



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, (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 2012	3 months ended 30 September 2011	Increase/ (decrease) +/(–)	9 months ended 30 September 2012	9 months ended 30 September 2011	Increase/ (decrease) +/(–)
(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)	
Revenue	24,251	20,214	20	65,508	65,631	0
Cost of sales	(13,379)	(15,282)	(12)	(37,870)	(49,102)	(23)
Gross Profit	10,872	4,932	120	27,638	16,529	67
Other operating income	420	105	300	793	606	31
Selling and distribution expenses	(1,739)	(164)	960	(3,128)	(626)	400
Administrative expenses	(5,917)	(6,494)	(9)	(15,687)	(15,334)	2
Other operating expenses	(114)	(332)	(66)	(428)	(637)	(33)
Profit/(Loss) from operations	3,522	(1,953)	n.m	9,188	538	1608
Financial income	11	10	10	53	32	66
Financial expenses	(796)	(1,154)	(31)	(3,853)	(3,022)	27
Profit/(Loss) before income tax	2,737	(3,097)	n.m	5,388	(2,452)	n.m
Income tax	(891)	88	n.m	(1,620)	(454)	257
Profit/(Loss) for the period	1,846	(3,009)	n.m	3,768	(2,906)	n.m
Attributable to:						
Equity holders of the parent	1,964	(2,714)	n.m	4,359	(2,216)	n.m
Minority interest	(118)	(295)	(60)	(591)	(690)	(14)
Profit/(Loss) for the period	1,846	(3,009)	n.m	3,768	(2,906)	n.m
Earnings per share (RMB cents)						
- Basic (weighted average)	0.84	(1.16)		1.86	(0.95)	
- Fully diluted	0.84	(1.16)		1.86	(0.95)	

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2012	3 months ended 30 September 2011	Increase/ (decrease) +/(-)	9 months ended 30 September 2012	9 months ended 30 September 2011	Increase/ (decrease) +/(-)
Profit/(Loss) for the period	1,846	(3,009)	n.m	3,768	(2,906)	n.m
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
Other comprehensive income for the period, net of tax	1,846	(3,009)	n.m	3,768	(2,906)	n.m
Total comprehensive income attributable to :						
Equity holders of the parent, net of tax	1,964	(2,714)	n.m	4,359	(2,216)	n.m
Minority interest, net of tax	(118)	(295)	(60)	(591)	(690)	(14)
	1,846	(3,009)	n.m	3,768	(2,906)	n.m

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 September 2012	3 months ended 30 September 2011	9 months ended 30 September 2012	9 months ended 30 September 2011
Profit/(Loss) before tax is arrived at after charging / (crediting) :				
Interest income	(11)	(10)	(53)	(31)
Interest on borrowings	789	1,126	3,474	2,914
Foreign exchange loss	-	21	52	78
Depreciation of property, plant and equipment	1,264	1,227	3,850	3,860
Amortization of deferred development costs	611	597	1,846	1,790
Amortization of lease prepayment	14	14	43	43
(Gain)/Loss on disposal of property, plant and equipment	(7)	126	(6)	191

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 2012 RMB'000	31 Dec 2011 RMB'000	30 Sep 2012 RMB'000	31 Dec 2011 RMB'000
Non-current assets					
Property, plant and equipment		66,748	69,537	6	12
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		1,005	1,048	-	-
Intangible assets	(a)	164,912	166,758	-	-
Other receivables, prepayments and deposits		-	14,800	-	-
		232,665	252,143	76,613	76,619
Current assets					
Inventories		10,109	9,682	-	-
Trade and bills receivables		1,340	2,527	-	-
Other receivables, prepayments and deposits		68,905	67,677	6,974	6,944
Due from subsidiary (non-trade)		-	-	47,690	52,180
Cash and cash equivalents		7,770	18,205	452	452
		88,124	98,091	55,116	59,576
Total assets		320,789	350,234	131,729	136,195
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		18,810	18,810	-	-
Accumulated profits/(losses)		54,375	50,016	(14,685)	(11,780)
		218,160	213,801	130,290	133,195
Minority interests		14,955	15,546	-	-
Total equity		233,115	229,347	130,290	133,195
Non-current liabilities					
Deferred tax liabilities		15,037	15,096	-	-
		15,037	15,096	-	-
Current liabilities					
Trade and other payables		46,507	40,994	626	2,187
Secured bank loan		20,000	60,000	-	-
Due to related parties (non-trade)		5,030	4,770	813	813
Current tax payable		1,100	27	-	-
		72,637	105,791	1,439	3,000
Total liabilities		87,674	120,887	1,439	3,000
Total equity and liabilities		320,789	350,234	131,729	136,195

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB5,897,000. (At 31/12/2011: RMB7,738,000) and Product Development in Progress of RMB159,015,000 (At 31/12/2011: RMB159,020,000).

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

Amount repayable in one year or less, or on demand

	As at 30 September 2012		As at 31 December 2011	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bank Loan	20,000	-	60,000*	-

Details of any collateral:

- * The bank loan was secured on property, plant and equipment and land use rights with carrying amounts of approximately RMB29.0 million and RMB 1.0 million respectively. The interest was charged at a range from 7.23% to 10% per annum in FY2011.

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

Group	RMB'000		RMB'000	
	3 months ended 30 Sep 2012	3 months ended 30 Sep 2011	9 months ended 30 Sep 2012	9 months ended 30 Sep 2011
Cash flow from operating activities				
Profit/(Loss) before income tax	2,737	(3,097)	5,388	(2,452)
Adjustments for:				
Amortisation of deferred development costs	611	597	1,846	1,790
Amortisation of lease prepayment	14	14	43	43
Depreciation of property, plant and equipment	1,264	1,227	3,850	3,860
Loss on disposal of property, plant and equipment	(7)	126	(6)	191
Interest expense	789	1,126	3,474	2,914
Interest income	(11)	(10)	(53)	(31)
Operating profit/(loss) before working capital changes	5,397	(17)	14,542	6,315
Changes in working capital:				
Inventories	(1,497)	6,827	(427)	8,716
Trade and bills receivables	(741)	791	1,187	(1,746)
Other receivables, prepayments and deposits	(381)	7,057	(898)	11,286
Trade and other payables	2,829	(11,842)	5,513	(18,492)
Cash generated from operations	5,607	2,816	19,917	6,079
Income tax paid	(583)	22	(606)	(791)
Net cash generated from operating activities	5,024	2,838	19,311	5,288
Cash flows from investing activities				
Payments for product development in progress	-	-	-	(104)
Purchase of property, plant and equipment	(130)	(1,287)	(1,100)	(11,683)
Prepayment for Plant and equipment	(530)	(855)	(530)	(2,974)
Proceeds from disposal of property, plant and equipment	45	-	45	-
Refund of deposit for Product manufacturing rights and technical know-how	15,000	-	15,000	-
Interest received	11	10	53	31
Net cash generated from/ (used in) investing activities	14,396	(2,132)	13,468	(14,730)

Cash flows from financing activities				
Advance from a related parties	170	631	260	766
Repayment of bank loan	(20,000)	-	(40,000)	-
Interest paid	(789)	(1,126)	(3,474)	(2,914)
Net cash used in financing activities	(20,619)	(495)	(43,214)	(2,148)
Net (decrease)/increase in cash and cash equivalents	(1,199)	211	(10,435)	(11,590)
Cash and cash equivalents at beginning of the period	8,969	8,254	18,205	20,055
Cash and cash equivalents at end of the period	7,770	8,465	7,770	8,465

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
At 1 January 2011	144,975	18,810	61,555	225,340	16,456	241,796
Total comprehensive income/(loss) for the period	-	-	(2,216)	(2,216)	(690)	(2,906)
At 30 September 2011	144,975	18,810	59,339	223,124	15,766	238,890
At 1 January 2012	144,975	18,810	50,016	213,801	15,546	229,347
Total comprehensive loss for the period	-	-	4,359	4,359	(591)	3,768
At 30 September 2012	144,975	18,810	54,375	218,160	14,955	233,115

<u>Company</u>	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2011	144,975	(4,428)	140,547
Total comprehensive loss for the period	-	(3,104)	(3,104)
At 30 September 2011	144,975	(7,532)	137,443

At 1 January 2012	144,975	(11,780)	140,547
Total comprehensive loss for the period	-	(2,905)	(2,905)
At 30 September 2012	144,975	(14,685)	130,290

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 30 September 2012.

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 2011: 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 2011.

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 2012 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 2012	3 months ended 30 September 2011	9 months ended 30 September 2012	9 months ended 30 September 2011
Net Profit/ (Loss) for the period (RMB'000)	1,964	(2,714)	4,359	(2,216)
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: and (in RMB cents)	0.84	(1.16)	1.86	(0.95)
(b) On a fully diluted basis (in RMB cents)	0.84	(1.16)	1.86	(0.95)

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 2012	Year ended 31 December 2011	9 months ended 30 September 2012	Year ended 31 December 2011
Net asset value per ordinary share capital at the end of the period (in RMB cents)	99.6	97.96	55.7	56.89

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 turned around with net profit attributable to equity holders of RMB2.0 million in 3Q2012 from a loss of RMB2.7 million in 3Q2011. This was on margin expansion and 20% revenue growth from RMB20.2 million in 3Q2011 to RMB24.3 million in 3Q2012.

Revenue

Group revenue rose 20% to RMB24.3 million in 3Q2012 supported by growth in demand for cardiovascular drugs and cerebrovascular drugs and other specialized drugs.

	3 months ended	3 months ended	Change		9 months ended	9 months ended	Change	
	30 Sep 2012	30 Sep 2011	%	RMB'000	30 Sep 2012	30 Sep 2011	%	RMB'000
Antibiotics	8,967	10,904	(18)	(1,937)	29,123	37,775	(23)	(8,652)
Cardiovascular drugs and cerebrovascular drugs	610	427	43	183	1,204	1,022	18	182
Other specialized drugs	13,521	7,938	70	5,583	33,990	24,188	41	9,802
TCM R&D	1,153	945	22	208	1,191	2,646	(55)	(1,455)
Total	24,251	20,214	20	4,037	65,508	65,631	(0)	(123)

Demand for the Group's major products, antibiotics, fell 18% to RMB9.0 million in 3Q2012 as the Group continued to be adversely affected by 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 in early June 2011 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 and Cefepime hydrochloride for Injection. Antibiotics accounted for 37% of Group revenue in 3Q2012, making it the second largest revenue contributor (previously the largest revenue contributor).

Cardiovascular drugs and cerebrovascular drugs sales jumped 43% to RMB0.6 million due to the increase in demand for the Group's Vinpocetine for Injection products.

Other specialized drugs sales soared 70% to RMB13.5 million in 3Q2012 on higher demand for Potassium Sodium Dehydroandrographolide Succinate for Injection, Bocobal Mecobalamin Injection and Loratadine and Pseudoephedrine Sulfate Sustained Release Capsules. Other specialized drugs became the largest revenue contributor constituting 56% of Group revenue in 3Q2012 (previously the second largest revenue contributor).

TCM (Traditional Chinese Medicine) R&D business posted 22% increase in revenue to RMB1.2 million in revenue in 3Q2011 from increased sales of preliminary R&D results for an upfront fee.

Profitability

Gross profit increased 120% to RMB10.9 million in 3Q2012 mainly on the lower prices of some antibiotics raw materials.

Selling and distribution expenses rose 960% to RMB1.7 million as the Group strengthened its sales teams in preparation for new product launch and embarked on brand building initiatives to enhance customer awareness and attract new customers through sales promotion and advertisements.

Administrative expenses dropped 9% to RMB5.9 million on successful implementation of cost control measures.

Other expenses dropped 66% to RMB0.1 million on reduced losses on disposal of property, plant and equipment from dismantled old plant.

Finance income increased 10% to RMB11k due to increased interest income earned on higher bank fixed deposits.

Finance expenses fell 31% to RMB0.8 million on partial loan repayments.

As a result of the above, the Group turned around in 3Q2012 with net profit attributable to equity holders of RMB2.0 million in 3Q2012 from a loss of RMB2.7 million in 3Q2011.

Financial Position

(30 September 2012 vs. 31 December 2011)

Non-current assets fell from RMB252.1 million to RMB232.7 million. Property, plant and equipment decreased from RMB69.5 million to RMB66.7 million due to depreciation and disposal of fixed assets. Intangibles assets dropped from RMB166.8 million to RMB164.9 million as a result of amortization.

Current assets decreased from RMB98.1 million to RMB88.1 million on lower trade and bills receivables and cash balances. Inventories level rose from RMB9.7 million to

RMB10.1 million on purchases of raw materials to support sales growth. Trade & bills receivables fell from RMB2.5 million to RMB1.3 million due to better debt collections. Other receivables, prepayments and deposits rose from RMB67.7 million to RMB68.9 million due to increased of other receivables from operations. Cash and bank balances decreased from RMB18.2 million to RMB7.8 million due to RMB40 million repayments in bank loan in 9M2012.

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

Current liabilities fell from RMB105.8 million to RMB72.6 million. Trade and other payables increased from RMB41.0 million to RMB46.5 million due to purchases of plant and equipment and raw materials to support sales growth. Secured bank loan dropped from RMB60 million to RMB20 million on RMB40 million loan repayment.

Cash Flow Statement

The Group's net cash inflow from operating activities in 9M2012 was RMB19.3 million. This was mainly due to the Group's usual operating business. The net cash inflow of RMB5.0 million in 3Q2012 was mainly due to increase trade payable from usual operating business.

Net cash generated from investing activities in 9M2012 was RMB13.5 million and 3Q2012 was RMB14.4 million. There was a refund of RMB15.0 million deposit in 3Q2012 from third party Research Company due to failure to meet the committed timeline for development of new medical products on behalf of the Group.

The Group's net cash outflow from financing activities in 9M2012 was RMB43.2million and 3Q2012 was RMB20.6million. This was primarily due to the RMB40 million loan repayments in 9M2012 and RMB20 million in 3Q2012.

- 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.**

Regulatory and market uncertainties will continue to pose challenges for the Group for the rest of FY2012.

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:

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.

No dividend has been declared.

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.

14. Negative Assurance Confirmation pursuant to SGX Listing Rule 705(5)

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 2012 to be false or misleading in any material aspect.

By Order of the Board

Wong Kai
Chairman
12 November 2012

