



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2016	3 months ended 30 September 2015	Increase/ (decrease) +/-	9 months ended 30 September 2016	9 months ended 30 September 2015	Increase/ (decrease) +/-
	(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	15,776	23,692	(33)	45,078	67,069	(33)
Cost of sales	(8,877)	(14,521)	(39)	(29,792)	(41,651)	(28)
Gross Profit	6,899	9,171	(25)	15,286	25,418	(40)
Other operating income	189	1,181	(84)	1,276	3,233	(61)
Selling and distribution expenses	(1,502)	(1,546)	(3)	(3,899)	(4,828)	(19)
Administrative expenses	(4,458)	(4,476)	0	(10,956)	(12,941)	(15)
Other operating expenses	(141)	(185)	(24)	(801)	(309)	159
Profit from operations	987	4,145	(76)	906	10,573	(91)
Financial income	166	601	(72)	1,411	1,576	(10)
Financial expenses	(11)	(111)	(90)	(319)	(202)	58
Profit before income tax	1,142	4,635	(75)	1,998	11,947	(83)
Income tax	(490)	(1,132)	(57)	(546)	(2,223)	(75)
Profit for the period	652	3,503	(81)	1,452	9,724	(85)
Attributable to equity holders of the Company	652	3,503	(81)	1,452	9,724	(85)
Earnings per share (RMB cents)						
- Basic	1.39	7.48		3.10	20.77	
- Diluted	1.39	7.48		3.10	20.77	

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2016 (Unaudited)	3 months ended 30 September 2015 (Unaudited)	Increase/ (decrease) +/(–)	9 months ended 30 September 2016 (Unaudited)	9 months ended 30 September 2015 (Unaudited)	Increase/ (decrease) +/(–)
Profit for the period	652	3,503	(81)	1,452	9,724	(85)
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
Other comprehensive income for the period, net of tax	652	3,503	(81)	1,452	9,724	(85)
Total comprehensive income attributable to equity holders of the period	652	3,503	(81)	1,452	9,724	(85)

Notes to Income Statement:

1.	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 September 2016 (Unaudited)	3 months ended 30 September 2015 (Unaudited)	9 months ended 30 September 2016 (Unaudited)	9 months ended 30 September 2015 (Unaudited)
Profit before tax is arrived at after charging / (crediting) :				
Interest income	6	601	14	1,576
Foreign exchange loss / (gain)	23	104	(445)	176
Depreciation of property, plant and equipment	1,463	1,720	4,433	4,343
Depreciation of investment property	58	58	174	174
Amortization of deferred development costs	-	5	-	15
Amortization of lease prepayment	19	19	57	57
(Gain)/Loss on disposal of available-for-sale financial assets (Net)	(439)	(596)	(812)	(1,558)
Gain on disposal of property, plant and equipment	-	39	9	38

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 2016	31 Dec 2015	30 Sep 2016	31 Dec 2015
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		53,828	54,445	6,085	4,049
Investment property		2,421	2,595	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		709	766	-	-
Intangible assets	(a)	6,128	6,128	-	-
Refundable deposits		28,889	21,889	-	-
Deferred tax assets		1,567	1,567	-	-
		93,542	87,390	82,692	80,656
Current assets					
Inventories		19,754	16,027	-	-
Trade and bills receivables		2,092	7,886	-	-
Other receivables, prepayments and deposits		3,453	12,330	98	-
Income tax recoverable		358	963	-	-
Due from subsidiary (non-trade)		-	-	18,000	44,850
Available-for-sale financial assets		-	43,674	-	-
Cash and bank balances		55,375	9,807	47,210	4,788
		81,032	90,687	65,308	49,638
Total assets		174,574	178,077	148,000	130,294
Equity					
Share capital		144,975	144,975	144,975	144,975
Treasury Shares		(11)	-	(11)	-
Statutory reserves		21,314	21,314	-	-
Accumulated (losses) / profits		(11,581)	(13,033)	989	(15,933)
Total equity		154,697	153,256	145,953	129,042
Non-current liabilities					
Deferred tax liabilities		62	121	-	-
		62	121	-	-
Current liabilities					
Trade and other payables		19,815	24,700	2,047	1,252
		19,815	24,700	2,047	1,252
Total liabilities		19,877	24,821	2,047	1,252
Total equity and liabilities		174,574	178,077	148,000	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 30 September 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 September

<u>Group</u>	Note	RMB'000		RMB'000	
		3 months ended 30 September 2016	3 months ended 30 September 2015	9 months ended 30 September 2016	9 months ended 30 September 2015
			(Restated) [#]		(Restated) [#]
Cash flow from operating activities					
Profit before income tax		1,142	4,635	1,998	11,947
Adjustments for:					
Amortisation of deferred development costs		-	5	-	15
Amortisation of lease prepayment		19	19	57	57
Depreciation of property, plant and equipment		1,463	1,720	4,433	4,343
Depreciation of investment property		58	58	174	174
Gain on disposal of subsidiaries		-	-	-	-
(Gain)/Loss on disposal of property, plant and equipment		-	(39)	9	(38)
Interest expense		-	-	-	-
Interest income		(6)	(5)	(14)	(18)
Operating profit before working capital changes		2,676	6,393	6,657	16,480
Changes in working capital:					
Inventories		1,886	1,057	(3,727)	16,625

Trade and bills receivables		176	(2,630)	5,794	(4,132)
Other receivables, prepayments and deposits		2,679	(4,969)	3,624	(5,268)
Trade and other payables		(1,360)	(4,437)	(4,885)	(6,561)
Cash generated / (used in) from operations		6,057	(4,586)	7,463	17,144
Income tax paid		(510)	(248)	(605)	(248)
Net cash generated / (used in) from operating activities		5,547	(4,834)	6,858	16,896
Cash flows from investing activities					
Payments for product development in progress		-	-	-	(840)
Purchase of property, plant and equipment		(1,068)	(4,314)	(3,831)	(6,493)
Prepayment for plant and equipment		(419)	1,111	(1,142)	(468)
Advances for product manufacturing rights and technical know-how		-	(11,454)	(7,000)	(19,746)
Proceeds from disposal of property, plant and equipment		-	60	6	60
Refund of deposit from potential investment		-	11,000	7,000	11,000
Purchase of available-for-sale financial assets	(i)	-	7,840	(33,755)	(46,160)
Proceeds from disposal of available-for-sale financial assets	(i)	33,755	-	77,429	36,000
Interest received		6	5	14	18
Net cash generated / (used in) from investing activities		32,274	4,248	38,721	(26,629)
Cash flows from financing activities					
Purchase of treasury shares		(11)	-	(11)	-
Net cash used in financing activities		(11)	-	(11)	-
Net increase / (decrease) in cash and cash equivalents					
Cash and cash equivalents at beginning of the period	(i)	17,565	11,182	9,807	20,329
Cash and cash equivalents at end of the period	(i)	55,375	10,596	55,375	10,596

Restated as explained in note (i)

Notes :

- (i) The classification method of certain investments applied in third quarter of 2015 has been restated and presented in the third 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 September

<u>Group</u>	Share capital	Treasury Shares	Statutory reserves	Accumulated (losses)/profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	144,975	-	19,910	(17,653)	147,232
Total comprehensive income for the period	-	-	-	9,724	9,724
At 30 September 2015	144,975	-	19,910	(7,929)	156,956
At 1 January 2016	144,975	-	21,314	(13,033)	153,256
Total comprehensive income for the period	-	-	-	1,452	1,452
Purchase of treasury shares	-	(11)	-	-	(11)
At 30 September 2016	144,975	(11)	21,314	(11,581)	154,697

<u>Company</u>	Share capital	Treasury Shares	Accumulated (losses) /profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2015	144,975	-	(31,195)	113,780
Total comprehensive loss for the period	-	-	(3,940)	(3,940)
At 30 September 2015	144,975	-	(35,135)	109,840
At 1 January 2016	144,975	-	(15,933)	129,042
Total comprehensive income for the period	-	-	16,922	16,922
Purchase of treasury shares	-	(11)	-	(11)
At 30 September 2016	144,975	(11)	989	145,953

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.

The number of issued ordinary shares (excluding treasury shares) of the Company was as follows:

<u>Issued and Paid-Up Capital</u>	Number of Shares
As at 30 September 2015 (unaudited)	46,824,999
As at 30 September 2016 (unaudited)	46,810,499

The Company did not have treasury shares as at 30 September 2015. Movements in the Company's issued share capital (excluding treasury shares) during the period ended 30 September 2016 were as follows:

	<u>Number of shares</u>
Balance as at 1 January 2016	46,824,999
Shares buy back and held as treasury shares	(14,500)
Balance as at 30 September 2016	<u>46,810,499</u>

During the financial period ended 30 September 2016, the Company purchased a total of 14,500 (30 September 2015: Nil) of its ordinary shares by way of on-market purchase. These shares were held as treasury shares and presented as a component within shareholders' equity

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.

	9 months ended 30 September 2016	Year ended 31 December 2015
Total number of issued shares excluding treasury shares	46,810,499	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.

The Company acquired 14,500 of its own shares in the open market during the current financial period. These shares are held as treasury shares.

Movements in the Company's treasury shares during the quarter ended 30 September 2016 were as follows:

<u>Group and Company</u>	Number of Shares
Balance as at 1 January 2016	-
Shares buy back on 17 August 2016	14,500
Balance as at 30 September 2016	14,500

The Company did not hold any treasury shares as at 31 December 2015.

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 September 2016	3 months ended 30 September 2015	9 months ended 30 September 2016	9 months ended 30 September 2015
Net amount attributable to equity shareholders for the period (RMB'000)	652	3,503	1,452	9,724
Weighted average number of ordinary shares used in calculation of basic earning per share	46,817,907	46,824,999	46,822,618	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 share on issue: and (in RMB cents)	1.39	7.48	3.10	20.77
(b) On a fully diluted basis (in RMB cents)	1.39	7.48	3.10	20.77

*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 during the current financial year.

- 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	
	9 months ended 30 September 2016	Year ended 31 December 2015	9 months ended 30 September 2016	Year ended 31 December 2015
Net asset value per ordinary share capital (excluding treasury shares) at the end of the period (in RMB cents)	330.5	327.3	311.8	275.6
Number of issued shares excluding treasury shares	46,810,499	46,824,999	46,810,499	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

The Group recorded revenue of RMB15.8 million in 3Q2016 was lower by 33% comparable in 3Q2015. Continues price pressure from pharmaceutical products price-cap regulation by PRC government and slowing economy have affected the operating performance for the Group in 2016. This led to 81% drop in net profit attributable to equity holders amounted to RMB0.7 million in 3Q2016.

Revenue

Softening demand for antibiotics and other specialized drug result to the Group revenue fell 33% to RMB15.8 million in 3Q2016.

	3 months ended 30 September 2016	3 months ended 30 September 2015	Change		9 months ended 30 September 2016	9 months ended 30 September 2015	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	4,424	6,847	(35)	(2,423)	15,560	25,365	(39)	(9,805)
Cardiovascular drugs and cerebrovascular drugs	903	703	28	200	2,221	2,579	(14)	(358)
Other specialized drugs	10,449	16,142	(35)	(5,693)	27,297	39,125	(30)	(11,828)
Total	15,776	23,692	(33)	(7,916)	45,078	67,069	(33)	(21,991)

Antibiotics sales declined 35% to RMB4.4 million in 3Q2016 on lower sales of Aztreonam for Injection and Azithromycin Aspartate for Injection. Antibiotics accounted for 28% of Group revenue in 3Q2016, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales rose 28% to RMB0.9 million in 3Q2016. This was mainly attributed to increase demand of Vinpocetine for Injection during current quarter. Cardiovascular drugs and cerebrovascular drugs represented 6% of Group revenue in 3Q2016.

Other specialized drugs fell 35% to RMB10.4 million in 3Q2016 by softened in sales of Ropivacaine Mesilate Injection and Amoxicillin and Dicloxacillin Sodium Tablets. Other specialized drugs remained the largest revenue contributor constituting 66% of Group revenue in 3Q2016.

Profitability

The Group's gross profit decreased 25% to RMB6.9 million in 3Q2016 result from the lower profit margin attributable to higher raw materials cost and price pressure from the drug price-cap regulation.

Other operating income dropped 84% from RMB1.2 million in 3Q2015 to RMB0.2 million in 3Q2016 was mainly due to the completion of subcontracting service provided for the manufacturing pharmaceutical products in FY2015.

Selling and distribution expenses decreased 3% to RMB1.5 million while administrative expenses remained at approximately RMB4.4million level as the Group managed to lower operating expenses.

Other expenses lower 24% to RMB0.1 million in 3Q2016 by reduced the expenditure in R&D.

Finance income fell 72% to RMB0.2 million mainly due to lower the gain on available-for-sale financial assets in current quarter.

Finance expenses down 90% to RMB0.01 million in 3Q2016 results from mitigate the foreign exchange loss.

Tax expenses decreased by 57% to RMB0.5 million in 3Q2016 in line with lower profits recorded for the quarter.

As a result, the Group posted a net profit attributable to equity holders of RMB0.7 million in 3Q2016, representing a dropped of 81% from RMB3.5million in 3Q2015.

Financial Position

(30 September 2016 vs. 31 December 2015)

Non-current assets increased from RMB87.4 million to RMB93.5 million mainly attributable to the refundable deposit of RMB7.0 million to develop a new medical product. Property, plant and equipment slight fell from RMB54.4 million to RMB53.8 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 fell from RMB90.7 million to RMB81.0 million. Inventories level increased from RMB16.0 million to RMB19.8 million due to additional raw material purchases. Trade & bills receivables declined from RMB7.9 million to RMB2.1 million on bill receivables in FY2015 has fully redeemed during 2016. Other receivables, prepayments and deposits dropped from RMB12.3 million to RMB3.5 million results from received the full refund of RMB7 million refundable deposits in 9M2016 due to a R&D agreement terminated in FY2015. Available-for-sale financial assets down to zero from RMB43.7 million by fully redeemed the financial products upon maturity in 3Q2016. Cash and bank balances jumped from RMB9.8 million to RMB55.4 million attributed to the proceeds from redeemed of available-for sale financial assets.

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

Current liabilities decreased from RMB24.7 million to RMB19.8 million. Trade and other payables dropped from RMB24.7 million to RMB19.8 million by lower accrued liabilities and debts in 9M2016 from raw materials purchases in FY2015.

Cash Flow Statement

The Group's net cash inflow from operating activities was RMB6.9 million in 9M2016 and RMB5.5 million in 3Q2016. This was mainly due to the Group's usual operating business.

Net cash generated from investing activities in 9M2016 amounted to RMB38.7 million and 3Q2016 amounted to RMB32.3 million. This was mainly attributed to the proceeds from disposal of available-for sale financial assets upon maturity but these were partially offset by purchase of property, plant and equipment.

The Group's net cash used in financing activities in 9M2016 and 3Q2016 amounted to RMB0.01 million. This was primarily due to payment for the shares bought back and held as treasury shares during current period.

- 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 operating environment will be remaining challenge given the current uncertain economic outlook in the People's Republic of China. The Group will continue its effort to review and carry out Research and Development strategy in order to roll out new products for the revenue expansion, strengthen our reputation and pursue future growth opportunities of the Group.

11. Dividend

- (a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Book Closure Date

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.	RMB1,134,000	Nil

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

The Company has not obtained a 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 Third Quarter ended 30 September 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
10 November 2016**