net of tax</b>	<b>(55,490)</b>	<b>(18,550)</b>	199	<b>(50,549)</b>	<b>(5,353)</b>	844
<b>Total comprehensive expense attributable to :</b>						
Equity holders of the period/year	(54,949)	(19,342)	184	(48,822)	(6,060)	706
Minority interest	(541)	792	n.m.	(1,727)	707	n.m.
	<b>(55,490)</b>	<b>(18,550)</b>	199	<b>(50,549)</b>	<b>(5,353)</b>	844

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	(Unaudited) 3 months ended 31 December 2009	(Unaudited) 3 months ended 31 December 2008	(Unaudited) Year ended 31 December 2009	(Audited) Year ended 31 December 2008
<b>Profit before tax is arrived at after charging / (crediting) :</b>				
Interest income	-	(1,893)	(312)	(4,658)
Interest on borrowings	1,188	172	3,252	189
Foreign exchange loss/(gain)	209	(589)	2,285	(6,960)
Dividend on RCPS	-	2,918	977	7,764
Depreciation of property, plant and equipment	1,419	2,125	5,945	6,995
Amortisation of deferred development costs	946	2,964	4,166	4,784
Amortisation of lease prepayment	14	14	57	57
Amortisation of RCPS transaction cost	-	3,356	185	4,495
Bad trade debts written off	3,149	1,743	3,149	1,743
(Gain)/loss on disposal of property, plant and equipment	(13)	-	19	-
Impairment loss on goodwill	5,000	9,091	5,000	9,091
Product development in progress written off	45,457	782	46,927	782

**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	
		31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-current assets</b>		<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
Property, plant and equipment		44,870	47,930	36	43
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		1,162	1,219	-	-
Intangible assets	(a)	176,604	229,806	-	-
		<b>222,636</b>	<b>278,955</b>	<b>76,643</b>	<b>76,650</b>
<b>Current assets</b>					
Inventories		23,247	28,296	-	-
Trade and bills receivables		2,289	4,733	-	-
Other receivables, prepayments and deposits		57,778	34,251	29,817	23,146
Due from a subsidiary (non-trade)		-	-	50,000	127,507
Due from a related party (non-trade)		-	130	-	-
Cash and bank balances		63,733	164,266	3,938	33,774
		<b>147,047</b>	<b>231,676</b>	<b>83,755</b>	<b>184,427</b>
<b>Total assets</b>		<b>369,683</b>	<b>510,631</b>	<b>160,398</b>	<b>261,077</b>
<b>Equity</b>					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		18,810	17,668	-	-
Accumulated profits/(losses)		71,086	107,476	13,412	(28,455)
		<b>234,871</b>	<b>270,119</b>	<b>158,387</b>	<b>116,520</b>
Minority interests		17,582	31,883	-	-
<b>Total equity</b>		<b>252,453</b>	<b>302,002</b>	<b>158,387</b>	<b>116,520</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		15,254	15,314	-	-
		15,254	15,314	-	-
<b>Current liabilities</b>					
Trade and other payables		49,944	49,840	1,983	2,465
Secured bank loan		50,000	-	-	-
Due to related parties (non-trade)		1,851	2,011	28	2,607
Redeemable Convertible Cumulative Preference Shares	(b)	-	139,485	-	139,485
Current tax payable		181	1,979	-	-
		101,976	193,315	2,011	144,557
<b>Total liabilities</b>		<b>117,230</b>	<b>208,629</b>	<b>2,011</b>	<b>144,557</b>
<b>Total equity and liabilities</b>		<b>369,683</b>	<b>510,631</b>	<b>160,398</b>	<b>261,077</b>

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB1,877,000. (At 31/12/2008: RMB5,703,000) and Product Development in Progress of RMB169,636,000 (At 31/12/2008: RMB214,012,000) and Goodwill of RMB5,091,000 (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.

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

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

	As at 31 December 2009		As at 31 December 2008	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)		(Audited)	
Bank Loan	50,000 *	-	-	-
Redeemable Convertible Cumulative Preference Shares	-	-	-	139,485

**Details of any collateral:**

\* The bank loan of RMB50.0 million as at 31 December 2009 was secured by property, plant and equipments of NBV of approximately RMB38.2 million of a subsidiary and an other independent third party debtor. Net carrying amount of the pledged property, plant and equipment in Hainan STAR’s books amounted to approximately RMB38.2 million.

**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 31 December**

<b>Group</b>	<b>RMB'000</b>		<b>RMB'000</b>	
	<b>3 months ended 31 December 2009</b>	<b>3 months ended 31 December 2008</b>	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
<b>Cash flow from operating activities</b>				
<b>Loss before income tax</b>	<b>(56,566)</b>	<b>(16,987)</b>	<b>(48,230)</b>	<b>(2,176)</b>
Adjustments for:				
Amortisation of deferred development costs	946	2,964	4,166	4,784
Amortisation of lease prepayment	14	14	57	57
Amortisation of RCPS transaction cost	-	3,356	185	4,495
Impairment loss on goodwill	5,000	9,091	5,000	9,091
Impairment loss on deferred development costs	-	1,016	-	1,016
Depreciation of property, plant and equipment	1,419	2,125	5,945	6,995
Loss on disposal of property, plant and equipment	25	-	57	2
Gain on disposal of property, plant and equipment	(38)	-	(38)	-
Product development in progress written off	45,457	782	46,927	782
Interest expense	1,188	172	3,252	189
Interest income	-	(1,893)	(312)	(4,658)
Exchange gain on RCPS	-	(553)	(9,621)	(8,281)
Dividend on RCPS	-	2,918	977	7,764
<b>Operating (loss) / profit before working capital changes</b>	<b>(2,555)</b>	<b>3,005</b>	<b>8,365</b>	<b>20,060</b>
<b>Changes in working capital:</b>				
Inventories	4,935	(7,466)	5,049	(11,719)
Trade and bills receivables	6,945	4,680	2,444	1,185
Other receivables, prepayments and deposits	3,984	8,363	(4,993)	2,707
Trade and other payables	2,341	4,333	219	2,545
<b>Cash generated from operations</b>	<b>15,650</b>	<b>12,915</b>	<b>11,084</b>	<b>14,778</b>
Income tax paid	(931)	(858)	(4,292)	(2,685)
<b>Net cash generated from operating activities</b>	<b>14,719</b>	<b>12,057</b>	<b>6,792</b>	<b>12,093</b>

<b>Cash flows from investing activities</b>				
Payments for product development in progress	(935)	(920)	(2,891)	(1,479)
Purchase of property, plant and equipment	(99)	(1,567)	(3,168)	(6,907)
Proceeds from disposal of property, plant and equipment	133	59	264	59
Deposit for potential investment	-	(5,000)	-	(5,000)
Deposit for patents	-	-	(22,404)	-
Repayment deposit from potential investment	-	-	5,000	-
Interest received	-	(815)	312	3,094
<b>Net cash used in investing activities</b>	<b>(901)</b>	<b>(8,243)</b>	<b>(22,887)</b>	<b>(10,233)</b>
<b>Cash flows from financing activities</b>				
Advance from a related parties	-	33	-	33
Proceeds from bank loan	-	-	50,000	-
Repayment to related parties	247	4,713	(160)	(308)
Repayment of bank loan	-	-	-	(30,000)
Repayment of RCPS principal	-	-	(123,856)	-
Payment of RCPS dividends	-	-	(7,170)	(6,858)
Interest paid	(1,188)	(172)	(3,252)	(189)
<b>Net cash (used in)/generated from financing activities</b>	<b>(941)</b>	<b>4,574</b>	<b>(84,438)</b>	<b>(37,322)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,877</b>	<b>8,388</b>	<b>(100,533)</b>	<b>(35,462)</b>
Cash and cash equivalents at beginning of the period/year	50,856	155,878	164,266	199,728
<b>Cash and cash equivalents at end of the period/year</b>	<b>63,733</b>	<b>164,266</b>	<b>63,733</b>	<b>164,266</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 31 December**

<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 expense for the year	-	-	(6,060)	(6,060)	707	(5,353)
Transferred to statutory reserves	-	1,720	(1,720)	-	-	-
<b>At 31 December 2008</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>
<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 expense for the year	-	-	(48,822)	(48,822)	(1,727)	(50,549)
Transferred to statutory reserves	-	1,142	(1,142)	-	-	-
Gain/(loss) on dilution of Minority Interest in a subsidiary	-	-	13,574	13,574	(13,574)	-
Additional investment contribution by Minority interest	-	-	-	-	1,000	1,000
<b>At 31 December 2009</b>	<b>144,975</b>	<b>18,810</b>	<b>71,086</b>	<b>234,871</b>	<b>17,582</b>	<b>252,453</b>

<u>Company</u>	Share capital	Accumulated profit/(losses)	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 January 2008</b>	<b>144,975</b>	<b>(16,190)</b>	<b>128,785</b>
Total comprehensive expense for the year	-	(12,265)	(12,265)
<b>At 31 December 2008</b>	<b>144,975</b>	<b>(28,455)</b>	<b>116,520</b>
<b>At 1 January 2009</b>	<b>144,975</b>	<b>(28,455)</b>	<b>116,520</b>
Total comprehensive income for the year	-	41,867	41,867

At 31 December 2009	144,975	13,412	158,387
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- 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.**

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 paid 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.

Payment of the preference cash dividends and cash redemption of RCPS has been made on 27 February 2009.

- 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 financial 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 has 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 31 December 2009	3 months ended 31 December 2008	Year ended 31 December 2009	Year ended 31 December 2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net Amount attributable to equity shareholders for the year (RMB'000)	(54,949)	(19,342)	(48,822)	(6,060)
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)	(23.47)	(8.26)	(20.85)	(2.60)
(b) On a fully diluted basis (in RMB cents)	(23.47)	(8.26)	(20.85)	(2.60)

- For the financial period/year ended 31 December 2009, the diluted earnings per share were 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.**

	<b>Group</b>		<b>Company</b>	
	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Net asset value per ordinary share capital at the end of the year (in RMB cents)	107.8	129.0	67.7	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 30% growth in revenue to RMB39.0 million in 4Q09 on strong domestic demand in the PRC. Gross profit increased 123% to RMB13.1 million on higher sales and gross margin improved from 19.5% in 4Q08 to 33.5% in 4Q09. Despite better operating performance, net loss attributable to equity holders of the Company widened to RMB48.8 million (4Q08 loss: RMB19.3 million) due to write-off of a substantial development project of Western Cat 1 Drug (Hydrochloride), which is used for treatment of high-blood pressure, amounting to RMB45.5 million.

## Revenue

Group revenue rose 30% to RMB39.0 million in 4Q09 supported by growing demand in the PRC for the Group's antibiotics and other specialized drugs.

	3 months ended 31 December 2009	3 months ended 31 December 2008	Change		Year ended 31 December 2009	Year ended 31 December 2008	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	28,276	20,266	40	8,010	100,594	77,105	30	23,489
Cardiovascular drugs and cerebrovascular drugs	154	2,347	(93)	(2,193)	5,221	9,883	(47)	(4,662)
Other specialized drugs	10,608	7,466	42	3,142	35,298	26,127	35	9,171
TCM R&D	-	10	(100)	(10)	100	5,164	(98)	(5,064)
<b>Total</b>	<b>39,038</b>	<b>30,089</b>	<b>30</b>	<b>8,949</b>	<b>141,213</b>	<b>118,279</b>	<b>19</b>	<b>22,934</b>

The Group's key product segment, antibiotics, delivered 40% jump in revenue to RMB28.3 million in 4Q09 on strong domestic demand for Ceftriaxone Sodium for Injection, Aztreonam for Injection and the newly launched Cefpiramide Sodium for Injection. Antibiotics remained the largest revenue contributor, accounting for 72% of Group revenue in 4Q09.

Cardiovascular drugs and cerebrovascular drugs registered sales of RMB0.2 million in 4Q09, which was down 93% from the RMB2.3 million in 4Q08. This was due to weaker demand for major product, Cerebroprotein Hydrolysate Injection and Propylgallate Injection.

Other specialized drugs sales soared 42% to RMB10.6 million in 4Q09 on strong demand for Potassium Sodium Dehydroandrographolide Succinate for Injection Amoxicillin and Dicloxacillin Sodium Tablets.

The Group's budding TCM (Traditional Chinese Medicine) business is currently still in the gestation stage and has yet to contribute consistent sales revenue. In particular, the Group's revenue was adversely affected by a substantial decline in the sale of TCM R&D results in FY2009.

## Profitability

Gross profit surged 123% from RMB5.9 million in 4Q08 to RMB13.1 million in 4Q09 on higher revenue and margin as a result of our sales and marketing efforts and robust growth in domestic sales. Gross margin increased from 19.5% in 4Q08 to 33.5% in the

current period as cost of sales only increased 7% against a 30% increase in revenue as a result of our constant measures to keep costs down despite general prices inflation in the market.

Other income surged 336% from RMB0.7 million in 4Q08 to RMB2.9 million in 4Q09. This was due to the transfer of approximately RMB2.3 million in government grants from capital reserve to other revenue in 4Q09.

Selling and distribution expenses increased 7% from RMB7.0 million in 4Q08 to RMB7.5 million in 4Q09 as business volume increased. Administrative expenses slightly increased from RMB10.6 million in 4Q08 to RMB13.0 million in 4Q09. Increase was mainly due to the Group recognising RMB3.1 million in allowance for doubtful debts.

Other expenses increased substantially by 324% to RMB50.7 million in 4Q09 due to an impairment loss on goodwill of RMB 5.0 million and write-off of a Western Category 1 drug development project named Hydrochloride amounting to RMB45.5 million. The write off was derived based on certain key issues discussed below which inevitably became the primary reasons resulting in such action.

One of the main issues leading to the write off was the implementation of the new government policy in relation to new drugs registration, which has deemed our phase I clinical trial test results no longer in compliance. As a result, we must re-perform the phase I clinical trial with new dosages before we can proceed with a phase II clinical trial which will greatly increase the risks associated with the development of this category 1 drug, as well as funding requirements on the repeated stage of clinical tests. After numerous discussions with clinical experts and internally, management believes that with the increased risks we are currently confronting, it is in the best interest of the Company to write off this development in progress and focus its resources on development of other potential new drugs with more certainty and other areas of business.

Finance income decreased from RMB11.6 million in FY2008 to RMB0.3 million in FY2009 as interest income fell on lower bank fixed deposits.

Finance expenses dropped from RMB8.0 million in FY2008 to RMB6.5 million in FY2009 as the Group no longer incurs interest on the RCPS which was fully redeemed in 1Q09.

Income tax fell to RMB 1.1 million in 4Q09 due to the effect of the reversal of over-provision of taxation of RMB1.98 million in 4Q09.

Net loss attributable to equity holders widened by 184% from RMB19.3 million in 4Q08 to RMB54.9 million in 4Q09 as a result of factors discussed above.

## **Financial Position**

*(31 December 2009 vs. 31 December 2008)*

Non-current assets fell from RMB279.0 million to RMB222.6 million. Property, plant and equipment decreased from RMB47.9 million to RMB44.9 million due to depreciation and equipment disposal. Intangibles assets also dropped from RMB229.8 million to RMB176.6 million as a result of impairment loss on goodwill of RMB 5.0 million and write-off amounting to RMB45.5 million of product development in progress.

Current assets declined from RMB231.7 million to RMB147.0 million. Inventories declined 17.8% from RMB28.3 million to RMB23.2 million. Trade & bills receivables fell 51.6% from RMB4.7 million to RMB2.3 million due to better collection of trade debts. Other receivables, prepayments and deposits increased from RMB34.3 million to RMB57.8 million due to increased prepayments on purchases of raw material increased and deposit for patent of approximately RMB22.0 million. Cash and bank balances fell from RMB164.3 million to RMB63.7 million due to the utilization of funds to fully redeem the RCPS in 1Q09.

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

Current liabilities fell from RMB193.3 million to RMB102.0 million. Trade and other payables remained at RMB49.9 million on settlement of most of the long outstanding debt. The Group obtained a RMB50.0 million in bank loan in 2Q09 to partially finance the redemption of RCPS. Amount due to related parties also declined slightly from RMB2.0 million to RMB1.9 million due to repayments. RCPS was fully redeemed in 1Q09.

**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 product pipeline will be refreshed through continuous investments in Research and Development. 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.

Even as it improved operating performance in the quarter amidst an uncertain environment, the Group remains cautiously optimistic. The cornerstone of the Group's strategic efforts continues to be sustainable long term growth.

## 11. Dividend

### (a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

#### **Ordinary Shares:**

The Board recommended the following amount to be declared for FY2009, subject to shareholders' and SAFE's approval:

Name of Dividend: First and Final Dividend  
Dividend Type: Cash  
Amount per share: S\$0.01 per share

#### **RCPS:**

Nil.

### (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:**

The Board has declared the following amount for FY2008:

Name of Dividend: Preference Dividend  
Dividend Type: Cash  
Amount per RCPS: S\$0.03 per share

### (c) Date payable

#### **Ordinary Shares:**

To be announced at a later date.

#### **RCPS:**

Not applicable.

**(d) Book Closure Date**

**Ordinary Shares:**

To be announced at a later date.

**RCPS:**

Not applicable.

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

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group’s main businesses are those relating to the research and development, manufacturing and trading of pharmaceutical products and it operates mainly in the PRC. Accordingly, the Group is not subject to different risks and returns in its activities and geographical regions in which it operates.

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Note 8 for the review of performance by business.

**15. A breakdown of sales.**

	<b>FY2009</b>	<b>FY2008</b>	<b>Increases/(Decreases)</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue for first half of the year</b>	64,189	57,094	7,095	12.43
<b>Operating profit after tax for the first half of the year</b>	1,335	4,394	(3,059)	(69.62)
<b>Revenue for second half of the year</b>	77,024	61,185	15,839	25.89
<b>Operating loss after tax for the second half of the year</b>	(51,884)	(9,747)	42,137	432.30

**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	<b>FY2009</b>	<b>FY2008</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Ordinary Shares	Nil	Nil
RCPS	7,170	6,858

**17. Interested parties transactions**

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than RMB 100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than RMB 100,000)	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Purchases from:				
Zhou Ya Wei (Director of a subsidiary)				
Payment on behalf for a subsidiary	15,000	-	-	-

Hainan STAR has disposed a property to Deputy Finance Director during the year and received a sales proceeds of RMB0.17 million. Further, Marketing Manager has placed a deposit of RMB0.09 million to procure a property owned by the Subsidiary during the year. The disposal will be completed in FY2010.



**By Order of the Board**

**Wong Kai  
Chairman  
1 March 2010**