



**STAR STAR PHARMACEUTICAL LIMITED**  
Registration No. 200500429W

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2016	3 months ended 30 June 2015	Increase/ (decrease) +/(–)	6 months ended 30 June 2016	6 months ended 30 June 2015	Increase/ (decrease) +/(–)
	(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
<b>Revenue</b>	13,723	20,017	(31)	29,302	43,377	(32)
Cost of sales	(9,686)	(14,032)	(31)	(20,915)	(27,130)	(23)
<b>Gross Profit</b>	<b>4,037</b>	<b>5,985</b>	(33)	<b>8,387</b>	<b>16,247</b>	(48)
Other operating income	896	764	17	1,087	2,052	(47)
Selling and distribution expenses	(1,163)	(1,609)	(28)	(2,397)	(3,282)	(27)
Administrative expenses	(3,339)	(4,795)	(30)	(6,498)	(8,465)	(23)
Other operating expenses	(637)	(98)	550	(660)	(124)	432
<b>(Loss) / Profit from operations</b>	<b>(206)</b>	<b>247</b>	n.m	<b>(81)</b>	<b>6,428</b>	n.m
Financial income	791	630	26	1,245	975	28
Financial expenses	(10)	(31)	(68)	(308)	(91)	238
<b>Profit before income tax</b>	<b>575</b>	<b>846</b>	(32)	<b>856</b>	<b>7,312</b>	(88)
Income tax	(2)	(227)	(99)	(56)	(1,091)	(95)
<b>Profit for the period</b>	<b>573</b>	<b>619</b>	(7)	<b>800</b>	<b>6,221</b>	(87)
<b>Attributable to equity holders of the Company</b>	<b>573</b>	<b>619</b>	(7)	<b>800</b>	<b>6,221</b>	(87)
<b>Earnings per share (RMB cents)</b>						
- Basic	1.22	1.32		1.71	13.29	
- Diluted	1.22	1.32		1.71	13.29	

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2016 (Unaudited)	3 months ended 30 June 2015 (Unaudited)	Increase/ (decrease) +/(–)	6 months ended 30 June 2016 (Unaudited)	6 months ended 30 June 2015 (Unaudited)	Increase/ (decrease) +/(–)
<b>Profit for the period</b>	<b>573</b>	<b>619</b>	(7)	<b>800</b>	<b>6,221</b>	(87)
Other comprehensive income:						
Exchange difference on consolidation	-	-	-	-	-	-
<b>Other comprehensive income for the period, net of tax</b>	<b>573</b>	<b>619</b>	(7)	<b>800</b>	<b>6,221</b>	(87)
<b>Total comprehensive income attributable to equity holders of the period</b>	<b>573</b>	<b>619</b>	(7)	<b>800</b>	<b>6,221</b>	(87)

Notes to Income Statement:

1.	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 June 2016 (Unaudited)	3 months ended 30 June 2015 (Unaudited)	6 months ended 30 June 2016 (Unaudited)	6 months ended 30 June 2015 (Unaudited)
<b>Profit before tax is arrived at after charging / (crediting) :</b>				
Interest income	5	630	8	975
Foreign exchange (gain) / loss	(162)	21	(468)	72
Depreciation of property, plant and equipment	1,561	1,322	2,970	2,623
Depreciation of investment property	58	58	116	116
Amortization of deferred development costs	-	5	-	10
Amortization of lease prepayment	18	18	38	38
(Gain)/Loss on disposal of available-for-sale financial assets (Net)	(514)	-	(373)	-
Loss on disposal of property, plant and equipment	9	-	9	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	
		30 Jun 2016	31 Dec 2015	30 Jun 2016	31 Dec 2015
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Non-current assets</b>					
Property, plant and equipment		54,223	54,445	5,567	4,049
Investment property		2,479	2,595	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		728	766	-	-
Intangible assets	(a)	6,128	6,128	-	-
Refundable deposits		28,889	21,889	-	-
Deferred tax assets		1,567	1,567	-	-
		<b>94,014</b>	<b>87,390</b>	<b>82,174</b>	<b>80,656</b>
<b>Current assets</b>					
Inventories		21,640	16,027	-	-
Trade and bills receivables		2,268	7,886	-	-
Other receivables, prepayments and deposits		5,203	12,330	42	-
Income tax recoverable		868	963	-	-
Due from subsidiary (non-trade)		-	-	34,000	44,850
Available-for-sale financial assets		33,755	43,674	-	-
Cash and bank balances		17,565	9,807	12,234	4,788
		<b>81,299</b>	<b>90,687</b>	<b>46,276</b>	<b>49,638</b>
<b>Total assets</b>		<b>175,313</b>	<b>178,077</b>	<b>128,450</b>	<b>130,294</b>
<b>Equity</b>					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		21,314	21,314	-	-
Accumulated losses		(12,233)	(13,033)	(17,398)	(15,933)
<b>Total equity</b>		<b>154,056</b>	<b>153,256</b>	<b>127,577</b>	<b>129,042</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		82	121	-	-
		82	121	-	-
<b>Current liabilities</b>					
Trade and other payables		21,175	24,700	873	1,252
		21,175	24,700	873	1,252
<b>Total liabilities</b>		<b>21,257</b>	<b>24,821</b>	<b>873</b>	<b>1,252</b>
<b>Total equity and liabilities</b>		<b>175,313</b>	<b>178,077</b>	<b>128,450</b>	<b>130,294</b>

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 30 June 2016		As at 31 December 2015	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	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) 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 June**

<u>Group</u>	Note	RMB'000		RMB'000	
		3 months ended 30 June 2016	3 months ended 30 June 2015 (Restated) <sup>#</sup>	6 months ended 30 June 2016	6 months ended 30 June 2015 (Restated) <sup>#</sup>
<b>Cash flow from operating activities</b>					
<b>Profit before income tax</b>		575	846	856	7,312
Adjustments for:					
Amortisation of deferred development costs		-	5	-	10
Amortisation of lease prepayment		18	18	38	38
Depreciation of property, plant and equipment		1,561	1,322	2,970	2,623
Depreciation of investment property		58	58	116	116
Loss on disposal of property, plant and equipment		9	-	9	1
Interest expense		-	-	-	-
Interest income		(5)	(630)	(8)	(975)
<b>Operating profit before working capital changes</b>		<b>2,216</b>	<b>1,619</b>	<b>3,981</b>	<b>9,125</b>
<b>Changes in working capital:</b>					
Inventories		(6,307)	7,275	(5,613)	15,568
Trade and bills receivables		1,746	(571)	5,618	(1,502)

Other receivables, prepayments and deposits		(1,001)	(942)	945	(299)
Trade and other payables		4,023	6,416	(3,525)	(2,124)
<b>Cash generated from operations</b>		<b>677</b>	<b>13,797</b>	<b>1,406</b>	<b>20,768</b>
Income tax paid		(95)	-	(95)	-
<b>Net cash generated from operating activities</b>		<b>582</b>	<b>13,797</b>	<b>1,311</b>	<b>20,768</b>
<b>Cash flows from investing activities</b>					
Payments for product development in progress		-	-	-	(840)
Purchase of property, plant and equipment		(1,135)	(2,176)	(2,763)	(2,179)
Prepayment for plant and equipment		(50)	(1,100)	(723)	(1,579)
Proceeds from disposal of property, plant and equipment		6	-	6	-
Payment of deposits for product manufacturing rights and technical know-how		-	(382)	(7,000)	(8,292)
Refund of deposits from third party research and development vendors		-	-	7,000	-
Purchase of available-for-sale financial assets	(i)	(26,986)	(28,000)	(33,755)	(54,000)
Proceeds from disposal of available-for-sale financial assets	(i)	29,023	15,000	43,674	36,000
Interest received		5	630	8	975
<b>Net cash generated / (used in) from investing activities</b>		<b>863</b>	<b>(16,028)</b>	<b>6,447</b>	<b>(29,915)</b>
<b>Cash flows from financing activities</b>					
Interest paid		-	-	-	-
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,445</b>	<b>(2,231)</b>	<b>7,758</b>	<b>(9,147)</b>
Cash and cash equivalents at beginning of the period	(i)	16,120	13,413	9,807	20,329
<b>Cash and cash equivalents at end of the period</b>	(i)	<b>17,565</b>	<b>11,182</b>	<b>17,565</b>	<b>11,182</b>

# Restated as explained in note (i)

Notes :

- (i) The classification method of certain investments applied in second quarter of 2015 has been restated and presented in the second 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 30 June**

<u>Group</u>	Share capital	Statutory reserves	Accumulated (losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>	<b>144,975</b>	<b>19,910</b>	<b>(17,653)</b>	<b>147,232</b>
Total comprehensive income for the period	-	-	6,221	6,221
<b>At 30 June 2015</b>	<b>144,975</b>	<b>19,910</b>	<b>(11,432)</b>	<b>153,453</b>
<b>At 1 January 2016</b>	<b>144,975</b>	<b>21,314</b>	<b>(13,033)</b>	<b>153,256</b>
Total comprehensive income for the period	-	-	800	800
<b>At 30 June 2016</b>	<b>144,975</b>	<b>21,314</b>	<b>(12,233)</b>	<b>154,056</b>

<u>Company</u>	Share capital	Accumulated (losses)	Total equity
	RMB'000	RMB'000	RMB'000
<b>At 1 January 2015</b>	<b>144,975</b>	<b>(31,195)</b>	<b>113,780</b>
Total comprehensive loss for the period	-	(2,461)	(2,461)
<b>At 30 June 2015</b>	<b>144,975</b>	<b>(33,656)</b>	<b>111,319</b>
<b>At 1 January 2016</b>	<b>144,975</b>	<b>(15,933)</b>	<b>129,042</b>
Total comprehensive loss for the period	-	(1,465)	(1,465)
<b>At 30 June 2016</b>	<b>144,975</b>	<b>(17,398)</b>	<b>127,577</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 30 June 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		Group	
	3 months ended 30 June 2016	3 months ended 30 June 2015	6 months ended 30 June 2016	6 months ended 30 June 2015
Net amount attributable to equity shareholders for the period (RMB'000)	573	619	800	6,221
No. of ordinary shares used in calculation of basic earning per share	46,824,999	46,824,999	46,824,999	46,824,999
<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 share on issue: and (in RMB cents)	1.22	1.32	1.71	13.29
(b) On a fully diluted basis (in RMB cents)	1.22	1.32	1.71	13.29

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	
	6 months ended 30 June 2016	Year ended 31 December 2015	6 months ended 30 June 2016	Year ended 31 December 2015
Net asset value per ordinary share capital at the end of the period (in RMB cents)	329.0	327.3	272.5	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 of 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 continues face challenging environment in 2Q2016 due to the slowing economy and price pressure result from drug price-cap regulation by PRC government. Group revenue fell 31% to RMB13.7 million and the net profit attributable to equity holders amounted to RMB0.6 million in 2Q2016.

### Revenue

Group revenue declined 31% to RMB13.7 million in 2Q2016 on lower sales of antibiotics and other specialized drugs.

	3 months ended	3 months ended	Change		6 months ended	6 months ended	Change	
	30 June 2016	30 June 2015	%	RMB'000	30 June 2016	30 June 2015	%	RMB'000
	RMB'000	RMB'000			RMB'000	RMB'000		
Antibiotics	5,602	8,391	(33)	(2,789)	11,136	18,518	(40)	(7,382)
Cardiovascular drugs and cerebrovascular drugs	924	931	(1)	(7)	1,318	1,876	(30)	(558)
Other specialized drugs	7,197	10,695	(33)	(3,498)	16,848	22,983	(27)	(6,135)
<b>Total</b>	<b>13,723</b>	<b>20,017</b>	<b>(31)</b>	<b>(6,294)</b>	<b>29,302</b>	<b>43,377</b>	<b>(32)</b>	<b>(14,075)</b>

Antibiotics sales fell 33% to RMB5.6 million in 2Q2016 due to lower sale of Cefoxitin Sodium for Injection and Azithromycin Aspartate for Injection. Antibiotics accounted for 41% of Group revenue in 2Q2016, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales dipped 1% to RMB0.9 million by softened in demand for the Group's Vinpocetine for Injection. Cardiovascular drugs and cerebrovascular drugs represented 7% of Group revenue in 2Q2016.

Sales of the Group's major products, other specialized drugs, declined 33% to RMB7.2 million in 2Q2016 on lower demand for Bocobal Mecobalamin Injection and Amoxicillin and Dicloxacillin Sodium Tablets. Other specialized drugs remained the largest revenue contributor, accounting for 52% of Group revenue in 2Q2016.

## **Profitability**

Following higher raw materials cost and price pressure from the drug price-cap regulation which have lower gross profit margin, the Group's gross profit slip 33% to RMB4.0 million in 2Q2016 compared with RMB6.0 million profits in 2Q2015.

Other operating income rose 17% to RMB0.9 million due to record a RMB0.7 million Government subsidy in 2Q2016.

Selling and distribution expenses fell 28% to RMB1.2 million as entertainment expenses and meeting fee lower in 2Q2016. Administrative expenses decreased 30% to RMB3.3 million due to the Group managed to keep operating expenses in check.

Other expenses plunged 550% to RMB0.6 million in 2Q2016 on disposal of property, plant and equipment and higher R&D expenditure.

Finance income increased 26% to RMB0.8 million in 2Q2016 primarily due to foreign exchange gain and gain on disposal of available-for-sale financial assets.

Finance expenses declined 68% to RMB0.01 million results from decreased of bank charges.

Overall, the Group recorded net profit attributable to equity holders of RMB0.6 million in 2Q2016.

## **Financial Position**

*(30 June 2016 vs. 31 December 2015)*

Non-current assets rose from RMB87.4 million to RMB94.0 million mainly caused by the increased of refundable deposit of RMB7.0 million. Property, plant and equipment slight fell from RMB54.4 million to RMB54.2 million due to depreciation. 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 RMB81.3 million. Inventories level increased from RMB16.0 million to RMB21.6 million due to raw material purchases for second half year production in 2016. Trade & bills receivables fell from RMB7.9 million to RMB2.3 million on bill receivables in FY2015 has fully redeemed during the 1H2016. Other receivables, prepayments and deposits declined from RMB12.3 million to RMB5.2 million results from received the full refund of RMB7 million refundable deposits in 1H2016 due to a R&D agreement terminated in FY2015. Available-for-sale financial assets decreased from RMB43.7 million to RMB33.8 million. Cash and bank balances rose from RMB9.8 million to RMB17.6 million.

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

Current liabilities decreased from RMB24.7 million to RMB21.2 million. Trade and other payables fell from RMB24.7 million to RMB21.2 million due to settlement of most of the debts in 1H2016 from raw materials purchases in FY2015.

### **Cash Flow Statement**

The Group's net cash inflow from operating activities were RMB1.3 million in 1H2016 and RMB0.6 million in 2Q2016. This was mainly due to the Group's usual operating business.

Net cash generated from investing activities in 1H2016 amounted to RMB6.4 million and 2Q2016 amounted to RMB0.9 million. This was primarily due to the proceeds from disposal of available-for sale financial assets upon maturity.

No cash flow from financing activities in 1H2016 and 2Q2016.

**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.

To drive the future growth of the Group, the Group will be continuing lookout for business opportunities, strengthen our reputation and expansion the distributor and sales 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.**

<b>Name of interested person</b>	<b>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)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)</b>
Hainan Selection Pharmaceutical Co., Ltd.	RMB756,000	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 30 June 2016.

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

**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 Second Quarter Results of the Group for the financial period ended 30 June 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**  
**11 August 2016**