



**STAR**

**STAR PHARMACEUTICAL LIMITED**

Registration No. 200500429W

**UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2013**

**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.**

	<b>Group</b>		
	<b>RMB'000</b>		<b>(%)</b>
	<b>3 months ended 31 March 2013 (a)</b>	<b>3 months ended 31 March 2012 (b)</b>	<b>Increase/ (decrease) +/(–) (a) – (b)</b>
<b>Revenue</b>	20,214	17,342	17
Cost of sales	(12,103)	(11,387)	6
<b>Gross Profit</b>	<b>8,111</b>	<b>5,955</b>	36
Other operating income	896	373	140
Selling and distribution expenses	(1,117)	(421)	165
Administrative expenses	(5,239)	(3,989)	31
Other operating expenses	(483)	(207)	133
<b>Profit from operations</b>	<b>2,168</b>	<b>1,711</b>	27
Finance income	14	20	(30)
Finance expenses	(418)	(1,693)	(75)
<b>Profit before income tax</b>	<b>1,764</b>	<b>38</b>	4,542
Income tax	(243)	(25)	872
<b>Profit for the period</b>	<b>1,521</b>	<b>13</b>	11,600
<b>Attributable to:</b>			
Equity holders of the Company	1,851	154	1,102
Minority interest	(330)	(141)	134
<b>Profit for the period</b>	<b>1,521</b>	<b>13</b>	11,600
<b>Earnings per share (cents)</b>			
- Basic	<b>0.79</b>	<b>0.07</b>	
- Diluted	<b>0.79</b>	<b>0.07</b>	

Consolidation statement of Comprehensive Income for the year

	Group		
	RMB'000		(%)
	3 months ended 31 March 2013	3 months ended 31 March 2012	Increase/ (decrease) +/(-)
<b>Profit for the period</b>	<b>1,521</b>	<b>13</b>	11,600
Other comprehensive income:			
Exchange difference on consolidation	-	-	
<b>Other comprehensive income for the period, net of tax</b>	<b>1,521</b>	<b>13</b>	11,600
<b>Total comprehensive income attributable to :</b>			
Equity holders of the period	1,851	154	1,102
Minority interest	(330)	(141)	134
	<b>1,521</b>	<b>13</b>	11,600

Notes to the Income Statement:

	Group	
	RMB'000	
	3 months ended 31 March 2013	3 months ended 31 March 2012
<b>Profit before tax is arrived at after charging / (crediting) :</b>		
Interest income	14	20
Interest on borrowings	408	1,334
Depreciation of property, plant and equipment	2,438	1,270
Amortization of deferred development cost	649	624
Amortization of lease prepayment	14	15

**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 Mar 2013 RMB'000	31 Dec 2012 RMB'000	31 Mar 2013 RMB'000	31 Dec 2012 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment		57,086	59,343	3	4
Investment property		3,228	3,285	-	-
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		976	990	-	-
Intangible assets	(a)	31,708	32,357	-	-
Deferred tax assets		1,464	1,352	-	-
		<b>94,462</b>	<b>97,327</b>	<b>76,610</b>	<b>76,611</b>
<b>Current assets</b>					
Inventories		10,330	10,779	-	-
Trade and bills receivables		1,567	1,527	-	-
Other receivables, prepayments and deposits		43,711	48,127	28	48
Due from subsidiaries (non-trade)		-	-	44,050	46,150
Cash and bank balances		18,379	31,638	2,429	1,301
		<b>73,987</b>	<b>92,071</b>	<b>46,507</b>	<b>47,499</b>
<b>Total assets</b>		<b>168,449</b>	<b>189,398</b>	<b>123,117</b>	<b>124,110</b>
<b>Equity</b>					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		18,810	18,810	-	-
Accumulated losses		(68,286)	(70,137)	(24,795)	(23,753)
		<b>95,499</b>	<b>93,648</b>	<b>120,180</b>	<b>121,222</b>
Minority interests		899	1,229	-	-
<b>Total equity</b>		<b>96,398</b>	<b>94,877</b>	<b>120,180</b>	<b>121,222</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		2,435	2,454	-	-
		2,435	2,454	-	-
<b>Current liabilities</b>					
Trade and other payables		42,152	44,978	2,124	2,075
Secured bank loan		20,000	40,000	-	-
Due to related parties (non-trade)		5,351	5,351	813	813
Income tax payable		2,113	1,738	-	-
		69,616	92,067	2,937	2,888
<b>Total liabilities</b>		<b>72,051</b>	<b>94,521</b>	<b>2,937</b>	<b>2,888</b>
<b>Total equity and liabilities</b>		<b>168,449</b>	<b>189,398</b>	<b>123,117</b>	<b>124,110</b>

Notes :

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB4,640,000. (At 31/12/2012: RMB5,289,000) and Product Development in Progress of RMB27,068,000 (At 31/12/2012: RMB27,068,000) .

**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 March 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank loan	20,000 <sup>*</sup>	-	40,000 <sup>*</sup>	-

**Details of any collateral:**

<sup>\*</sup> The bank loan was secured on property, plant and equipment, investment property and land use rights with carrying amounts of RMB55.0 million (2012: RMB57.2 million), RMB3.2 million (2012: RMB3.3 million) and RMB 1.0 million (2012: RMB1.0 million) respectively. The interest was charged at a 6.6% (2012:6.6%) per annum.

1(c) A cash flow statement (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 March**

<b><u>Group</u></b>	<b>RMB'000</b>	
	<b>Period ended 31 March 2013</b>	<b>Period ended 31 March 2012</b>
<b>Cash flow from operating activities</b>		
<b>Profit before income tax</b>	<b>1,764</b>	<b>38</b>
Adjustments for:		
Amortization of deferred development costs	649	624
Amortization of lease prepayments	14	15
Government grants, net	(303)	-
Depreciation of property, plant and equipment	2,438	1,270
Depreciation of investment property	57	-
Loss on disposal of property, plant and equipment	-	1
Interest expense	408	1,334
Interest income	(14)	(20)
<b>Operating profit before working capital changes</b>	<b>5,013</b>	<b>3,262</b>
<b>Changes in working capital:</b>		
Inventories	449	532
Trade and bills receivables	(41)	1,020
Other receivables and prepayments and deposits	(1,558)	(1,614)
Trade and other payables	(2,521)	1,334
<b>Cash generated from operations</b>	<b>1,342</b>	<b>4,534</b>
Income tax paid	-	(6)
<b>Net cash generated from operating activities</b>	<b>1,342</b>	<b>4,528</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(181)	(190)
Prepayments for plant and equipment	(1,026)	-
Advances for product manufacturing rights and technical know-how	(11,000)	-
Refund of deposit from potential investment	18,000	-
Interest received	14	20
<b>Net cash generated from / (used in) investing activities</b>	<b>5,807</b>	<b>(170)</b>
<b>Cash flows from financing activities</b>		
Repayment to related parties	-	(30)
Repayment of bank loan	(20,000)	-
Interest paid	(408)	(1,334)
<b>Net cash used in financing activities</b>	<b>(20,408)</b>	<b>(1,364)</b>

Net (decrease)/ increase in cash and cash equivalents	(13,259)	2,994
Cash and cash equivalents at beginning of the period	31,638	18,205
<b>Cash and cash equivalents at end of the period</b>	<b>18,379</b>	<b>21,199</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 March**

<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 2012</b>	<b>144,975</b>	<b>18,810</b>	<b>50,016</b>	<b>213,801</b>	<b>15,546</b>	<b>229,347</b>
Total comprehensive income for the period	-	-	154	154	(141)	13
<b>At 31 March 2012</b>	<b>144,975</b>	<b>18,810</b>	<b>50,170</b>	<b>213,955</b>	<b>15,405</b>	<b>229,360</b>
<b>At 1 January 2013</b>	<b>144,975</b>	<b>18,810</b>	<b>(70,137)</b>	<b>93,648</b>	<b>1,229</b>	<b>94,877</b>
Total comprehensive income for the period	-	-	1,851	1,851	(330)	1,521
<b>At 31 March 2013</b>	<b>144,975</b>	<b>18,810</b>	<b>(68,286)</b>	<b>95,499</b>	<b>899</b>	<b>96,398</b>

<u>Company</u>	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 January 2012</b>	<b>144,975</b>	<b>(11,780)</b>	<b>133,195</b>
Total comprehensive loss for the period	-	(1,102)	(1,102)
<b>At 31 March 2012</b>	<b>144,975</b>	<b>(12,882)</b>	<b>132,093</b>
<b>At 1 January 2013</b>	<b>144,975</b>	<b>(23,753)</b>	<b>121,222</b>
Total comprehensive loss for the period	-	(1,042)	(1,042)
<b>At 31 March 2013</b>	<b>144,975</b>	<b>(24,795)</b>	<b>120,180</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.**

There were no movements in the Company's share capital for the financial period ended 31 March 2013.

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 2012: 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 2012.

- 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 2013 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	
	3 months ended 31 March 2013	3 months ended 31 March 2012
Net Amount attributable to equity shareholders for the period (RMB'000)	1,851	154
No. of ordinary shares used in calculation of basic earning per share	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 shares on issue: and (in RMB cents)	0.79	0.07
(b) On a fully diluted basis (in RMB cents)	0.79	0.07

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

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

	Group		Company	
	3 months ended 31 March 2013	Year ended 31 December 2012	3 months ended 31 March 2013	Year ended 31 December 2012
Net asset value per ordinary share capital at the end of the period (in RMB cents)	41.17	40.52	51.33	51.78

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 12-fold jump in net profit attributable to equity holders of the Company in 1Q2013 driven by broad-based increase in sales across all product segments and successful cost management, as well as lower raw material prices of certain major products. Net profit attributable to equity holders soared from RMB0.15 million in 1Q2012 to RMB1.9 million in 1Q2013 on revenue of RMB20.2 million.

## Revenue

Group revenue rose 17% to RMB20.2 million in 1Q2013 fueled by growth in demand across all its drug categories.

	3 months ended 31 March 2013	3 months ended 31 March 2012	Change	
	RMB'000	RMB'000	%	RMB'000
Antibiotics	9,327	8,061	16	1,266
Cardiovascular drugs and cerebrovascular drugs	441	204	116	237
Other specialized drugs	10,446	9,077	15	1,369
<b>Total</b>	<b>20,214</b>	<b>17,342</b>	<b>17</b>	<b>2,872</b>

Sales of the Group's major products, antibiotics, rose 16% on higher demand for Azithromycin Aspartate for Injection and Cefepime hydrochloride for Injection. Antibiotics accounted for 46% of Group revenue in 1Q2013, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales jumped 116% to RMB0.44 million mainly due to the increase in demand for the Group's Aceglutamide for Injection product.

Other specialized drugs sales rose 15% to RMB10.4 million in 1Q2013 on higher demand for Loratadine and Pseudoephedrine Sulfate Sustained Release Capsules, Potassium Sodium Dehydroandrographolide) Succinate for Injection, as well as Bocobal Mecobalamin Injection. Other specialized drugs remained the largest revenue contributor constituting 52% of Group revenue in 1Q2013.

## Profitability

Gross profit increased 36% to RMB8.1 million in 1Q2013 mainly on higher revenue and the lower prices of some antibiotics raw materials.

Selling and distribution expenses rose 165% to RMB1.1 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 increased 31% to RMB5.2 million on higher salary expenses from appointment of new staff, as well as increase of depreciation of new plant and equipment.

Other expenses rose 133% to RMB0.5 million on higher research and development costs.

Finance expenses fell 75% to RMB0.4 million as the Group paid down its bank loan from RMB60 million as of 31 March 2012 to RMB20 million as of 31 March 2013.

Tax expenses increase due to higher taxable income.

Overall, the Group achieved a 12-fold increase in net profit attributable to equity holders of RMB1.9 million in 1Q2013 from the RMB0.2 million in 1Q2012.

### **Financial Position**

*(31 March 2013 vs. 31 December 2012)*

Non-current assets fell from RMB97.3 million to RMB94.5 million. Property, plant and equipment decreased from RMB59.3 million to RMB57.1 million due to depreciation. Intangibles assets dropped from RMB32.4 million to RMB31.7 million due to amortization.

Current assets dropped from RMB189.4 million to RMB168.4 million. Inventories level was maintained at RMB10-million level (RMB10.3 million vs. RMB10.8 million). Trade and bills receivables also remained at RMB1.5-million level (RMB1.57 million vs. RMB1.53 million). Other receivables, prepayments and deposits dropped from RMB48.1 million to RMB43.7 million due to the refund of RMB18 million in deposit after the discontinuation of the acquisition of a potential patent right from third party research company, partially offset by an advance payment of RMB11 million to a third party company to develop two different types of drugs. Cash and bank balances decreased from RMB31.6 million to RMB18.4 million mainly due to bank loan repayment.

Non-current liabilities comprising deferred tax liabilities remained at approximately RMB2.4-million level.

Current liabilities fell from RMB92.1 million to RMB69.6 million. Trade and other payables dropped from RMB45.0 million to RMB42.2 million due to repayments. Secured bank loan dropped from RMB40 million to RMB20 million on loan repayment.

### **Cash Flow Statement**

The Group's net cash inflow from operating activities in 1Q2013 was RMB1.3 million. This was mainly due to collection of trade receivable and receipt in advance from Group's usual operating business.

Net cash generated from investing activities in 1Q2013 amounted to RMB 5.8 million. This was primarily due to the refund of RMB18 million deposits from discontinued the

R&D investments but partially offset by an advance payment of RMB11 million to the third party research company to develop new medical products on behalf of the Group.

The Group's net cash outflow from financing activities in 1Q2013 amounted to RMB20.4million. This was primarily due to the RMB20 million bank loan repayments in 1Q2013.

**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.**

**Prospects**

The Group remains cautious about its business prospects in 2013 due to the government's price intervention in a wide range of pharmaceutical products and the continued implementation of Drug Safety Supervision System Policies pose challenges.

To sustain long term growth, the Group will maintain continuous investments in its 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:**

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

**(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(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 First Quarter Results of the Group for the financial period ended 31 March 2013 to be materially false or misleading in any material aspect.

**By Order of the Board**

**Xu Zhi Bin**  
**Executive Chairman**  
**13 May 2013**