



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

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 2013	3 months ended 30 September 2012	Increase/ (decrease) +/-	9 months ended 30 September 2013	9 months ended 30 September 2012	Increase/ (decrease) +/-
	(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)
Revenue	20,502	24,251	(15)	61,169	65,508	(7)
Cost of sales	(14,504)	(13,379)	8	(40,746)	(37,870)	8
Gross Profit	5,998	10,872	(45)	20,423	27,638	(26)
Other operating income	452	420	8	1,557	793	96
Selling and distribution expenses	(1,391)	(1,739)	(20)	(4,007)	(3,128)	28
Administrative expenses	(5,126)	(5,917)	(13)	(15,756)	(15,687)	0
Other operating expenses	540	(114)	n.m.	(802)	(428)	87
Profit from operations	473	3,522	(87)	1,415	9,188	(85)
Financial income	80	11	627	158	53	198
Financial expenses	(178)	(796)	(78)	(811)	(3,853)	(79)
Profit before income tax	375	2,737	(86)	762	5,388	(86)
Income tax	(343)	(891)	(62)	(706)	(1,620)	(56)
Profit for the period	32	1,846	(98)	56	3,768	(99)
Attributable to:						
Equity holders of the parent	383	1,964	(80)	1,023	4,359	(77)
Minority interest	(351)	(118)	197	(967)	(591)	64
Profit for the period	32	1,846	(98)	56	3,768	(99)
Earnings per share (RMB cents)						
- Basic (weighted average)	0.16	0.84		0.44	1.86	
- Fully diluted	0.16	0.84		0.44	1.86	

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2013	3 months ended 30 September 2012	Increase/ (decrease) +/(–)	9 months ended 30 September 2013	9 months ended 30 September 2012	Increase/ (decrease) +/(–)
Profit for the period	32	1,846	(98)	56	3,768	(99)
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
Other comprehensive income for the period, net of tax	32	1,846	(98)	56	3,768	(99)
Total comprehensive income attributable to :						
Equity holders of the parent, net of tax	383	1,964	(80)	1,023	4,359	(77)
Minority interest, net of tax	(351)	(118)	197	(967)	(591)	64
	32	1,846	(98)	56	3,768	(99)

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 September 2013	3 months ended 30 September 2012	9 months ended 30 September 2013	9 months ended 30 September 2012
Profit before tax is arrived at after charging / (crediting) :				
Interest income	70	11	135	53
Interest on borrowings	171	789	786	3,474
Foreign exchange (gain)/loss	(10)	-	(23)	52
Depreciation of property, plant and equipment	2,451	1,264	7,344	3,850
Amortization of deferred development costs	601	611	1,804	1,846
Amortization of lease prepayment	15	14	43	43
(Gain)/Loss on disposal of property, plant and equipment	(6)	(7)	(4)	(6)

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 2013 RMB'000	31 Dec 2012 RMB'000	30 Sep 2013 RMB'000	31 Dec 2012 RMB'000
Non-current assets					
Property, plant and equipment		57,507	59,343	1	4
Investment property		3,113	3,285	-	-
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		947	990	-	-
Intangible assets	(a)	31,767	32,357	-	-
Deferred tax assets		1,689	1,352	-	-
		95,023	97,327	76,608	76,611
Current assets					
Inventories		13,321	10,779	-	-
Trade and bills receivables		2,148	1,527	-	-
Other receivables, prepayments and deposits		33,773	48,127	64	48
Due from subsidiary (non-trade)		-	-	42,850	46,150
Cash and bank balances		16,386	31,638	947	1,301
		65,628	92,071	43,861	47,499
Total assets		160,651	189,398	120,469	124,110
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		18,810	18,810	-	-
Accumulated losses		(69,114)	(70,137)	(25,884)	(23,753)
		94,671	93,648	119,091	121,222
Minority interests		262	1,229	-	-
Total equity		94,933	94,877	119,091	121,222
Non-current liabilities					
Deferred tax liabilities		2,395	2,454	-	-
		2,395	2,454	-	-
Current liabilities					
Trade and other payables		46,066	44,978	565	2,075
Secured bank loan		10,220	40,000	-	-
Due to related parties (non-trade)		6,275	5,351	813	813
Income tax payable		762	1,738	-	-
		63,323	92,067	1,378	2,888
Total liabilities		65,718	94,521	1,378	2,888
Total equity and liabilities		160,651	189,398	120,469	124,110

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB3,484,000. (At 31/12/2012: RMB5,289,000) and Product Development in Progress of RMB28,283,000 (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 30 September 2013		As at 31 December 2012	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Bank Loan	10,220 [*]	-	40,000 [*]	-

Details of any collateral:

^{*} The bank loan was secured on property, plant and equipment, investment property and land use rights with carrying amounts of RMB52.8 million (2012: RMB57.2 million), RMB3.1 million (2012: RMB3.3 million) and RMB 1.0 million (2012: RMB1.0 million) respectively. The interest was charged at 6.6% (2012:6.6%) per annum.

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 2013	3 months ended 30 Sep 2012	9 months ended 30 Sep 2013	9 months ended 30 Sep 2012
Cash flow from operating activities				
Profit before income tax	375	2,737	762	5,388
Adjustments for:				
Amortisation of deferred development costs	601	611	1,804	1,846
Amortisation of lease prepayment	15	14	43	43
Government grants, net	105	-	979	-
Depreciation of property, plant and equipment	2,451	1,207	7,344	3,678
Depreciation of investment property	57	57	172	172
Loss on disposal of property, plant and equipment	(6)	(7)	(4)	(6)
Interest expense	171	789	786	3,474
Interest income	(70)	(11)	(135)	(53)
Operating profit before working capital changes	3,699	5,397	11,751	14,542
Changes in working capital:				
Inventories	(1,178)	(1,497)	(2,542)	(427)
Trade and bills receivables	(593)	(741)	(621)	1,187
Other receivables, prepayments and deposits	(4,951)	(381)	(4,646)	(898)
Trade and other payables	3,264	2,829	110	5,513
Cash generated from operations	241	5,607	4,052	19,917
Income tax paid	(391)	(583)	(2,079)	(606)
Net cash (used in) / generated from operating activities	(150)	5,024	1,973	19,311
Cash flows from investing activities				
Payments for product development in progress	(700)	-	(1,214)	-
Purchase of property, plant and equipment	(1,644)	(130)	(5,524)	(1,100)
Prepayment for plant and equipment	407	(530)	-	(530)
Proceeds from disposal of property, plant and equipment	20	45	20	45
Advances for product manufacturing rights and technical know-how	-	-	(11,000)	-
Refund of deposit from potential investment	3,000	15,000	30,000	15,000
Interest received	70	11	135	53

Net cash generated from investing activities	1,153	14,396	12,417	13,468
Cash flows from financing activities				
Advance from a related parties	889	170	924	260
Advance from bank loan	220	-	220	-
Repayment of bank loan	-	(20,000)	(30,000)	(40,000)
Interest paid	(171)	(789)	(786)	(3,474)
Net cash generated from / (used in) financing activities	938	(20,619)	(29,642)	(43,214)
Net increase/ (decrease) in cash and cash equivalents	1,941	(1,199)	(15,252)	(10,435)
Cash and cash equivalents at beginning of the period	14,445	8,969	31,638	18,205
Cash and cash equivalents at end of the period	16,386	7,770	16,386	7,770

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 2012	144,975	18,810	50,016	213,801	15,546	229,347
Total comprehensive income/(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
At 1 January 2013	144,975	18,810	(70,137)	93,648	1,229	94,877
Total comprehensive income/(loss) for the period	-	-	1,023	1,023	(967)	56
At 30 September 2013	144,975	18,810	(69,114)	94,671	262	94,933

Company	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2012	144,975	(11,780)	133,195
Total comprehensive loss for the period	-	(2,905)	(2,905)
At 30 September 2012	144,975	(14,685)	130,290
At 1 January 2013	144,975	(23,753)	121,222
Total comprehensive loss for the period	-	(2,131)	(2,131)
At 30 September 2013	144,975	(25,884)	119,091

- 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 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		Group	
	3 months ended 30 September 2013	3 months ended 30 September 2012	9 months ended 30 September 2013	9 months ended 30 September 2012
Net profit attributable to equity shareholders for the period (RMB'000)	383	1,964	1,023	4,359
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)	0.16	0.84	0.44	1.86
(b) On a fully diluted basis (in RMB cents)	0.16	0.84	0.44	1.86

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 2013	Year ended 31 December 2012	9 months ended 30 September 2013	Year ended 31 December 2012
Net asset value per ordinary share capital at the end of the period (in RMB cents)	40.55	40.52	50.87	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

Group revenue fell 15% to RMB20.5 million in 3Q2013 as the industry continued to face pressure from the PRC government price intervention and policies on a wide range of pharmaceutical products. This coupled with the higher costs of sales led to the 80% drop in net profit attributable to equity holders to RMB0.4 million in 3Q2013.

Revenue

Group revenue decreased 15% to RMB20.5 million in 3Q2013 owing to lower antibiotics, other specialized drugs and TCM R&D revenues.

	3 months ended 30 Sep 2013	3 months ended 30 Sep 2012	Change		9 months ended 30 Sep 2013	9 months ended 30 Sep 2012	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	7,709	8,967	(14)	(1,258)	26,225	29,123	(10)	(2,898)
Cardiovascular drugs and cerebrovascular drugs	1,082	610	77	472	2,251	1,204	87	1,047
Other specialized drugs	11,711	13,521	(13)	(1,810)	32,315	33,990	(5)	(1,675)
TCM R&D	-	1,153	(100)	(1,153)	378	1,191	(68)	(813)
Total	20,502	24,251	(15)	(3,749)	61,169	65,508	(7)	(4,339)

Revenue from the Group's major products, antibiotics, dropped 14% mainly on lower sales of Aztreonam for Injection and Azithromycin Aspartate for Injection. Antibiotics accounted for 38% of Group revenue in 3Q2013, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales jumped 77% to RMB1.1 million mainly due to the increase in demand for the Group's Vinpocetine for Injection and Aceglutamide for Injection products. Cardiovascular drugs and cerebrovascular drugs represented 5% of Group revenue in 3Q2013.

Other specialized drugs sales fell 13% to RMB11.7 million in 3Q2013 on lower demand for Potassium Sodium Dehydroandrographolide Succinate for Injection and Amoxicillin and Dicloxacillin Sodium Tablets. Other specialized drugs remained the largest revenue contributor constituting 57% of Group revenue in 3Q2013.

TCM (Traditional Chinese Medicine) R&D business decreased from RMB1.2 million in 3Q2012 due to the absence of preliminary R&D results for an upfront fee in 3Q2013.

Profitability

Gross profit fell 45% to RMB6.0 million in 3Q2013 due to lower revenue and higher costs of sales.

Selling and distribution expenses decreased 20% to RMB1.4 million while administrative expenses dropped 13% to RMB5.1 million as the Group managed to keep operating expenses in check.

Other expenses increased from RMB0.1 million in 3Q2013 to an income amount of RMB0.5 million in 3Q2012 due to write-back of over provision incurred in 2Q2013.

Finance income increased 627% to RMB80k due to increased interest income earned on higher bank fixed deposits.

Finance expenses fell 78% to RMB0.2 million as the Group paid down its bank loan from RMB40 million as of 30 June 2012 to RMB10 million as of 30 September 2013.

Tax expenses decreased due to lower taxable income.

Overall, the Group posted a net profit attributable to equity holders of RMB0.4 million in 3Q2013, representing a drop of 80% from the RMB2.0 in 3Q2012.

Financial Position

(30 September 2013 vs. 31 December 2012)

Non-current assets fell from RMB97.3 million to RMB95.0 million. Property, plant and equipment decreased from RMB59.3 million to RMB57.5 million due to depreciation and disposal of some fixed assets. Intangibles assets dropped from RMB32.4 million to RMB31.8 million due to amortization.

Current assets dropped from RMB92.1 million to RMB65.6 million. Inventories level rose from RMB10.8 million to RMB13.3 million due to additional raw material purchases. Trade & bills receivables increased from RMB1.5 million to RMB2.1 million on higher bills receivables from daily operations. Other receivables, prepayments and deposits

dropped from RMB48.1 million to RMB33.8 million due to the refund of RMB30 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 RMB16.4 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 RMB63.3 million. Trade and other payables increased from RMB45.0 million to RMB46.1 million due to additional purchases of raw materials in anticipation of further price inflation. Secured bank loan dropped from RMB40 million to RMB10 million on loan repayment.

Cash Flow Statement

The Group's net cash inflow from operating activities in 9M2013 was RMB2.0 million. This was mainly due to the Group's usual operating business. The net cash outflow of RMB0.2 million in 3Q2013 was mainly due to the increase of trade payable, offset by the increase of other receivables and prepayments.

Net cash generated from investing activities in 9M2013 amounted to RMB 12.4 million and 3Q2013 amounted to RMB1.2 million. This was primarily due to the refund of RMB18 million deposits from the discontinued R&D investments and RMB12 million discontinued purchase of certain medical know-how but partially offset by an advance payment of RMB11 million to third party research company to develop new medical products on behalf of the Group.

The Group's net cash outflow from financing activities in 9M2013 amounted to RMB29.6million. This was primarily due to the RMB30 million bank loan repayments in 1H2013 and RMB10 million repayment in 2Q2013.

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 remains cautious about its business prospects in 2013 due to regulatory and market uncertainties.

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:

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 2013 to be false or misleading in any material aspect.

By Order of the Board

Xu Zhi Bin
Executive Chairman
13 November 2013