



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2017

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		Increase/ (decrease) +/(–) (a) – (b)
	RMB'000		
	3 months ended 31 March 2017 (a) (Unaudited)	3 months ended 31 March 2016 (b) (Unaudited)	
Revenue	19,891	15,579	28
Cost of sales	(10,332)	(11,229)	(8)
Gross Profit	9,559	4,350	120
Other operating income	204	191	7
Selling and distribution expenses	(957)	(1,234)	(22)
Administrative expenses	(3,599)	(3,159)	14
Other operating expenses	(494)	(23)	2,048
Profit from operations	4,713	125	3,670
Finance income	5	454	(99)
Finance expenses	(130)	(298)	(56)
Profit before income tax	4,588	281	1,533
Income tax	(653)	(54)	1,109
Profit for the period	3,935	227	1,633
Attributable to equity holders of the Company	3,935	227	1,633
Earnings per share (RMB cents)			
- Basic	8.44	0.48	
- Diluted	8.44	0.48	

Consolidation statement of Comprehensive Income for the period

	Group		
	RMB'000		(%)
	3 months ended 31 March 2017 (Unaudited)	3 months ended 31 March 2016 (Unaudited)	Increase/ (decrease) +/(–)
Profit for the period	3,935	227	1,633
Other comprehensive income:			
Exchange difference on consolidation	-	-	
Other comprehensive income for the period, net of tax	3,935	227	1,633
Total comprehensive income attributable to equity holders of the period	3,935	227	1,633

Notes to the Income Statement:

	Group	
	RMB'000	
	3 months ended 31 March 2017 (Unaudited)	3 months ended 31 March 2016 (Unaudited)
Profit before tax is arrived at after charging / (crediting) :		
Interest income	5	3
Foreign exchange (gain) / loss	240	(306)
Depreciation of property, plant and equipment	1,375	1,409
Depreciation of investment property	58	58
Interest on borrowings	130	-
Amortization of lease prepayment	18	20
Loss on disposal of available-for-sale financial assets (Net)	-	141

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 2017	31 Dec 2016	31 Mar 2017	31 Dec 2016
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		54,404	54,003	9,260	6,596
Investment property		2,306	2,365	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		672	690	-	-
Intangible assets	(a)	6,128	6,128	-	-
Refundable deposits		22,174	21,174	-	-
Deferred tax assets		1,220	1,220	-	-
		87,904	86,580	85,867	83,203
Current assets					
Inventories		22,304	22,321	-	-
Trade and bills receivables		2,900	2,198	-	-
Other receivables, prepayments and deposits		4,004	10,673	111	-
Income tax recoverable		33	33	-	-
Due from subsidiary (non-trade)		-	-	18,000	18,000
Available-for-sale financial assets		5,500	-	-	-
Cash and bank balances		64,656	69,670	61,813	65,974
		99,397	104,895	79,924	83,974
Total assets		187,301	191,475	165,791	167,177
Equity					
Share capital		144,975	144,975	144,975	144,975
Treasury Shares		(170)	(170)	(170)	(170)
Statutory reserves		21,906	21,906	-	-
Accumulated losses		(7,098)	(11,033)	19,779	21,263
Total equity		159,613	155,678	164,584	166,068
Non-current liabilities					
Deferred tax liabilities		23	42	-	-
		23	42	-	-
Current liabilities					
Trade and other payables		21,665	23,755	1,207	1,109
Short-term borrowing		6,000	12,000	-	-
		27,665	35,755	1,207	1,109
Total liabilities		27,688	35,797	1,207	1,109
Total equity and liabilities		187,301	191,475	165,791	167,177

Notes :

(a) Intangible assets comprise mainly of Product Development in Progress of RMB6,128,000 (31/12/2016: RMB 6,128,000).

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

	As at 31 March 2017		As at 31 December 2016	
	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	-	6,000*	-	12,000*
(b) Amount repayable after one year	-	-	-	-

* The short-term borrowing of RMB6.0 million as at 31 March 2017 (31/12/2016: RMB 12,000,000) was unsecured and the interest was charged at 0.36% per month.

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 2017	Period ended 31 March 2016
Cash flow from operating activities			
Profit before income tax		4,588	281
Adjustments for:			
Amortization of lease prepayments		18	20
Depreciation of property, plant and equipment		1,375	1,409
Depreciation of investment property		58	58
Interest expense		130	-
Interest income		(5)	(3)
Operating profit before working capital changes		6,164	1,765
Changes in working capital:			
Inventories		17	694
Trade and bills receivables		(702)	3,872
Other receivables and prepayments and deposits		6,669	1,946
Trade and other payables		(2,891)	(7,548)
Cash generated from operations		9,257	729
Income tax paid		-	-
Net cash generated from operating activities		9,257	729

Cash flows from investing activities		
Purchase of property, plant and equipment	(2,776)	(1,628)
Prepayments for plant and equipment	-	(673)
Payment of deposits for product manufacturing rights and technical know-how	-	(7,000)
Refund of deposits from third party research and development vendors	-	7,000
Purchase of available-for-sale financial assets	(5,500)	(6,769)
Proceeds from disposal of available-for-sale financial assets	-	14,651
Interest received	5	3
Net cash (used in) / generated from investing activities	(8,271)	5,584
Cash flows from financing activities		
Repayment of short term loan	(6,000)	-
Net cash used in financing activities	(6,000)	-
Net (decrease) / increase in cash and cash equivalents	(5,014)	6,313
Cash and cash equivalents at beginning of the period	69,670	9,807
Cash and cash equivalents at end of the period	64,656	16,120

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	Treasury Shares	Statutory reserves	Accumulated (losses)/profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2016	144,975	-	21,314	(13,033)	153,256
Total comprehensive income for the period	-	-	-	227	227
At 31 March 2016	144,975	-	21,314	(12,806)	153,483
At 1 January 2017	144,975	(170)	21,906	(11,033)	155,678
Total comprehensive income for the period	-	-	-	3,935	3,935
At 31 March 2017	144,975	(170)	21,906	(7,098)	159,613

<u>Company</u>	Share capital	Treasury share	Accumulated (losses)/ profits	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
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
At 1 January 2017	144,975	(170)	21,263	166,068
Total comprehensive loss for the period	-	-	(1,484)	(1,484)
At 31 March 2017	144,975	(170)	19,779	164,584

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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 31 March 2016 (unaudited)	46,824,999
As at 31 March 2017 (unaudited)	46,610,499

The Company did not have treasury shares as at 31 March 2016. Movements in the Company's issued share capital (excluding treasury shares) during the period ended 31 March 2017 were as follows:

	Number of shares
Balance as at 1 January 2017	46,610,499
Shares buy back and held as treasury shares	-
Balance as at 31 March 2017	46,610,499

During the financial period ended 31 March 2017, no share was purchased by the Company.

Save as disclosed above, there have been no bonus or other issues of shares during the period.

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.

	3 months ended 31 March 2017	Year ended 31 December 2016
Total number of issued shares excluding treasury shares	46,610,499	46,610,499

No change of total number of issued shares excluding treasury shares of the Company during the financial period ended 31 March 2017.

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.

No share acquired by the Company during the current financial period.

Movements in the Company's treasury shares during the quarter ended 31 March 2017 were as follows:

<u>Group and Company</u>	Number of Shares
Balance as at 1 January 2017	214,500
Shares buy back during the current financial period	-
Balance as at 31 March 2017	214,500

- 1(d)(v) A statement showing all sales, transfer, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

During the financial period, there was no transaction pertaining to subsidiary holdings.

- 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 2016.

- 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 2017 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 2017	3 months ended 31 March 2016
Net Amount attributable to equity shareholders for the period (RMB'000)	3,935	227
No. of ordinary shares used in calculation of basic earning per share	46,610,499	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)	8.44	0.48
(b) On a fully diluted basis (in RMB cents)	8.44	0.48

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 2017	Year ended 31 December 2016	3 months ended 31 March 2017	Year ended 31 December 2016
Net asset value per ordinary share capital at the end of the period (in RMB cents)	329.6	334.0	353.1	356.3
Number of shares (in issued)	46,610,499	46,610,499	46,610,499	46,610,499

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

In 1Q2017 the Group achieved net profit attributable to equity holders of RMB3.9 million and on revenue of RMB19.9 million.

Revenue

Group revenue increased 28% from RMB15.6 million in 1Q2016 to RMB19.9 million in 1Q2017 due to higher sales of antibiotics, Cardiovascular drugs and Cerebrovascular drugs and other specialized drugs.

	3 months ended 31 March 2017	3 months ended 31 March 2016	Change	
	RMB'000	RMB'000	%	RMB'000
Antibiotics	6,314	5,534	14	780
Cardiovascular drugs and cerebrovascular drugs	464	394	18	70
Other specialized drugs	13,113	9,651	36	3,462
Total	19,891	15,579	28	4,312

Antibiotics sales increased 14% to RMB6.3 million in 1Q2017 on higher demand for Azithromycin Aspartate for Injection and Aztreonam for Injection. Antibiotics accounted for 32% of Group revenue in 1Q2017, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales increased 18% to RMB0.5 million due to higher sales of Vinpocetine for Injection. Cardiovascular drugs and cerebrovascular drugs represented 2% of Group revenue in 1Q2017.

Sales of the Group's major products, other specialized drugs, increased 36% to RMB13.1 million in 1Q2017 mainly caused by better sales of Potassium Sodium Dehydroandrographolide Succinate for Injection, Ropivacaine Mesilate Injection and Cobamamide for Injection. Other specialized drugs remained the largest revenue contributor, accounting for 66% of Group revenue in 1Q2017.

Profitability

Gross profit increased 120% to RMB9.6 million in 1Q2017 mainly due to higher sales revenues.

Other operating income kept at RMB0.2 million similar to 1Q2016.

Selling and distribution expenses dropped 22% to RMB1.0 million due to the Group managed to consolidate the selling and distribution networks during 1Q2017.

Administrative expenses increased 14% to RMB3.6 million mainly caused by increase of staff cost.

Other expenses raised 20 times to RMB0.5 million in 1Q2017 due to foreign exchange loss of RMB0.3 million incurred in 1Q2017.

Finance income dropped 99% to RMB0.01 million due to no foreign exchange gain in 1Q2017 compared with 1Q2016.

Finance expenses declined 56% to RMB0.1 million in 1Q2017 compared with 1Q2016.

As a result, the Group posted net profit attributable to equity holders of RMB3.9 million in 1Q2017 compared with RMB0.2 million in 1Q2016.

Financial Position

(31 March 2017 vs. 31 December 2016)

Non-current assets rose from RMB86.6 million to RMB87.9 million. Property, plant and equipment increased from RMB54.0 million to RMB55.4 million due to purchase the addition property and equipments in 1Q2017. Intangibles assets remained at approximately RMB6.1 million level.

Current assets decreased from RMB104.9 million to RMB99.4 million. Inventories level dropped slightly and kept at RMB22.3 million. Trade & bills receivables increased from RMB2.2 million to RMB2.9 million. Other receivables, prepayments and deposits

dropped from RMB10.7 million to RMB4.0 million results from received of RMB7 million refundable deposits in 1Q2017 due to a R&D agreement termination. Cash and bank balances decreased from RMB69.7 million to RMB64.7 million mainly due to the purchase of available-for-sale financial assets in 1Q2017.

Non-current liabilities comprise of deferred tax liabilities declined to RMB0.02 million.

Current liabilities dropped from RMB35.8 million to RMB27.7 million. Trade and other payables fell from RMB23.8 million to RMB21.7 million due to settlement of some debts of raw material vendors in 1Q2017. Short term borrowings decreased from RMB12.0 million to RMB6.0 million.

Cash Flow Statement

The Group's net cash inflow from operating activities in 1Q2017 was RMB9.3 million. This was mainly due to the operating profit of RMB4.6 million from Group's usual operating business and received the refundable deposits during the reported financial period.

Net cash used in investing activities in 1Q2017 amounted to RMB8.3 million. These were caused by the purchases of property, equipment and available for sale financial assets during 1Q2017.

Net cash used in financing activities in 1Q2017 amounted to RMB6.0 million. This was primarily due to the repayment of the short term loan.

- 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 for the rest of 2017 due to the challenging economic outlook and regulatory uncertainty of pharmaceutical industrial in China.

In order to drive revenue expansion, the Group will continue to focus on diversifying sales strategies and improve its operations as well as continuous investments to ensure roll out of new products for long term growth.

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.	RMB343,500	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 31 March 2017.

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 2017 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
12 May 2017