



**STAR**

**STAR PHARMACEUTICAL LIMITED**

Registration No. 200500429W

*The initial public offering of the Company's shares was sponsored by Kim Eng Capital Pte. Ltd.*

**UNAUDITED FULL YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006**

**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 31 December 2006	3 months ended 31 December 2005	Increase/ (decrease) +/-	Year ended 31 December 2006	Year ended 31 December 2005	Increase/ (decrease) +/-
	(a)	(b)	(a) – (b)	(c)	(d)	(c) – (d)
<b>Revenue</b>	21,091	29,607	-29	134,426	116,517	15
Cost of sales	(11,507)	(13,188)	-13	(50,309)	(47,766)	5
<b>Gross Profit</b>	<b>9,584</b>	<b>16,419</b>	-42	<b>84,117</b>	<b>68,751</b>	22
Other income	1,170	1,096	7	3,330	2,908	15
Selling and distribution expenses	(4,143)	(3,413)	21	(9,633)	(9,657)	0
Administrative expenses	(7,910)	(4,816)	64	(18,930)	(11,399)	66
Other expenses	(834)	244	-442	(1,650)	(863)	91
<b>(Loss)/Profit from operations</b>	<b>(2,133)</b>	<b>9,530</b>	<b>-122</b>	<b>57,234</b>	<b>49,740</b>	<b>15</b>
Financial income	957	-	100	957	-	100
Financial expenses	(567)	(784)	-28	(1,770)	(1,403)	26
<b>(Loss)/Profit before taxation</b>	<b>(1,743)</b>	<b>8,746</b>	<b>-120</b>	<b>56,421</b>	<b>48,337</b>	<b>17</b>
Taxation	(1,229)	-	100	(4,977)	-	100
<b>(Loss)Profit for the period</b>	<b>(2,972)</b>	<b>8,746</b>	<b>-134</b>	<b>51,444</b>	<b>48,337</b>	<b>6</b>
<b>Attributable to:</b>						
Equity holders of the parent	(2,047)	8,746	-123	52,381	48,337	8
Minority interest	(925)	-	100	(937)	-	100
<b>Profit for the period</b>	<b>(2,972)</b>	<b>8,746</b>	<b>-134</b>	<b>51,444</b>	<b>48,337</b>	<b>6</b>
<b>Earnings per share (RMB cents)</b>						
- Basic (weighted average)	<b>(0.9)</b>	<b>4.7</b>		<b>22.9</b>	<b>25.8</b>	
- Fully diluted	<b>(0.9)</b>	<b>4.7</b>		<b>22.9</b>	<b>25.8</b>	

Notes to the Income Statement:

	Group RMB'000		Group RMB'000	
	3 months ended 31 December 2006	3 months ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2005
<b>Profit before taxation includes the following:</b>				
Other income including Value Added Tax (“VAT”) refund, government subsidies, interest income and net exchange gain	1,170	1,096	3,330	2,908
Interest on borrowings	(567)	(784)	(1,770)	(1,403)
Depreciation and amortization expenses	(3,206)	(2,514)	(10,961)	(7,846)

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.**

	Note	Group		Company	
		31 Dec-06 RMB'000	31-Dec-05 RMB'000	31 Dec-06 RMB'000	31-Dec-05 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment		45,532	42,818	37	24
Investment in a subsidiary		-	-	76,607	76,607
Lease prepayments		1,334	1,394	-	-
Intangible assets	(a)	244,685	105,555	-	-
Goodwill	(b)	3,469	-	-	-
		<b>295,020</b>	<b>149,767</b>	<b>76,644</b>	<b>76,631</b>
<b>Current assets</b>					
Inventories		9,575	11,235	-	-
Amount due from related corporation		-	-	72,938	-
Trade receivables		17,483	11,126	-	-
Other receivables, prepayments and deposits		128,296	14,649	137,004	12,278
Due from ultimate holding company		10,358	-	10,228	-
Cash and cash equivalents		65,677	28,944	4,896	-
		<b>231,389</b>	<b>65,954</b>	<b>225,066</b>	<b>12,278</b>
<b>Total assets</b>		<b>526,409</b>	<b>215,721</b>	<b>301,710</b>	<b>88,909</b>
<b>Equity</b>					
Share capital		144,975	76,000	144,975	76,000
Reserves		128,635	71,969	16,757	(2,492)
		<b>273,610</b>	<b>147,969</b>	<b>161,732</b>	<b>73,508</b>
Minority interests	(b)	36,483	-	-	-
<b>Total equity</b>		<b>310,093</b>	<b>147,969</b>	<b>161,732</b>	<b>73,508</b>

<b>Non-current liability</b>					
Redeemable Convertible Cumulative Preference Share	(c)	135,071	-	135,071	-
Amount due to related corporation		-	607	-	607
Deferred tax liability		2,385	2,414	-	-
		<b>137,456</b>	<b>3,021</b>	<b>135,071</b>	<b>607</b>
<b>Current liabilities</b>					
Trade and other payables		44,541	28,033	2,295	9,520
Secured bank loan	(d)	29,850	-	-	-
Amount due to subsidiary		-	-	2,000	-
Amount owing to related corporations		-	35,038	-	-
Amount due to related corporation		607	-	607	-
Provision for taxation		3,862	1,660	5	5,274
		<b>78,860</b>	<b>64,731</b>	<b>4,907</b>	<b>14,794</b>
<b>Total liabilities</b>		<b>216,316</b>	<b>67,752</b>	<b>139,978</b>	<b>15,401</b>
<b>Total equity and liabilities</b>		<b>526,409</b>	<b>215,721</b>	<b>301,710</b>	<b>88,909</b>

Notes :

(a) Intangible assets comprise of Deferred Development Cost with carrying value of RMB\$16,697,000 (At 31/12/2005: RMB\$18,422,000) and Product Development in Progress of RMB\$227,988,000 (At 31/12/2005: RMB\$86,132,000)

(b) Pursuant to a sales and purchase agreement dated 17 April 2006 and a supplementary agreement dated 1 September 2006, Hainan STAR Pharmaceutical Co. Ltd. (“Hainan Star”), the wholly owned subsidiary of the Company, acquired 60% equity interest in Beijing Beida Shijia Technology Development Co. Ltd. (北大世佳科技开发有限公司) (“Beida Shijia”) for a consideration of RMB55,000,000. The acquisition resulted in an increase in minority interest. The identifiable assets acquired comprise mainly intangible assets of RMB103,994,000, fixed assets of RMB348,000, inventory of RMB13,000 other payable of RMB26,989,000 and trade and other receivable of RMB12,426,000, determined on a provisional basis. The net cash outflow on acquisition of the Beida Shijia amount of RMB53,125,000, net of cash balance acquired.

Further to both sales and purchase agreements, Hainan Star also acquired 60% equity interest in Beijing Shijia JiuShengYuan Pharmaceutical Technology Co. Ltd. (北京世佳九生源药业科技有限公司) (“Shijia JiuShengYuan”) for a consideration of RMB4,600,000. The acquisition also resulted in an increase in minority interest. The identifiable assets acquired comprise mainly intangible assets of RMB2,744,000, inventory of RMB20,326,000, fixed assets of RMB1,006,000, and trade and other receivable of RMB239,000, trade and other liabilities acquired of RMB24,935,000, determined on a provisional basis. The provisional goodwill that results from the difference between the purchase price and the adjusted carrying amounts of the assets and liabilities acquired amounts to RMB3,469,000. The net cash inflow on acquisition of the Shijia JiuShengYuan amount of RMB2,505,000, net of cash balance acquired.

(c) The Company issued and allotted 46,668,000 Redeemable Convertible Cumulative Preference Shares (“RCPS”) on 29 December 2006, at a subscription price of S\$0.60 for each RCPS to various subscribers, successfully raising net proceeds of S\$26.5 million, after the deduction of issuing expense of S\$1.5 million. The total proceeds were received subsequent to year end.

(d) The Company obtained a secured one year term loan from a bank to repay the loans owed to ultimate holding company, Harvest Year Group Limited (“Harvest Year”).

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

**Amount repayable in one year or less, or on demand**

As at 31 December 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
29,850 <sup>#</sup>	607	-	30,667*

**Amount repayable after one year**

As at 31 December 2006		As at 31 December 2005	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	135,071	-	607

\* The above loan from ultimate holding company, Harvest Year, were fully paid off during the year. (At 31/12/2005: US\$3,800,000)

**Details of any collateral:**

# The bank loan is secured over Hainan STAR's fixed assets amounted to RMB29,850,000. (At 31/12/2005: Nil)

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding year of the immediately preceding financial year.**

<u>Group</u>	RMB'000	
	Year ended 31 December 2006	Year ended 31 December 2005
<b>Cash flow from operating activities</b>		
<b>Profit before taxation</b>	<b>56,421</b>	<b>48,337</b>
Adjustments for:		
Amortization of deferred developments costs	4,749	2,982
Amortization of lease prepayment	60	93
Loss on disposal of property, plant and equipment	216	135
Depreciation of property, plant and equipment	6,152	4,771
Interest expense	1,770	1,403
Interest income	(957)	(261)
<b>Operating profit before working capital changes</b>	<b>68,411</b>	<b>57,460</b>
<b>Changes in working capital:</b>		
Inventories	1,732	(3,822)

Trade and bills receivables	(18,800)	3,073
Other receivable, prepayment and deposits	35,182	(8,860)
Trade payables and other payables	(35,622)	6,561
Restricted cash*	(2,000)	-
<b>Cash generated from operations</b>	<b>48,903</b>	<b>54,412</b>
Income tax paid	(2,804)	(38)
<b>Cash flows from operating activities</b>	<b>46,099</b>	<b>54,374</b>
<b>Cash flows from investing activities</b>		
Payments for product development in progress	(17,130)	(64,977)
Purchase of property, plant and equipment	(4,899)	(6,735)
Proceeds from disposal of property, plant and equipment	201	21
Deposit paid for acquisition of an investment	(2,000)	-
Payment for construction in process	(1,977)	
Cash outflow on acquisition of two subsidiaries	(50,620)	-
(Advance to)/Repayment of loan from a third party	(100)	500
Interest received	562	261
<b>Net cash used in investing activities</b>	<b>(75,963)</b>	<b>(70,930)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	81,418	-
Advance (to)/from immediate holding company	(10,358)	4,371
Repayment of loan to/(from) immediate holding company	(35,038)	11,660
Dividend paid to former shareholders/Harvest Year	-	(3,235)
Advance from bank loan	29,850	-
Interest paid	(1,275)	(990)
<b>Net cash generated from financing activities</b>	<b>64,597</b>	<b>11806</b>
Net increase/ (decrease) in cash and cash equivalents	<b>34,733</b>	<b>(4,750)</b>
Cash and cash equivalents at beginning of the year	28,944	33,694
<b>Cash and cash equivalents at end of the year</b>	<b>63,677</b>	<b>28,944</b>

\* Restricted cash are cash and cash equivalents not available for withdrawal from the bank.

**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.**

<u>Group</u>	Share capital	Statutory surplus reserve	Statutory public welfare fund	Accumulated profits	Total attributable to equity holders of the parents	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

<b>At 1 January 2005</b>	76,000	8	4	23,620	99,632	-	99,632
Net profit for the year	-	-	-	48,337	48,337	-	48,337
Transfer	-	5,791	-	(5,791)	-	-	-
<b>At 31 December 2005</b>	<b>76,000</b>	<b>5,799</b>	<b>4</b>	<b>66,166</b>	<b>147,969</b>	<b>-</b>	<b>147,969</b>
<b>At 1 January 2006</b>	76,000	5,799	4	66,166	147,969	-	147,969
Issue of shares	81,419	-	-	-	81,419	-	81,419
Share issue expenses	(12,444)	-	-	-	(12,444)	-	(12,444)
Acquisition of subsidiaries	-	-	-	-	-	37,420	37,420
Government Grant	-	4,285	-	-	4,285	-	4,285
Net profit for the year	-	-	-	52,381	52,381	(937)	51,444
Transfer	-	6,421	-	(6,421)	-	-	-
<b>At 31 December 2006</b>	<b>144,975</b>	<b>16,505</b>	<b>4</b>	<b>112,126</b>	<b>273,610</b>	<b>36,483</b>	<b>310,093</b>

Company	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 January 2005</b>	76,000	-	76,000
<b>Net Loss for the year</b>		(2,492)	(2,492)
<b>At 31 December 2005</b>	76,000	(2,492)	73,508
<b>At 1 January 2006</b>	76,000	(2,492)	73,508
Issue of shares during the year	81,419	-	81,419
Share issue expenses	(12,444)	-	(12,444)
Net profit for the year	-	19,249	19,249
<b>At 31 December 2006</b>	144,975	16,757	161,732

**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 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.**

As at 31 December 2005, the authorized share capital of the Company was S\$10,000,000 (RMB 507,208,000) comprising 1,250,000,000 ordinary shares of S\$0.08 each and the issued and paid-up capital of the Company was S\$14,984,000 (RMB 76,000,000) comprising 187,300,000 ordinary shares of S\$0.08 each.

The Companies (Amendment) Act 2005 came into effect on 30 January 2006 (“Amendments”). Among other things, the Companies Act was amended to abolish the concepts of par value, authorized share capital, share premium, capital redemption reserve and share discounts.

On 15 February 2006, the Company launched its initial public offering (“IPO”). Total 46,825,000 ordinary shares were issued to the public. As a result of the Amendments, as at the date of our invitation, our Company has an issued and paid-up capital of S\$14,984,227, comprising 187,300,000 ordinary shares of no par value and has no authorized share capital.

As at 31 December 2006, the issued and paid-up capital of the Company was RMB 144,975,729 comprising 234,125,000 ordinary shares.

The Company issued and allotted 46,668,000 RCPS on 29 December 2006, at a subscription price of S\$0.60 for each RCPS to various subscribers, successfully raising net proceeds of S\$26.5 million. The RCPS are convertible to 46,668,000 ordinary shares at a conversion ratio of 1 RCPS to 1 Conversion Share at any time during the 5-year period from the issue date to the maturity date (i.e. 28 December 2011), subject to adjustment in the event of, amongst other things, the Company not attaining the target net profit before tax of RMB120 million for financial year 2009. A cumulative preference dividend of 5% will be payable on an annual basis to the RCPS holders.

**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 2005 save for the adoption of certain new/revised accounting standards which came into effect on 1 January 2006.

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, which came to effect on 1 January 2006 has no significant impact on the Group's result of operations.

6. **Earnings per ordinary share of the group for the current financial year reported on and the corresponding year of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	3 months ended 31 December 2006	3 months ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2005
Net profit for the period/year (RMB'000)	(2,047)	8,746	52,381	48,337
No. of ordinary shares used in calculation of basic earning per share	234,125,000*	187,300,000	228,352,055	187,300,000**
<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)	(0.9)	4.7	22.9	25.8
(b) On a fully diluted basis (in RMB cents)	(0.9)	4.7	22.9	25.8

\* - after the launch of IPO on 15 February 2006 and the issuance of 46,668,000 RCPS on 29 December 2006.

\*\* - these shares were issued in consideration for the acquisition of a subsidiary, accounted for under "pooling of interest" method, these 187,300,000 shares are deemed to have been issued on 29 June 2004.

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	
	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2006	Year ended 31 December 2005
Net asset value per ordinary share capital at the end of the year (in RMB cents)	116.9	79.0	69.1	39.2



**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 6% rise in net profit to RMB51.4 million in FY2006 from RMB48.3 million in FY2005. This was supported by broad-based increase in revenue to RMB134.4 million in FY2006, up 15% from RMB116.5 million in FY2005.

The Group was tax-exempted until FY2005 and enjoys a 50% deduction in Enterprise Income Tax ("EIT") for three years starting from FY06 (see "Profitability" section below). Excluding the effect of taxation incurred starting 1 January 2006, profit before tax expanded 17% to RMB56.4 million in FY2006.

For the fourth quarter ended 31 December 2006, the Group incurred a net loss of RMB3.0 million (after tax) from net profit of RMB8.7 million in 4Q05. This was mainly attributable to lower revenue, the consolidation of the expenses of the recently acquired Beida Shijia Technology Development Co., Ltd. (北大世佳科技开发有限公司) ("Beida Shijia") and Beijing Shijia Jiushengyuan Pharmaceutical Technology Co., Ltd. (北京世佳九生源药业科技有限公司) ("Shijia Jiushengyuan"), the increase in administration expenses after the listing on SGX-ST in February 2006, Executive Director and employee bonus at 5% of Group PBT which was not accounted for in the previous three quarters, and 4Q maiden tax expense of RMB1.2 million incurred in 4Q06.

**Revenue**

Group revenue decreased by 29% in 4Q06 mainly due to decrease in sales of antibiotics and cardiovascular & cerebrovascular drugs.

	4Q06	4Q05	Change		FY06	FY05	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	11,861	17,145	(31)	(5,284)	69,547	60,617	15	8,930
Cardiovascular drugs and cerebrovascular drugs	2,735	5,158	(47)	(2,423)	24,347	21,093	15	3,254
Other specialized drugs	6,495	7,304	(11)	(809)	40,532	34,807	16	5,725
<b>Total</b>	<b>21,091</b>	<b>29,607</b>	<b>(29)</b>	<b>(8,516)</b>	<b>134,426</b>	<b>116,517</b>	<b>15</b>	<b>17,909</b>

Antibiotics sales rose 15% to RMB69.5 million in FY2006 boosted by higher sales volume especially for key product, Azithromycin Aspartate Lyophilised Powder for Injection. The higher sales quantity offset the lower average selling price for antibiotics due to government price control on antibiotics. Antibiotics continued to be the largest revenue contributor, representing 51.7% of Group revenue in FY2006.

Cardiovascular drugs and cerebrovascular drugs recorded 15% sales growth to RMB24.3 million in FY2006 on the back of increase in sales of major product, Cerebroprotein Hydrolysate Injection. Cardiovascular drugs and cerebrovascular drugs constituted 18.1% of Group revenue in FY2006.

Sales of other specialized drugs increased 16% to RMB40.5 million in FY2006 driven by increase in sales of major product, Potassium Sodium Dehydroandrographolide Succinate Lyophilised Powder for Injection, as well as the sales of a new local anesthetics product launched in mid-2005, Ropivacaine Mesilate Sodium. Other specialized drugs formed 30.2% of Group revenue in FY2006.

Against 4Q05, Group revenue fell 29% from RMB29.6 million to RMB21.1 million in FY2006. This was mainly due to a 31% fall in sales of antibiotics to RMB11.9 million in 4Q06 attributable to decrease in sales of Cefoperazone Sodium and Sulbactam Sodium Powder Injection, and a 47% fall in sales of cardiovascular drugs and cerebrovascular drugs to RMB2.7 million in 4Q06 attributable to decrease in sales of Cerebroprotein Hydrolysate Injection. Sales of other specialized drugs also dropped 11% to RMB6.5 million in 4Q06 due to decrease in sales of Potassium Sodium Dehydroandrographolide Succinate Lyophilised Powder for Injection.

### **Profitability**

On the back of higher revenue, gross profit increased 22% from RMB68.8 million in FY2005 to RMB84.1 million in FY2006.

Other income mainly comprised government subsidies and interest income (as FY06 interest income was separately shown under finance cost). The increase was attributable to interest income from IPO proceeds deposited at bank.

Selling and distribution expenses was kept in check at RMB9.6 million. Administrative expenses rose attributable to new staff hiring to support business expansion, as well as increases in depreciation & amortization expenses.

Financial expenses increased during the year due to the working capital loan obtained from ultimate holding company Harvest Year in July 2005. This loan was fully repaid in FY2006.

The Company's subsidiary, Hainan STAR Pharmaceutical Co., Ltd ("HNSTAR"), as a wholly foreign-owned enterprise, was exempted from Enterprise Income Tax ("EIT") for its first two years of profitability, i.e. FY2004 and FY2005, and would enjoy a 50% deduction in EIT for the subsequent three years. The Group was therefore not subject to any

income tax in FY2005. Starting from FY2006, HNSTAR is taxable at 7.5%, which accounted for the RMB5.0 million tax expenses in FY2006.

Overall, net profit after tax increased 6% from RMB48.3 million in FY2005 to RMB51.4 million in FY2006.

Compared to a net profit of RMB8.7 million in 4Q05, the Group incurred a net loss of RMB2.0 million in 4Q06. This was mainly due to lower revenue, the consolidation of the expenses of the recently acquired Beida Shijia and Shijia Jiushengyuan, the increase in administration expenses after the listing on SGX-ST in February 2006, provision of full year staff bonus of RMB3.5 million which was not accounted for in the previous three quarters, and 4Q maiden tax expense of RMB1.2 million incurred in 4Q06.

### **Financial Position**

*(31 December 2006 vs. 31 December 2005)*

Total non-current assets rose to RMB295.0 million from RMB149.8 million. This was mainly attributable to the capitalization of rising new product research & development (R&D) expenses and product development costs as a result of the acquisition of equity interest in Beida Shijia on 31 August 2006 and Shijia Jiushengyuan on 31 October 2006.

Current assets jumped to RMB231.4 million from RMB66.0 million. Increase was due mainly to a RMB10.4 million temporary receivable from the ultimate holding company, higher trade receivables in line with higher sales, higher other receivables arising from RMB135 million proceed from the RCPS issue in Dec 2006, as well as higher cash & cash equivalents driven by business growth and proceeds raised from IPO in February 2006. The temporary receivable arose due to partial repayment of loan on behalf of the subsidiary due to the delay in subsidiary in obtaining the necessary approval from State Administration of Foreign Exchange (“SAFE”). Upon full repayment of the loan by the subsidiary in December 2006 to the ultimate holding company, the temporary receivable was then fully repaid by the ultimate holding company in February 2007.

Current liabilities rose to RMB78.8 million from RMB64.7 million mainly due to increase in trade and other payable in line with higher business activities, a RMB29.9 million bank loan was obtained to repay a loan from ultimate holding company, as well as higher tax provision.

Long-term liabilities increased by RMB135 million from the net proceed received from the issue of Redeemable Convertible Preference Shares on 29 December 2006.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

The Group financial performance in 3Q 2006 deviates from the view expressed by the Directors in the 3Q 2006 announcement on 14 November 2006, where it was mentioned that barring unforeseen circumstances, the Group expects double-digit growth in revenue and net profit for full-year FY2006 from those in FY2005.

Actual growth in revenue and net profit or full-year FY2006 from those in FY2005 have been 15% and 8% respectively.

**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.**

**Prospects**

Focused R&D and selling & distribution initiatives, strong product pipeline and the rapid growth of the pharmaceutical industry in the PRC will continue to drive future growth for the Group. The Group expects to launch 3 major new drugs in 2007, subject to SFDA's approval, which will add to Group earnings.

To sustain future growth, the Group is increasing its focus on expanding its TCM-formulated drug business to take advantage of this booming market.

In FY2006, the Group acquired 60% of Beida Shijia and Shijia Jiushengyuan, a leading TCM-formulated drug research institutions in the PRC under the prestigious Peking University (北京大学), which holds the remaining 40% of Beida Shijia.

Backed by Beida Shijia and Shijia Jiushengyuan's strong R&D capabilities and research team of over 100 research specialists, a strong pipeline of TCM-formulated drugs under development and active international research cooperation, the Group's foray into the buoyant TCM-formulated drug sector is set to take off as Beida Shijia and Shijia Jiushengyuan continue to make progress in innovative TCM-formulated drugs development, testing and regulatory application. Beida Shijia and Shijia Jiushengyuan currently in total have 15 new TCM-formulated drugs under development, of which 2 are classified as "Category 1" drugs by the SFDA.

**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

**Ordinary Shares:**

Any dividend declared for the current financial period reported on?

The Board recommended the following amount to be declared, subject to shareholders' and SAFE's approval:

Name of Dividend:	First and Final Dividend
Dividend Type:	Cash

Amount per share: S\$0.013 per share or 30% of audited FY2006 Net Profit attributable to shareholders, whichever is higher

**RCPS:**

Nil.

**(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.

**RCPS:**

Not applicable.

**(c) Date payable**

**Ordinary Shares:**

To be announced at a later date.

**RCPS:**

Not applicable.

**(d) Book Closure Date**

**Ordinary Shares:**

To be announced at a later date.

**RCPS:**

Not applicable.

**12. If no dividend has been declared/recommend, a statement to that effect.**

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The Group's main businesses are those relating to the manufacturing and trading of pharmaceutical products and it operates mainly in the PRC. Accordingly, the Group is not subject to different risks and returns in its activities and geographical regions in which it operates.

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Please refer to Note 8 for the review of performance by business.

- 15. A breakdown of sales.**

	<b>FY2006</b>	<b>FY2005</b>	<b>Increases/(Decreases)</b>	
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>%</b>
<b>Revenue for first half of the year</b>	79,466	56,327	23,139	41.2
<b>Operating profit after tax for the first half of the year</b>	39,218	26,943	12,275	45.6
<b>Revenue for second half of the year</b>	54,960	60,190	(5,230)	-8.7
<b>Operating profit after tax for the second half of the year</b>	12,226	21,394	(9,168)	-42.9

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	<b>FY2006</b>	<b>FY2005</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Ordinary Shares	15,433	Nil
RCPS	-	Not Applicable

**By Order of the Board**

**Wong Kai  
Chairman**

**1 March 2007**