



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011	3 months ended 31 December 2010	Increase/ (decrease) +/-(-)	Year ended 31 December 2011	Year ended 31 December 2010	Increase/ (decrease) +/-(-)
(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)	
	(Unaudited)	(Unaudited)		(Unaudited)	(Audited)	
Revenue	17,521	27,449	(36)	83,152	127,803	(35)
Cost of sales	(14,033)	(21,984)	(36)	(63,135)	(84,887)	(26)
Gross Profit	3,488	5,465	(36)	20,017	42,916	(53)
Other income	1,111	8,063	(86)	1,717	9,389	(82)
Selling and distribution expenses	(753)	(2,066)	(64)	(1,379)	(11,911)	(88)
Administrative expenses	(7,817)	(8,165)	(4)	(23,151)	(24,689)	(6)
Other expenses	(4,614)	(7,720)	(40)	(5,251)	(8,591)	(39)
(Loss) / Profit from operations	(8,585)	(4,423)	94	(8,047)	7,114	n.m
Finance income	14	478	(97)	46	881	(95)
Finance expenses	(1,283)	(838)	53	(4,305)	(3,442)	25
(Loss) / profit before income tax	(9,854)	(4,783)	106	(12,306)	4,553	n.m
Income tax	311	631	(51)	(143)	(2,080)	(93)
(Loss) / profit for the period/year	(9,543)	(4,152)	130	(12,449)	2,473	n.m
Attributable to:						
Equity holders of the parent	(9,323)	(4,029)	131	(11,539)	3,599	n.m
Minority interest	(220)	(123)	79	(910)	(1,126)	(19)
(Loss) / profit for the period/year	(9,543)	(4,152)	130	(12,449)	2,473	n.m
Earnings per share (RMB cents)						
- Basic (weighted average)	(3.98)	(1.72)		(4.93)	1.54	
- Fully diluted	(3.98)	(1.72)		(4.93)	1.54	

n.m – not meaningful.

Consolidation statement of Comprehensive Income for the year

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 31 December 2011 (Unaudited)	3 months ended 31 December 2010 (Unaudited)	Increase/ (decrease) +/(–)	Year ended 31 December 2011 (Unaudited)	Year ended 31 December 2010 (Audited)	Increase/ (decrease) +/(–)
(Loss) / profit for the period/year	(9,543)	(4,152)	130	(12,449)	2,473	n.m
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
Other comprehensive (loss) / income for the period/year, net of tax	(9,543)	(4,152)	130	(12,449)	2,473	n.m
Total comprehensive (loss) / income attributable to :						
Equity holders of the period/year	(9,323)	(4,029)	131	(11,539)	3,599	n.m
Minority interest	(220)	(123)	79	(910)	(1,126)	(19)
	(9,543)	(4,152)	130	(12,449)	2,473	n.m

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	(Unaudited) 3 months ended 31 December 2011	(Unaudited) 3 months ended 31 December 2010	(Unaudited) Year ended 31 December 2011	(Audited) Year ended 31 December 2010
Profit before tax is arrived at after charging / (crediting) :				
Interest income	15	258	46	650
Interest on borrowings	1,138	833	4,052	3,400
Foreign exchange loss / (gain)	140	(220)	218	(231)
Depreciation of property, plant and equipment	1,805	1,523	5,665	6,080
Amortisation of deferred development costs	736	1,014	2,526	3,566
Amortisation of lease prepayment	14	14	57	57
Loss on disposal of property, plant and equipment	243	439	434	626
Impairment loss on goodwill	-	5,091	-	5,091
Impairment of other receivables	2,815	1,952	2,815	1,952
Product development in progress written off	1,010	-	1,010	-

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 2011 RMB'000 (Unaudited)	31 Dec 2010 RMB'000 (Audited)	31 Dec 2011 RMB'000 (Unaudited)	31 Dec 2010 RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		69,538	55,452	12	23
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		1,047	1,105	-	-
Intangible assets	(a)	166,758	169,590	-	-
Other receivables, prepayments and deposits		14,800	14,800	-	-
		252,143	240,947	76,619	76,630
Current assets					
Inventories		9,682	25,305	-	-
Trade and bills receivables		2,527	4,772	-	-
Other receivables, prepayments and deposits		67,677	69,317	6,944	8,892
Due from a subsidiary (non-trade)		-	-	52,180	54,301
Cash and bank balances		18,205	20,055	452	2,996
		98,091	119,449	59,576	66,189
Total assets		350,234	360,396	136,195	142,819
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		18,810	18,810	-	-
Accumulated profits/(losses)		50,016	61,555	(11,780)	(4,428)
		213,801	225,340	133,195	140,547
Minority interests		15,546	16,456	-	-
Total equity		229,347	241,796	133,195	140,547
Non-current liabilities					
Deferred tax liabilities		15,096	15,175	-	-
		15,096	15,175	-	-
Current liabilities					
Trade and other payables		40,994	50,565	2,187	2,272
Secured bank loan		60,000	49,200	-	-
Due to related parties (non-trade)		4,770	2,931	813	-
Current tax payable		27	729	-	-
		105,791	103,425	3,000	2,272
Total liabilities		120,887	118,600	3,000	2,272
Total equity and liabilities		350,234	360,396	136,195	142,819

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB7,738,000. (At 31/12/2010: RMB9,564,000) and Product Development in Progress of RMB159,020,000 (At 31/12/2010: RMB160,026,000).

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 2011		As at 31 December 2010	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)		(Audited)	
Bank Loan	60,000 *	-	49,200 *	-

Details of any collateral:

*The bank loan was secured on property, plant and equipment and land use rights with carrying amounts of approximately RMB31.6 million and RMB 1.0 million respectively. The interest was charged at average of 9.02% per annum in FY2011 (FY2010: 9.39%).

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

<u>Group</u>	RMB'000		RMB'000	
	3 months ended 31 December 2011	3 months ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flow from operating activities				
(Loss)/Profit before income tax	(9,854)	(4,783)	(12,306)	4,553
Adjustments for:				
Amortisation of deferred development costs	736	1,014	2,526	3,566
Amortisation of lease prepayment	14	14	57	57
Impairment loss on goodwill	-	5,091	-	5,091
Allowance for impairment of other receivables	2,815	1,952	2,815	1,952
Reversal of other payables	-	5,031	-	5,031
Depreciation of property, plant and equipment	1,805	1,523	5,665	6,080
Loss on disposal of property, plant and equipment	243	439	434	626
Product development in progress written off	1,010	-	1,010	-
Interest expense	1,138	833	4,052	3,400
Interest income	(15)	(258)	(46)	(650)
Operating (loss) / profit before working capital changes	(2,108)	10,856	4,207	29,706
Changes in working capital:				
Inventories	6,907	(9,397)	15,623	(2,058)
Trade and bills receivables	3,991	6,311	2,245	(2,484)
Other receivables, prepayments and deposits	(7,137)	26,017	4,149	1,697
Trade and other payables	13,692	(13,570)	(4,800)	(4,410)
Cash generated from operations	15,345	20,217	21,424	22,451
Income tax paid	(133)	(821)	(924)	(3,369)
Net cash generated from operating activities	15,212	19,396	20,500	19,082

Cash flows from investing activities				
Payments for product development in progress	(600)	(1,351)	(704)	(1,643)
Purchase of property, plant and equipment	(5,951)	(13,435)	(20,284)	(19,690)
Prepayments for plant and equipment	-	(9,357)	(324)	(9,357)
Proceeds from disposal of property, plant and equipment	99	975	99	2,402
Advances for product manufacturing rights and technical know-how	(5,000)	(39,800)	(5,000)	(39,800)
Refund of deposit from potential investment	-	18,439	-	19,170
Interest received	15	258	46	650
Net cash used in investing activities	(11,437)	(44,271)	(26,167)	(48,268)
Cash flows from financing activities				
Advance from a related parties	-	972	-	1,080
Advances from bank loan	60,000	-	60,000	49,200
Repayment to related parties	(3,697)	-	(2,931)	-
Payment of bank loan	(49,200)	-	(49,200)	(50,000)
Payment of dividend to shareholders	-	-	-	(11,372)
Interest paid	(1,138)	(833)	(4,052)	(3,400)
Net cash generated / (used in) from financing activities	5,965	139	3,817	(14,492)
Net increase / (decrease) in cash and cash equivalents	9,740	(24,736)	(1,850)	(43,678)
Cash and cash equivalents at beginning of the period/year	8,465	44,791	20,055	63,733
Cash and cash equivalents at end of the period/year	18,205	20,055	18,205	20,055

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
At 1 January 2010	144,975	18,810	69,328	233,113	17,582	250,695
Total comprehensive income / (loss) for the year	-	-	3,599	3,599	(1,126)	2,473
Dividend Paid	-	-	(11,372)	(11,372)	-	(11,372)
At 31 December 2010	144,975	18,810	61,555	225,340	16,456	241,796
At 1 January 2011	144,975	18,810	61,555	225,340	16,456	241,796
Total comprehensive loss for the year	-	-	(11,539)	(11,539)	(910)	(12,449)
At 31 December 2011	144,975	18,810	50,016	213,801	15,546	229,347

<u>Company</u>	Share capital	Accumulated profit/(losses)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2010	144,975	13,412	158,387
Total comprehensive loss for the year	-	(6,468)	(6,468)
Dividend Paid	-	(11,372)	(11,372)
At 31 December 2010	144,975	(4,428)	140,547
At 1 January 2011	144,975	(4,428)	140,547
Total comprehensive loss for the year	-	(7,352)	(7,352)
At 31 December 2011	144,975	(11,780)	133,195

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.

There were no movements in the Company's share capital for the financial period ended 31 December 2011.

The Company did not have any outstanding convertibles and treasury shares 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.

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 2010: 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 2010.

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 2011 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 2011	3 months ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Net Amount attributable to equity shareholders for the period/year (RMB'000)	(9,323)	(4,029)	(11,539)	3,599
No. of ordinary shares used in calculation of basic earning per share	234,125,000	234,125,000	234,125,000	234,125,000
Earnings per ordinary share of the group, based on net profit attributable to the shareholders of the Company (in RMB cents):				
(a) Based on weighted average number of ordinary share on issue (in RMB cents)	(3.98)	(1.72)	(4.93)	1.54
(b) On a fully diluted basis (in RMB cents)	(3.98)	(1.72)	(4.93)	1.54

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	
	Year ended 31 December 2011	Year ended 31 December 2010	Year ended 31 December 2011	Year ended 31 December 2010
Net asset value per ordinary share capital at the end of the year (in RMB cents)	98.0	103.3	56.9	60.0

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 continued to face adverse business conditions in FY2011 aggravated by the ongoing volume and selling price controls for certain products by the China government, and losses incurred by the Group's Traditional Chinese Medicine Research and Development segment. Group revenue and net loss attributable to equity holders amounted to RMB83.2 million and RMB11.5 million respectively in FY2011.

Revenue

Group revenue fell 35% to RMB83.2 million in FY2011 due mainly to increased government regulations and lower sales of antibiotics and other specialized drugs.

	3 months ended 31 December 2011	3 months ended 31 December 2010	Change		Year ended 31 December 2011	Year ended 31 December 2010	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	6,729	23,898	(72)	(17,169)	44,504	93,624	(52)	(49,120)
Cardiovascular drugs and cerebrovascular drugs	262	117	124	145	1,284	690	86	594
Other specialized drugs	8,146	3,378	141	4,768	32,334	33,144	(2)	(810)
TCM R&D	2,384	56	4,157	2,328	5,030	345	1,358	4,685
Total	17,521	27,449	(36)	(9,928)	83,152	127,803	(35)	(44,651)

Sales of the Group's major products, antibiotics, fell 52% to RMB44.5 million in FY2011 as the Group continued to be adversely affected by substantial reductions in the selling prices of antibiotics products led by China government's continued price interventions on antibiotics, as well as the implementation of the Drug Safety Supervision System Policies by the China government this year which include the supervision and monitoring of purchase volume limits and purchase prices of drug products by China medical institutions. Lower sales were registered for Aztreonam for Injection, Azithromycin Aspartate for Injection and Cefepime hydrochloride for Injection. Antibiotics remained the largest revenue contributor, accounting for 53.5% of Group revenue in FY2011.

Cardiovascular drugs and cerebrovascular drugs sales jumped 86% to RMB1.3 million due to increase in demand for the Group's Vinpocetine for Injection products.

Other specialized drugs sales dropped 2% to RMB32.3 million in FY2011 on lower demand for Potassium Sodium Dehydroandrographolide Succinate for Injection and Calcium Folate for Injection.

TCM (Traditional Chinese Medicine) R&D business posted RMB5.0 million in revenue in FY2011 from research collaboration service.

Profitability

Gross profit fell 53% to RMB20.0 million in FY2011 mainly on lower sales and inflationary cost pressures.

Other income declined 82% to RMB1.7 million in FY2011 due to lower amount of clinical research subsidy funds received from government for the implementation of new drug development, as well as the absence of other payables written back to other income in FY2010.

Selling and distribution expenses dropped 88% to RMB1.4 million on the Group's successfully cost restructuring and productivity enhancement initiatives. Administrative expenses were kept in check at RMB23.2 million levels.

Other expenses declined 39% due to an impairment loss of RMB5.1million on goodwill is recognised in 2010. In 4Q2011, RMB5.3 million due to the write-off of intangible assets of product license, and the provision made for impairment of certain other receivables.

Finance income dropped 95% to RMB0.05 million due to decreased interest income on lower bank fixed deposits.

Finance expenses rose 25% to RMB4.3 million on higher bank charges and interest.

Income tax fell 93% to 0.1 million due to lower taxable profits.

As a result of the above, the Group posted net loss attributable to equity holders of RMB11.5 million in FY2011 compared with RMB3.6 million profits in FY2010.

Financial Position

(31 December 2011 vs. 31 December 2010)

Non-current assets rose from RMB240.9 million to RMB252.1 million. Property, plant and equipment increased from RMB55.5 million to RMB69.5 million on the Group's manufacturing facility upgrade to meet new regulatory requirements in relation to new drugs registration, and expansion of factory, equipment and facilities to improve productivity and to develop new product lines. Intangibles assets dropped from RMB169.6 million to RMB166.8 million as a result of amortization and write-off of product license.

Current assets decreased from RMB119.4 million to RMB98.1 million on lower inventories, other receivables and cash balances. Inventories level fell from RMB25.3 million to RMB9.7 million on greater inventory controls. Trade & bills receivables fell from RMB4.8 million to RMB2.5 million due to better debt collections. Other receivables, prepayments and deposits decreased from RMB69.3 million to RMB67.7 million due to the capitalization of some prepayments for the Group's manufacturing facility upgrade as fixed assets, as well as provision made for doubtful debts. Cash and bank balances fell from RMB20.1 million to RMB18.2 million mainly on payments made to upgrade facilities to meet the new government requirements in relation to new drugs registration, and to expand the factory, equipment and facilities to improve productivity and in order to develop new product lines.

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

Current liabilities decreased from RMB103.4 million to RMB105.8 million. Trade and other payables fell from RMB50.6 million to RMB41.0 million due to repayments.

Cash Flow Statement

The Group's net cash inflow from operating activities in 12M2011 was RMB20.5 million. This was mainly due to the Group's usual operating business. The net cash inflow of RMB 15.2 million in 4Q2011 was mainly due to collection of other receivables and offset the prepayment from usual operating business.

Net cash used in from investing activities in 12M2011 was RMB 26.2 million and 4Q2011 was RMB11.4 million. This was primarily due to the payment for plant upgrades and the purchases of new machinery and equipment in order to improve productivity and meet the new government policy of new drugs registration requirements.

The Group's net cash inflow from financing activities in 12M2011 was RMB3.8million and 4Q2011 was RMB 6.0million. This was due to the advance from renewal bank loan of RMB60 million.

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's business outlook remains difficult for FY2012 as regulatory challenges and uncertain market conditions persist.

The cornerstone of the Group's strategic efforts continues to be sustainable long term growth, backed by continuous investments in the Group's strong Research and Development efforts to roll out new products. These initiatives are well-supported by the Group's ramping up of its business development engine aimed at further expanding domestic sales and capturing 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:

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:

The Board has declared the following amount for FY2010:

Nil

(c) Date payable

Ordinary Shares:

Not applicable.

(d) Book Closure Date

Ordinary Shares:

Not applicable.

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

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, 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)**

14. 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 sales of pharmaceutical products and it operates mainly in the PRC. Accordingly, the Group is not subjected to different risks and returns in its activities and geographical regions in which it operates.

15. 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.

16. A breakdown of sales.

	FY2011	FY2010	Increases/(Decreases)	
	RMB'000	RMB'000	RMB'000	%
Revenue for first half of the year	45,417	67,732	(22,315)	(33)
Operating profit after tax for the first half of the year	103	4,882	(4,779)	(98)
Revenue for second half of the year	37,735	60,071	(22,336)	(37)
Operating loss after tax for the second half of the year	(12,552)	(2,409)	(10,143)	421

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

	FY2011	FY2010
	RMB'000	RMB'000
Ordinary Shares	-	-
Preference Shares	-	-
Total	-	-

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
NIL				

By Order of the Board

Wong Kai
 Executive Chairman
 28 February 2012