



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2016

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		
	RMB'000		(%)
	3 months ended 31 March 2016	3 months ended 31 March 2015	Increase/ (decrease) +/(–)
	(a)	(b)	(a) – (b)
	(Unaudited)	(Unaudited)	
Revenue	15,579	23,360	(33)
Cost of sales	(11,229)	(13,098)	(14)
Gross Profit	4,350	10,262	(58)
Other operating income	191	1,288	(85)
Selling and distribution expenses	(1,234)	(1,673)	(26)
Administrative expenses	(3,159)	(3,670)	(14)
Other operating expenses	(23)	(26)	(12)
Profit from operations	125	6,181	(98)
Finance income	454	345	32
Finance expenses	(298)	(60)	397
Profit before income tax	281	6,466	(96)
Income tax	(54)	(864)	(94)
Profit for the period	227	5,602	(96)
Attributable to equity holders of the Company	227	5,602	(96)
Earnings per share (RMB cents)			
- Basic	0.48	11.96*	
- Diluted	0.48	11.96*	

n.m – not meaningful.

* Restated to reflect the effects of Share consolidation on 26 May 2015 when 234,125,000 existing ordinary shares were consolidated into 46,824,999 ordinary shares.

Consolidation statement of Comprehensive Income for the period

	Group		
	RMB'000		(%)
	3 months ended 31 March 2016 (Unaudited)	3 months ended 31 March 2015 (Unaudited)	Increase/ (decrease) +/(–)
Profit for the period	227	5,602	(96)
Other comprehensive income:			
Exchange difference on consolidation	-	-	
Other comprehensive income for the period, net of tax	227	5,602	(96)
Total comprehensive income attributable to equity holders of the period	227	5,602	(96)

Notes to the Income Statement:

	Group	
	RMB'000	
	3 months ended 31 March 2016 (Unaudited)	3 months ended 31 March 2015 (Unaudited)
Profit before tax is arrived at after charging / (crediting) :		
Interest income	3	345
Foreign exchange (gain) / loss	(306)	51
Depreciation of property, plant and equipment	1,409	1,301
Depreciation of investment property	58	58
Amortization of deferred development costs	-	5
Amortization of lease prepayment	20	20
Loss on disposal of available-for-sale financial assets (Net)	141	-
Loss on disposal of property, plant and equipment	-	1

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 2016 RMB'000 (Unaudited)	31 Dec 2015 RMB'000 (Audited)	31 Mar 2016 RMB'000 (Unaudited)	31 Dec 2015 RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		54,664	54,445	5,060	4,049
Investment property		2,537	2,595	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		746	766	-	-
Intangible assets	(a)	6,128	6,128	-	-
Refundable deposits		28,889	21,889	-	-
Deferred tax assets		2,059	1,567	-	-
		95,023	87,390	81,667	80,656
Current assets					
Inventories		15,333	16,027	-	-
Trade and bills receivables		4,014	7,886	-	-
Other receivables, prepayments and deposits		4,057	12,330	43	-
Income tax recoverable		890	963	-	-
Due from subsidiary (non-trade)		-	-	38,850	44,850
Available-for-sale financial assets		35,792	43,674	-	-
Cash and bank balances		16,120	9,807	9,039	4,788
		76,206	90,687	47,932	49,638
Total assets		171,229	178,077	129,599	130,294
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		21,314	21,314	-	-
Accumulated losses		(12,806)	(13,033)	(16,626)	(15,933)
Total equity		153,483	153,256	128,349	129,042
Non-current liabilities					
Deferred tax liabilities		102	121	-	-
		102	121	-	-
Current liabilities					
Trade and other payables		17,644	24,700	1,250	1,252
		17,644	24,700	1,250	1,252
Total liabilities		17,746	24,821	1,250	1,252
Total equity and liabilities		171,229	178,077	129,599	130,294

Notes :

(a) Intangible assets comprise mainly of Product Development in Progress of RMB6,128,000 (31/12/2015: RMB 6,128,000).

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

	As at 31 March 2016		As at 31 December 2015	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
(a) Amount repayable in one year or less, or on demand	-	-	-	-
(b) Amount repayable after one year	-	-	-	-

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

<u>Group</u>	Note	RMB'000	
		Period ended 31 March 2016	Period ended 31 March 2015 (Restated) [#]
Cash flow from operating activities			
Profit before income tax		281	6,466
Adjustments for:			
Amortization of deferred development costs		-	5
Amortization of lease prepayments		20	20
Depreciation of property, plant and equipment		1,409	1,301
Depreciation of investment property		58	58
Loss on disposal of property, plant and equipment		-	1
Interest expense		-	-
Interest income		(3)	(345)
Operating profit before working capital changes		1,765	7,506
Changes in working capital:			
Inventories		694	8,293
Trade and bills receivables		3,872	(931)
Other receivables and prepayments and deposits		1,946	643
Trade and other payables		(7,548)	(8,540)
Cash generated from operations		729	6,971
Income tax paid		-	-

Net cash generated from operating activities		729	6,971
Cash flows from investing activities			
Payments for product development in progress		-	(840)
Purchase of property, plant and equipment		(1,628)	(3)
Prepayments for plant and equipment		(673)	(479)
Payment of deposits for product manufacturing rights and technical know-how		(7,000)	(7,910)
Refund of deposits from third party research and development vendors		7,000	-
Purchase of available-for-sale financial assets	(i)	(6,769)	(26,000)
Proceeds from disposal of available-for-sale financial assets	(i)	14,651	21,000
Interest received		3	345
Net cash generated / (used in) from investing activities		5,584	(13,887)
Cash flows from financing activities			
Interest paid		-	-
Net cash used in financing activities		-	-
Net increase / (decrease) in cash and cash equivalents		6,313	(6,916)
Cash and cash equivalents at beginning of the period	(i)	9,807	20,329
Cash and cash equivalents at end of the period	(i)	16,120	13,413

Restated as explained in note (i)

Notes :

- (i) The classification method of certain investments applied in first quarter of 2015 has been restated and presented in the first quarter announcement of FY2016. The Company re-assessed the classification of investments placed with several banks in PRC from cash and bank balances to available-for-sale financial assets to better reflect the nature of these investments.

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 (losses)	Total attributable to equity holders of the parents	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	144,975	19,910	(17,653)	147,232	147,232
Total comprehensive income for the period	-	-	5,602	5,602	5,602
At 31 March 2015	144,975	19,910	(12,051)	152,834	152,834
At 1 January 2016	144,975	21,314	(13,033)	153,256	153,256
Total comprehensive income for the period	-	-	227	227	227
At 31 March 2016	144,975	21,314	(12,806)	153,483	153,483

<u>Company</u>	Share capital	Accumulated (losses)	Total equity
	RMB'000	RMB'000	RMB'000
At 1 January 2015	144,975	(31,195)	113,780
Total comprehensive loss for the period	-	(1,249)	(1,249)
At 31 March 2015	144,975	(32,444)	112,531
At 1 January 2016	144,975	(15,933)	129,042
Total comprehensive loss for the period	-	(693)	(693)
At 31 March 2016	144,975	(16,626)	128,349

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 2016.

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: 46,824,999 (31 December 2015: 46,824,999)

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. There were no treasury shares during and as at end of the current financial period reported on.

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 2015.

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 2016 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 2016	3 months ended 31 March 2015
		(Restated)*
Net Amount attributable to equity shareholders for the period (RMB'000)	227	5,602
No. of ordinary shares used in calculation of basic earning per share	46,824,999	46,824,999
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 shares on issue: and (in RMB cents)	0.48	11.96
(b) On a fully diluted basis (in RMB cents)	0.48	11.96

*Comparative weighted average number of ordinary shares and basic and diluted earning per ordinary share has been adjusted to reflect the effects of Share Consolidation on 26 May 2015.

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 2016	Year ended 31 December 2015	3 months ended 31 March 2016	Year ended 31 December 2015
Net asset value per ordinary share capital at the end of the period (in RMB cents)	327.8	327.3	274.1	275.6
Number of shares (in issued)	46,824,999	46,824,999	46,824,999	46,824,999

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

Amidst challenging business conditions due to the slowing economy in 1Q2016 and following higher raw materials cost and ongoing drug prices intervention regulation by PRC government, the Group posted net profit attributable to equity holders of RMB0.2 million on revenue of RMB15.6 million in 1Q2016.

Revenue

Group revenue fell 33% to RMB15.6 million in 1Q2016 mainly due to falling sales of antibiotics and other specialized drugs.

	3 months ended 31 March 2016	3 months ended 31 March 2015	Change	
	RMB'000	RMB'000	%	RMB'000
Antibiotics	5,534	10,127	(45)	(4,593)
Cardiovascular drugs and cerebrovascular drugs	394	945	(58)	(551)
Other specialized drugs	9,651	12,288	(21)	(2,637)
Total	15,579	23,360	(33)	(7,781)

Antibiotics sales dropped 45% to RMB5.5 million in 1Q2016 on lower demand for Azithromycin Aspartate for Injection and Aztreonam for Injection. Antibiotics accounted for 36% of Group revenue in 1Q2016, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales declined 58% to RMB0.4 million due to decrease in demand for the Group's Vinpocetine for Injection and Aceglutamide for Injection. Cardiovascular drugs and cerebrovascular drugs represented 2% of Group revenue in 1Q2016.

Sales of the Group's major products, other specialized drugs, fell 21% to RMB9.7 million in 1Q2016 due to lower sales of Potassium Sodium Dehydroandrographolide Succinate for Injection and Ropivacaine Mesilate Injection. Other specialized drugs remained the largest revenue contributor, accounting for 62% of Group revenue in 1Q2016.

Profitability

Gross profit declined 58% to RMB4.4 million in 1Q2016 mainly on lower sales and inflationary cost pressures.

Other operating income slid 85% to RMB0.2 million due to the completion of subcontracting service provided for the manufacturing pharmaceutical products in FY2015.

Selling and distribution expenses dropped 26% to RMB1.2 million while administrative expenses fell 14% to RMB3.2 million due to the Group managed to keep operating expenses in check.

Other expenses decreased 12% to RMB0.02 million in 1Q2016 on lower R&D expenditure.

Finance income raised 32% to RMB0.5 million mainly due to foreign exchange gain.

Finance expenses jumped 397% to RMB0.3 million results from loss on disposal of available-for-sale financial assets in 1Q2016.

As a result, the Group posted net profit attributable to equity holders of RMB0.2 million in 1Q2016 compared with RMB5.6 million in 1Q2015.

Financial Position

(31 March 2016 vs. 31 December 2015)

Non-current assets rose from RMB87.4 million to RMB95.0 million. Property, plant and equipment increased from RMB54.4 million to RMB54.7 million due to purchase the addition equipments in 1Q2016. Intangibles assets remained at approximately RMB6.1million level due to the deferred development cost was fully amortized in FY2015.

Current assets decreased from RMB90.7 million to RMB76.2 million. Inventories level fell from RMB16.0 million to RMB15.3 million due to the completion of subcontracting manufacturing services. Trade & bills receivables fell from RMB7.9 million to RMB4.0 million on bill receivables in FY2015 has fully redeemed in 1Q2016. Other receivables, prepayments and deposits dropped from RMB12.3 million to RMB4.1 million results from received the full refund of RMB7 million refundable deposits in 1Q2016 due to a R&D agreement terminated in FY2015. Cash and bank balances increased from RMB9.8 million to RMB16.1 million mainly due to the advance deposits for medical know-how fully offset by refund deposit from termination of R&D agreement and disposal of available-for-sale financial assets in 1Q2016.

Non-current liabilities comprise of deferred tax liabilities remained at approximately RMB0.1million level.

Current liabilities dropped from RMB24.7 million to RMB17.6 million. Trade and other payables fell from RMB24.7 million to RMB17.6 million due to settlement of most of the debts in 1Q2016 from raw materials purchases in FY2015.

Cash Flow Statement

The Group's net cash inflow from operating activities in 1Q2016 was RMB0.7 million. This was mainly due to the operating profit of RMB0.3 million from Group's usual operating business. The declined was due to lower revenue from drugs sales and subcontracting manufacturing service in 1Q2016.

Net cash generated from investing activities in 1Q2016 amounted to RMB5.6 million. This was primarily due to the proceeds from disposal of available-for sale financial assets.

No cash flow from financing activities in 1Q2016.

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.

2016 will be a challenging year due to weigh on the slowing economy in the People's Republic of China. The Group will focuses on deploy the sales and growth strategies and continuous investments to roll out of new products range to address the challenges in the competitive pharmaceutical industry.

In order to sustainable long term growth, the Group will be continuing strengthen our reputation as a high quality manufacturer and on-going to expand the distributor network.

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:

No.

(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 or recommended for the current period reported on.

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.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$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 S\$100,000)
Hainan Selection Pharmaceutical Co., Ltd.	RMB378,000	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 31 March 2016.

The Company has no general mandate from shareholders for interested person transactions.

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

To the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited financial statements of the Group for the First Quarter ended 31 March 2016 to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company hereby confirms that it has procured undertakings from all its directors and executive officers under Rule 720(1) of the Listing Manual.

By Order of the Board

Xu Zhi Bin
Executive Chairman
13 May 2016