



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2017	3 months ended 30 June 2016	Increase/ (decrease) +/(–)	6 months ended 30 June 2017	6 months ended 30 June 2016	Increase/ (decrease) +/(–)
(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	17,570	13,723	28	37,461	29,302	28
Cost of sales	(9,243)	(9,686)	(5)	(19,575)	(20,915)	(6)
Gross Profit	8,327	4,037	106	17,886	8,387	113
Other operating income	262	896	(71)	466	1,087	(57)
Selling and distribution expenses	(1,036)	(1,163)	(11)	(1,993)	(2,397)	(17)
Administrative expenses	(4,084)	(3,339)	22	(7,683)	(6,498)	18
Other operating expenses	(1,369)	(637)	115	(1,863)	(660)	182
Profit/(Loss) from operations	2,100	(206)	n.m	6,813	(81)	n.m
Financial income	24	791	(97)	29	1,245	(98)
Financial expenses	(104)	(10)	940	(234)	(308)	(24)
Profit before income tax	2,020	575	251	6,608	856	672
Income tax	(715)	(2)	35,650	(1,368)	(56)	2,343
Profit for the period	1,305	573	128	5,240	800	555
Attributable to equity holders of the Company	1,305	573	128	5,240	800	555
Earnings per share (RMB cents)						
- Basic	2.80	1.22		11.24	1.71	
- Diluted	2.80	1.22		11.24	1.71	

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2017 (Unaudited)	3 months ended 30 June 2016 (Unaudited)	Increase/ (decrease) +/(–)	6 months ended 30 June 2017 (Unaudited)	6 months ended 30 June 2016 (Unaudited)	Increase/ (decrease) +/(–)
Profit for the period	1,305	573	128	5,240	800	555
Other comprehensive income:						
Exchange difference on consolidation	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	1,305	573	128	5,240	800	555
Total comprehensive income attributable to equity holders of the period	1,305	573	128	5,240	800	555

Notes to Income Statement:

1.	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 June 2017 (Unaudited)	3 months ended 30 June 2016 (Unaudited)	6 months ended 30 June 2017 (Unaudited)	6 months ended 30 June 2016 (Unaudited)
Profit before tax is arrived at after charging (crediting) :				
Interest income	4	5	9	8
Foreign exchange loss/(gain)	1,150	(162)	1,390	(468)
Depreciation of property, plant and equipment	1,796	1,561	3,171	2,970
Depreciation of investment property	58	58	116	116
Interest on borrowings	93	-	223	-
Amortization of deferred development costs	508	-	508	-
Amortization of lease prepayment	18	18	36	38
Gain on disposal of available-for-sale financial assets (Net)	-	(514)	-	(373)
Loss on disposal of property, plant and equipment	-	9	-	9

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 2017	31 Dec 2016	30 Jun 2017	31 Dec 2016
		RMB'000 (Unaudited)	RMB'000 (Audited)	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		53,854	54,003	9,260	6,596
Investment property		2,248	2,365	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		654	690	-	-
Intangible assets	(a)	5,620	6,128	-	-
Refundable deposits		22,174	22,174	-	-
Deferred tax assets		1,220	1,220	-	-
		85,770	86,580	85,867	83,203
Current assets					
Inventories		23,959	22,321	-	-
Trade and bills receivables		1,186	2,198	-	-
Other receivables, prepayments and deposits		4,264	10,673	44	-
Income tax recoverable		-	33	-	-
Due from subsidiary (non-trade)		-	-	18,000	18,000
Available-for-sale financial assets		1,500	-	-	-
Cash and bank balances		67,423	69,670	60,069	65,974
		98,332	104,895	78,113	83,974
Total assets		184,102	191,475	163,980	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)/profits		(5,793)	(11,033)	17,657	21,263
Total equity		160,918	155,678	162,462	166,068
Non-current liabilities					
Deferred tax liabilities		3	42	-	-
		3	42	-	-
Current liabilities					
Trade and other payables		23,181	23,755	1,518	1,109
Short-term borrowing		-	12,000	-	-
		23,181	35,755	1,518	1,109
Total liabilities		23,184	35,797	1,518	1,109
Total equity and liabilities		184,102	191,475	163,980	167,177

Notes :

(a) Intangible assets comprise mainly of Product Development in Progress of RMB5,620,000 (31/12/2016: RMB 6,128,000).

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

	As at 30 June 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	-	-	-	12,000*
(b) Amount repayable after one year	-	-	-	-

* The short-term borrowing 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 30 June

<u>Group</u>	Note	RMB'000		RMB'000	
		3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
Cash flow from operating activities					
Profit before income tax		2,020	575	6,608	856
Adjustments for:					
Amortisation of deferred development costs		508	-	508	-
Amortisation of lease prepayment		18	18	36	38
Depreciation of property, plant and equipment		1,796	1,561	3,171	2,970
Depreciation of investment property		58	58	116	116
Loss on disposal of property, plant and equipment		-	9	-	9
Interest expense		93	-	223	-
Interest income		(4)	(5)	(9)	(8)
Operating profit before working capital changes		4,489	2,216	10,653	3,981
Changes in working capital:					
Inventories		(1,655)	(6,307)	(1,638)	(5,613)
Trade and bills receivables		1,714	1,746	1,012	5,618
Other receivables, prepayments and deposits		(227)	(1,001)	6,442	945

Trade and other payables	687	4,023	(2,204)	(3,525)
Cash generated from operations	5,008	677	14,265	1,406
Income tax paid	-	(95)	-	(95)
Net cash generated from operating activities	5,008	582	14,265	1,311
Cash flows from investing activities				
Purchase of property, plant and equipment	(245)	(1,135)	(3,021)	(2,763)
Prepayment for plant and equipment	-	(50)	-	(723)
Proceeds from disposal of property, plant and equipment	-	6	-	6
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	-	(26,986)	(1,500)	(33,755)
Proceeds from disposal of available-for-sale financial assets	4,000	29,023	-	43,674
Interest received	4	5	9	8
Net cash generated from/ (used in) investing activities	3,759	863	(4,512)	6,447
Cash flows from financing activities				
Repayment of short-term loan	(6,000)	-	(12,000)	-
Net cash used in financing activities	(6,000)	-	(12,000)	-
Net increase/(decrease) in cash and cash equivalents				
Cash and cash equivalents at beginning of the period	64,656	16,120	69,670	9,807
Cash and cash equivalents at end of the period	67,423	17,565	67,423	17,565

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	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	-	-	-	800	800
At 30 June 2016	144,975	-	21,314	(12,233)	154,056
At 1 January 2017	144,975	(170)	21,906	(11,033)	155,678
Total comprehensive income for the period	-	-	-	5,240	5,240
At 30 June 2017	144,975	(170)	21,906	(5,793)	160,918

<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	-	-	(1,465)	(1,465)
At 30 June 2016	144,975	-	(17,398)	127,577
At 1 January 2017	144,975	(170)	21,263	166,068
Total comprehensive loss for the period	-	-	(3,606)	(3,606)
At 30 June 2017	144,975	(170)	17,657	162,462

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 30 June 2016 (unaudited)	46,824,999
As at 30 June 2017 (unaudited)	46,610,499

The Company did not have treasury shares as at 30 June 2016. Movements in the Company's issued share capital (excluding treasury shares) during the period ended 30 June 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 30 June 2017	46,610,499

During the financial period ended 30 June 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.

	6 months ended 30 June 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 30 June 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 half year ended 30 June 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 30 June 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		Group	
	3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
Net amount attributable to equity shareholders for the period (RMB'000)	1,305	573	5,240	800
No. of ordinary shares used in calculation of basic earnings per share	46,610,499	46,824,999	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 share on issue: and (in RMB cents)	2.80	1.22	11.24	1.71
(b) On a fully diluted basis (in RMB cents)	2.80	1.22	11.24	1.71

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 2017	Year ended 31 December 2016	6 months ended 30 June 2017	Year ended 31 December 2016
Net asset value per ordinary share capital at the end of the period (in RMB cents)	345.2	334.0	348.6	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 2Q2017 the Group posted net profit attributable to equity holders of RMB1.3 million and on revenue of RMB17.6 million.

Revenue

Group revenue increased 28% from RMB13.7 million in 2Q2016 to RMB17.6 million in 2Q2017 caused to higher sales of Other specialized drugs, even the sales of Antibiotics and Cardiovascular drugs and Cerebrovascular drugs were lower in 2Q2017.

	3 months ended 30 June 2017	3 months ended 30 June 2016	Change		6 months ended 30 June 2017	6 months ended 30 June 2016	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	4,162	5,602	(26)	(1,440)	10,476	11,136	(6)	(660)
Cardiovascular drugs and cerebrovascular drugs	875	924	(5)	(49)	1,339	1,318	2	21
Other specialized drugs	12,532	7,197	74	5,335	25,645	16,848	52	8,797
Total	17,570	13,723	28	3,847	37,461	29,302	28	8,159

Antibiotics sales decreased 26% to RMB4.2 million in 2Q2017 due to lower demand for Cefepime hydrochloride for Injection and Aztreonam for Injection. Antibiotics accounted for 24% of Group revenue in 2Q2017 as the second largest revenue contributor to the Group.

Cardiovascular drugs and cerebrovascular drugs sales decreased 5% to RMB0.9 million due to sales dropped of Vinpocetine for Injection. Cardiovascular drugs and cerebrovascular drugs represented 5% of Group revenue in 2Q2017.

Other specialized drug increased 74% to RMB12.5 million in 2Q2017 mainly caused by higher sales of Potassium Sodium Dehydroandrographolide Succinate for Injection, Amoxicillin Sodium Tablets and Bocobal Mecobalamin Injection. Other specialized drugs was still the largest revenue contributor, accounting for 71% of Group revenue in 2Q2017.

Profitability

Gross profit increased 106% to RMB8.3 million in 2Q2017 mainly due to higher sales revenues.

Other operating income reduced to RMB0.3 million in 2Q2017 caused by no government subsidy received in this quarter.

Selling and distribution expenses dropped 11% to RMB1.0 million in 2Q2017 due to the improvement of the selling and distribution networks of the Group.

Administrative expenses increased 22% to RMB4.1 million in 2Q2017 caused by increase of staff costs and products assessment costs in this quarter.

Other expenses raised 115% to RMB1.4 million in 2Q2017 mainly due to foreign exchange loss incurred in 2Q2017.

Finance income declined 97% to RMB0.02 million due to no foreign exchange gain in 2Q2017 compared with 2Q2016.

Finance expenses increased 9.4 times to RMB0.1 million in 2Q2017 compared with 2Q2016 due to short-term loan interest.

As a result, the Group achieved net profit attributable to equity holders of RMB1.3 million in 2Q2017 compared with RMB0.6 million in 2Q2016.

Financial Position

(30 June 2017 vs. 31 December 2016)

Non-current assets dropped from RMB86.6 million to RMB85.8 million. Property, plant and equipment decreased from RMB54.0 million to RMB53.9 million due to depreciation. Intangibles assets reduced from RMB6.1 million to RMB5.6 million caused by amortization.

Current assets decreased from RMB104.9 million to RMB98.3 million. Inventories level raised from RMB22.3 million to RMB24.0 million. Trade & bills receivables decreased from RMB2.2 million to RMB1.2 million. Other receivables, prepayments and deposits dropped from RMB10.7 million to RMB4.2 million results from received of RMB7 million refundable deposits in 1Q2017 due to a R&D agreement termination. RMB5.5 million of Available-for-sale financial assets was purchased on 1Q2017 and RMB4 million was disposed on 2Q2017, so the net increase of available-for-sale financial assets in 1H2017 was RMB1.5 million. Cash and bank balances decreased from RMB69.7 million to RMB67.4 million in 1H2017.

Non-current liabilities comprise of deferred tax liabilities declined to RMB3.0 thousand.

Current liabilities dropped from RMB35.8 million to RMB23.2 million. Trade and other payables decreased slightly from RMB23.8 million to RMB23.2 million. Short term borrowing was fully settled in 1H2017.

Cash Flow Statement

The Group's net cash inflow from operating activities in 2Q2017 was RMB5.0 million. This was mainly due to the operating profit from Group's usual operating business during the reported financial period.

Net cash generated from investing activities in 2Q2017 amounted to RMB3.8 million. This was mainly caused by the disposal of available-for-sale financial assets during 2Q2017.

Net cash used in financing activities in 2Q2017 was RMB6.0 million. This was used for settlement of short term borrowing.

Finally, the net increase in cash and cash equivalent in 2Q2017 was RMB2.8 million.

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 will maintain the cautious attitude to deal with the highly competitive and challenging environment of pharmaceutical market in China.

The Group will continue to focus on diversifying sales strategies, improvement operations and continuous new products development to achieve further growth and expansion of the business.

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.	RMB687,000	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 30 June 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 Second Quarter ended 30 June 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
11 August 2017