



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 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 September 2017	3 months ended 30 September 2016	Increase/ (decrease) +/-	9 months ended 30 September 2017	9 months ended 30 September 2016	Increase/ (decrease) +/-
(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)	
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	20,061	15,776	27	57,522	45,078	28
Cost of sales	(11,363)	(8,877)	28	(30,938)	(29,792)	4
Gross Profit	8,698	6,899	26	26,584	15,286	74
Other operating income	1,200	189	535	1,443	1,276	13
Selling and distribution expenses	(1,325)	(1,502)	(12)	(3,318)	(3,899)	(15)
Administrative expenses	(3,620)	(4,458)	(19)	(11,303)	(10,956)	3
Other operating expenses	(1,615)	(141)	1,045	(3,478)	(801)	334
Profit from operations	3,115	987	238	9,928	906	996
Financial income	24	166	(86)	53	1,411	(96)
Financial expenses	(5)	(11)	(55)	(16)	(319)	(95)
Profit before income tax	3,357	1,142	194	9,965	1,998	399
Income tax	(805)	(490)	64	(2,173)	(546)	298
Profit for the period	2,552	652	291	7,792	1,452	437
Attributable to equity holders of the Company	2,552	652	291	7,792	1,452	437
Earnings per share (RMB cents)						
- Basic	5.48	1.39		16.72	3.10	
- Diluted	5.48	1.39		16.72	3.10	

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2017 (Unaudited)	3 months ended 30 September 2016 (Unaudited)	Increase/ (decrease) +/(–)	9 months ended 30 September 2017 (Unaudited)	9 months ended 30 September 2016 (Unaudited)	Increase/ (decrease) +/(–)
Profit for the period	2,552	652	291	7,792	1,452	437
Other comprehensive income:						
Exchange difference on consolidation	-	-	-	-	-	-
Other comprehensive income for the period, net of tax	2,552	652	291	7,792	1,452	437
Total comprehensive income attributable to equity holders of the period	2,552	652	291	7,792	1,452	437

Notes to Income Statement:

1.	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 September 2017 (Unaudited)	3 months ended 30 September 2016 (Unaudited)	9 months ended 30 September 2017 (Unaudited)	9 months ended 30 September 2016 (Unaudited)
Profit before tax is arrived at after charging / (crediting) :				
Interest income	6	6	15	14
Foreign exchange loss/(gain)	1,187	23	2,577	(445)
Depreciation of property, plant and equipment	1,722	1,463	4,893	4,433
Depreciation of investment property	59	58	175	174
Amortization of lease prepayment	19	19	55	57
Gain on disposal of available-for-sale financial assets (Net)	-	(439)	-	(812)
Loss on disposal of property, plant and equipment	-	-	-	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 Sept 2017 RMB'000 (Unaudited)	31 Dec 2016 RMB'000 (Audited)	30 Sept 2017 RMB'000 (Unaudited)	31 Dec 2016 RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		43,507	54,003	-	6,596
Investment property		12,427	2,365	10,237	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		635	690	-	-
Intangible assets	(a)	6,128	6,128	-	-
Refundable deposits		17,174	22,174	-	-
Deferred tax assets		1,220	1,220	-	-
		81,091	86,580	86,844	83,203
Current assets					
Inventories		20,759	22,321	-	-
Trade and bills receivables		3,973	2,198	-	-
Other receivables, prepayments and deposits		4,329	10,673	80	-
Income tax recoverable		-	33	-	-
Due from subsidiary (non-trade)		-	-	18,000	18,000
Available-for-sale financial assets		12,000	-	-	-
Cash and bank balances		65,094	69,670	58,340	65,974
		106,155	104,895	76,420	83,974
Total assets		187,246	191,475	163,264	167,177
Equity					
Share capital		144,975	144,975	144,975	144,975
Treasury Shares		(293)	(170)	(293)	(170)
Statutory reserves		21,906	21,906	-	-
Accumulated (losses)/profits		(3,241)	(11,033)	15,229	21,263
Total equity		163,347	155,678	159,911	166,068
Non-current liabilities					
Deferred tax liabilities		-	42	-	-
		-	42	-	-
Current liabilities					
Trade and other payables		23,899	23,755	3,353	1,109
Short-term borrowing		-	12,000	-	-
		23,899	35,755	3,353	1,109
Total liabilities		23,899	35,797	3,353	1,109
Total equity and liabilities		187,246	191,475	163,264	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 30 September 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.

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 September

<u>Group</u>	Note	RMB'000		RMB'000	
		3 months ended 30 Sept 2017	3 months ended 30 Sept 2016	9 months ended 30 Sept 2017	9 months ended 30 Sept 2016
Cash flow from operating activities					
Profit before income tax		3,357	1,142	9,965	1,998
Adjustments for:					
Amortisation of lease prepayment		19	19	55	57
Depreciation of property, plant and equipment		1,722	1,463	4,893	4,433
Depreciation of investment property		59	58	175	174
Loss on disposal of property, plant and equipment		-	-	-	9
Interest income		(6)	(6)	(15)	(14)
Operating profit before working capital changes		4,420	2,676	15,073	6,657
Changes in working capital:					
Inventories		3,200	1,886	1,562	(3,727)
Trade and bills receivables		(2,788)	176	(1,776)	5,794
Other receivables, prepayments and deposits		(796)	2,679	6,377	3,624
Trade and other payables		135	(1,360)	(2,069)	(4,885)
Cash generated from operations		4,902	6,057	19,167	7,463
Income tax paid		-	(510)	-	(605)

Net cash generated from operating activities	4,902	5,547	19,167	6,858
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,613)	(1,068)	(4,634)	(3,831)
Prepayment for plant and equipment	-	(419)	-	(1,142)
Proceeds from disposal of property, plant and equipment	-	-	-	6
Payment of deposits for product manufacturing rights and technical know-how	-	-	-	(7,000)
Refund of deposits from third party research and development vendors	5,000	-	5,000	7,000
Purchase of available-for-sale financial assets	(10,500)	-	(12,000)	(33,755)
Proceeds from disposal of available-for-sale financial assets	-	33,755	-	77,429
Interest received	6	6	15	14
Net cash (used in)/generated from investing activities	(7,107)	32,274	(11,619)	38,721
Cash flows from financing activities				
Purchase of treasury shares	(124)	(11)	(124)	(11)
Repayment of short-term loan	-	-	(12,000)	-
Net cash used in financing activities	(124)	(11)	(12,124)	(11)
Net (decrease)/increase in cash and cash equivalents	(2,329)	37,810	(4,576)	45,568
Cash and cash equivalents at beginning of the period	67,423	17,565	69,670	9,807
Cash and cash equivalents at end of the period	65,094	55,375	65,094	55,375

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 Sept.

<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
Purchase of treasury shares	-	(11)	-	-	(11)
Total comprehensive income for the period	-	-	-	1,452	1,452
At 30 September 2016	144,975	(11)	21,314	(11,581)	154,697
At 1 January 2017	144,975	(170)	21,906	(11,033)	155,678
Purchase of treasury shares	-	(123)	-	-	(123)
Total comprehensive income for the period	-	-	-	7,792	7,792
At 30 September 2017	144,975	(293)	21,906	(3,241)	163,347

<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
Purchase of treasury shares	-	(11)	-	(11)
Total comprehensive income for the period	-	-	16,922	16,922
At 30 September 2016	144,975	(11)	989	145,953
At 1 January 2017	144,975	(170)	21,263	166,068
Purchase of treasury shares	-	(123)	-	(123)
Total comprehensive loss for the period	-	-	(6,034)	(6,034)
At 30 September 2017	144,975	(293)	15,229	159,911

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 September 2016 (unaudited)	46,810,499
As at 30 September 2017 (unaudited)	46,491,699

Movements in the Company's issued share capital (excluding treasury shares) during the period ended 30 September 2017 were as follows:

	Number of shares
Balance as at 1 January 2017	46,610,499
Shares buy back and held as treasury shares	(118,800)
Balance as at 30 September 2017	<u>46,491,699</u>

During the financial period ended 30 September 2017, the Company purchased a total of 118,800 shares (30 September 2016: 14,500 shares) 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.

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.

	9 months ended 30 September 2017	Year ended 31 December 2016
Total number of issued shares excluding treasury shares	46,491,699	46,610,499

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 118,800 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 period ended 30 September 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	118,800
Balance as at 30 September 2017	333,300

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 September 2017	3 months ended 30 September 2016	9 months ended 30 September 2017	9 months ended 30 September 2016
Net amount attributable to equity shareholders for the period (RMB'000)	2,552	652	7,792	1,452
No. of ordinary shares used in calculation of basic earnings per share	46,571,686	46,817,907	46,597,419	46,822,618
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)	5.48	1.39	16.72	3.10
(b) On a fully diluted basis (in RMB cents)	5.48	1.39	16.72	3.10

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 2017	Year ended 31 December 2016	9 months ended 30 September 2017	Year ended 31 December 2016
Net asset value per ordinary share capital at the end of the period (in RMB cents)	351.35	334.00	343.96	356.29
Number of shares (in issued)	46,491,699	46,610,499	46,491,699	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 3Q2017 the Group achieved net profit attributable to equity holders of RMB2.6 million and on revenue of RMB20.1 million.

Revenue

Group revenue increased 27% from RMB15.8 million in 3Q2016 to RMB20.1 million in 3Q2017 resulted by better sales of Antibiotics, Cardiovascular drugs and Cerebovascular drugs and Other specialized drugs.

	3 months ended 30 September 2017	3 months ended 30 September 2016	Change		9 months ended 30 September 2017	9 months ended 30 September 2016	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	5,746	4,424	30	1,322	16,222	15,560	4	662
Cardiovascular drugs and cerebrovascular drugs	1,108	903	23	205	2,447	2,221	10	226
Other specialized drugs	13,208	10,449	26	2,759	38,853	27,297	42	11,556
Total	20,062	15,776	27	4,286	57,522	45,078	28	12,444

Antibiotics sales increased 30% to RMB5.7 million in 3Q2017 due to higher sales of Azithromycin Aspartate for Injection and Cefoxitin Sodium for Injection. Antibiotics accounted for 29% of Group revenue in 3Q2017 as the second largest revenue contributor to the Group.

Cardiovascular drugs and cerebrovascular drugs sales increased 23% to RMB1.1 million due to better sales of Vinpocetine for Injection. Cardiovascular drugs and cerebrovascular drugs represented 6% of Group revenue in 3Q2017.

Other specialized drug increased 26% to RMB13.2 million in 3Q2017 mainly caused by higher sales of Potassium Sodium Dehydroandrographolide Succinate for Injection and Amoxicillin and Dicloxacillin Sodium Tablets. Other specialized drugs was continue the largest revenue contributor, accounting for 65% of Group revenue in 3Q2017.

Profitability

Gross profit increased 26% to RMB8.7 million in 3Q2017 due to better sales revenues.

Other operating income increased to RMB1.2 million in 3Q2017 mainly caused by a government subsidy received in 3Q2017.

Selling and distribution expenses dropped 12% to RMB1.3 million in 3Q2017 was the result of better control the selling and distribution costs of the Group.

Administrative expenses decreased 19% to RMB3.6 million in 3Q2017 due to lower scraped inventories expensed in this quarter.

Other expenses increased 10 times to RMB1.6 million in 3Q2017 mainly due to foreign exchange loss incurred in 3Q2017.

Finance income declined 86% to RMB0.02 million mainly due to lower the gain on available for sale financial assets in 3Q2017 compared with 3Q2016.

Finance expenses decreased slightly to RMB0.01 million in 3Q2017 compared with 3Q2016.

As a result, the Group posted a net profit attributable to equity holders of RMB2.6 million in 3Q2017 compared with RMB0.7 million in 3Q2016.

Financial Position

(30 September 2017 vs. 31 December 2016)

Non-current assets dropped from RMB86.6 million to RMB81.1 million. Property, plant and equipment decreased from RMB54.0 million to RMB43.5 million due to depreciation and reclassified the Construction in Progress of RMB10.2 million to Investment Property after the construction was completed. Refundable deposits decreased from RMB22.2 million to RMB17.2 million mainly caused by a RMB5.0 million refundable deposit received from a R&D vendor.

Current assets increased from RMB104.9 million to RMB106.2 million. Inventories level reduced from RMB22.3 million to RMB20.8 million. Trade & bills receivables increased from RMB2.2 million to RMB4.0 million. Other receivables, prepayments and deposits decreased from RMB10.7 million to RMB4.3 million was mainly due to RMB7.0 million refundable deposits received in 1Q2017. Available-for-sale financial assets increased RMB12.0 million. Cash and bank balances decreased from RMB69.7 million to RMB65.1 million in 3Q2017.

The deferred tax liabilities was fully expensed in 3Q2017.

Current liabilities dropped from RMB35.8 million to RMB23.9 million. Trade and other payables increased slightly to RMB23.9 million. Short term borrowing was fully settled.

Cash Flow Statement

The Group's net cash inflow from operating activities in 3Q2017 was RMB4.9 million. This mainly came from the operating profit of the Group's usual business.

Net cash used in investing activities in 3Q2017 amounted to RMB7.1 million. This was mainly caused by the purchase of available-for-sale financial assets of RMB10.5 million and offsetted partially by RMB5.0 million refundable deposits received during 3Q2017.

Net cash used in financing activities in 3Q2017 was RMB0.1 million that was used for purchase of treasury shares of the Company.

Finally, the net decrease in cash and cash equivalent in 3Q2017 was RMB2.3 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 Pharmaceutical market in China will remain challenging and competitive. The Group will continue look close to our sales strategies, operation efficiency and new product development together with the market environment in order to fulfill the target of further growth and expansion of our 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.	RMB1,030,500	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 30 September 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 Third Quarter ended 30 September 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
14 November 2017