

**STAR****STAR PHARMACEUTICAL LIMITED**

Registration No. 200500429W

UNAUDITED FIRST QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2015**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		
	RMB'000		(%)
	3 months ended 31 March 2015	3 months ended 31 March 2014	Increase/ (decrease) +/(–)
	(a)	(b)	(a) – (b)
	(Unaudited)	(Unaudited)	
Revenue	23,360	22,409	4
Cost of sales	(13,098)	(12,314)	6
Gross Profit	10,262	10,095	2
Other operating income	1,288	1,729	(26)
Selling and distribution expenses	(1,673)	(1,508)	11
Administrative expenses	(3,670)	(4,765)	(23)
Other operating expenses	(26)	(148)	(82)
Profit from operations	6,181	5,403	14
Finance income	345	134	157
Finance expenses	(60)	(19)	216
Profit before income tax	6,466	5,518	17
Income tax	(864)	(915)	(6)
Profit for the period	5,602	4,603	22
Attributable to:			
Equity holders of the Company	5,602	4,921	14
Minority interest	-	(318)	n.m
Profit for the period	5,602	4,603	22
Earnings per share (RMB cents)			
- Basic	2.39	2.10	
- Diluted	2.39	2.10	

n.m – not meaningful.

Consolidation statement of Comprehensive Income for the period

	Group		
	RMB'000		(%)
	3 months ended 31 March 2015 (Unaudited)	3 months ended 31 March 2014 (Unaudited)	Increase/ (decrease) +/(−)
Profit for the period	5,602	4,603	22
Other comprehensive income:			
Exchange difference on consolidation	-	-	
Other comprehensive income for the period, net of tax	5,602	4,603	22
Total comprehensive income attributable to :			
Equity holders of the period	5,602	4,921	14
Minority interest	-	(318)	n.m
	5,602	4,603	22

Notes to the Income Statement:

	Group	
	RMB'000	
	3 months ended 31 March 2015 (Unaudited)	3 months ended 31 March 2014 (Unaudited)
Profit before tax is arrived at after charging / (crediting) :		
Interest income	345	128
Interest on borrowings	-	8
Foreign exchange loss / (gain)	51	(6)
Depreciation of property, plant and equipment	1,301	1,353
Depreciation of investment property	58	58
Amortization of deferred development costs	5	597
Amortization of lease prepayment	20	19
Loss on disposal of property, plant and equipment	1	-

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 2015	31 Dec 2014	31 Mar 2015	31 Dec 2014
		RMB'000	RMB'000	RMB'000	RMB'000
		(Unaudited)	(Audited)	(Unaudited)	(Audited)
Non-current assets					
Property, plant and equipment		50,861	52,160	-	-
Investment property		2,767	2,825	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		822	842	-	-
Intangible assets	(a)	8,927	8,092	-	-
Deferred tax assets		3,945	3,945	-	-
		67,322	67,864	76,607	76,607
Current assets					
Inventories		24,477	32,770	-	-
Trade and bills receivables		1,392	461	-	-
Other receivables, prepayments and deposits		33,361	25,615	45	19
Income tax recoverable		963	963	-	-
Due from subsidiary (non-trade)		-	-	35,850	35,850
Cash and bank balances		54,413	56,329	1,026	2,565
		114,606	116,138	36,921	38,434
Total assets		181,928	184,002	113,528	115,041
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		19,910	19,910	-	-
Accumulated losses		(12,051)	(17,653)	(32,444)	(31,195)
Total equity		152,834	147,232	112,531	113,780
Non-current liabilities					
Deferred tax liabilities		180	200	-	-
		180	200	-	-
Current liabilities					
Trade and other payables		28,030	36,570	997	1,261
Income tax payable		884	-	-	-
		28,914	36,570	997	1,261
Total liabilities		29,094	36,770	997	1,261
Total equity and liabilities		181,928	184,002	113,528	115,041

Notes :

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB15,000. (At 31/12/2014: RMB20,000) and Product Development in Progress of RMB8,912,000 (At 31/12/2014: RMB8,072,000) .

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

	As at 31 March 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
(a) Amount repayable in one year or less, or on demand	-	-	-	-
(b) Amount repayable after one year	-	-	-	-

1(c) 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>	RMB'000	
	Period ended 31 March 2015	Period ended 31 March 2014
Cash flow from operating activities		
Profit before income tax	6,466	5,518
Adjustments for:		
Amortization of deferred development costs	5	597
Amortization of lease prepayments	20	19
Depreciation of property, plant and equipment	1,301	1,353
Depreciation of investment property	58	58
Loss on disposal of property, plant and equipment	1	-
Interest expense	-	8
Interest income	(345)	(128)
Operating profit before working capital changes	7,506	7,425
Changes in working capital:		
Inventories	8,293	(15,743)
Trade and bills receivables	(931)	(3,444)
Other receivables and prepayments and deposits	643	(3,159)
Trade and other payables	(8,540)	14,245
Cash generated / (used in) from operations	6,971	(676)

Income tax paid	-	(118)
Net cash generated / (used in) from operating activities	6,971	(794)
Cash flows from investing activities		
Payments for product development in progress	(840)	-
Purchase of property, plant and equipment	(3)	(261)
Prepayments for plant and equipment	(479)	(317)
Advances for product manufacturing rights and technical know-how	(7,910)	(1,120)
Interest received	345	128
Net cash used in investing activities	(8,887)	(1,570)
Cash flows from financing activities		
Interest paid	-	(8)
Net cash used in financing activities	-	(8)
Net decrease in cash and cash equivalents	(1,916)	(2,372)
Cash and cash equivalents included in assets held for sale	-	261
Cash and cash equivalents at beginning of the period	56,329	20,546
Cash and cash equivalents at end of the period	54,413	18,435

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

Group	Share capital	Statutory reserves	Accumulated (losses)	Total attributable to equity holders of the parents	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	144,975	19,910	(67,533)	97,352	470	97,822
Total comprehensive income for the period	-	-	4,921	4,921	(318)	4,603
At 31 March 2014	144,975	19,910	(62,612)	102,273	152	102,425
At 1 January 2015	144,975	19,910	(17,653)	147,232	-	147,232
Total comprehensive income for the period	-	-	5,602	5,602	-	5,602
At 31 March 2015	144,975	19,910	(12,051)	152,834	-	152,834

<u>Company</u>	Share capital	Accumulated (losses)	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	144,975	(27,656)	117,319
Total comprehensive loss for the period	-	(686)	(686)
At 31 March 2014	144,975	(28,342)	116,633
At 1 January 2015	144,975	(31,195)	113,780
Total comprehensive loss for the period	-	(1,249)	(1,249)
At 31 March 2015	144,975	(32,444)	112,531

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.

There were no movements in the Company's share capital for the financial period ended 31 March 2015.

The Company did not have any outstanding convertibles and treasury shares 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.

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.

Total number of issued shares excluding treasury shares: 234,125,000 (31 December 2014: 234,125,000)

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.

Not applicable.

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 2014.

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 2015 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 2015	3 months ended 31 March 2014
Net Amount attributable to equity shareholders for the period (RMB'000)	5,602	4,921
No. of ordinary shares used in calculation of basic earning per share	234,125,000	234,125,000
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)	2.39	2.10
(b) On a fully diluted basis (in RMB cents)	2.39	2.10

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	
	3 months ended 31 March 2015	Year ended 31 December 2014	3 months ended 31 March 2015	Year ended 31 December 2014
Net asset value per ordinary share capital at the end of the period (in RMB cents)	65.28	62.89	48.06	48.60

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 rose 14% to RMB5.6 million in net profit attributable to equity holders in 1Q2015 from RMB4.9 million in 1Q2014. This was results from continuing operational improvement and cost containment efforts in 2015.

Revenue

Group revenue grew 4% to RMB23.4 million in 1Q2015 supported by growing demand in sales of antibiotics and cardiovascular drugs and cerebrovascular drugs.

	3 months ended 31 March 2015	3 months ended 31 March 2014	Change	
	RMB'000	RMB'000	%	RMB'000
Antibiotics	10,127	8,506	19	1,621
Cardiovascular drugs and cerebrovascular drugs	945	614	54	331
Other specialized drugs	12,288	13,289	(8)	(1,001)
Total	23,360	22,409	4	951

Antibiotics sales rose 19% to RMB10.1 million in 1Q2015 on higher demand for Cefoxitin Sodium for Injection and Aztreonam for Injection. Antibiotics accounted for 43% of Group revenue in 1Q2015, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales jumped 54% to RMB0.9 million boosted by increases in the sales of Aceglutamide for Injection. Cardiovascular drugs and cerebrovascular drugs represented 4% of Group revenue in 1Q2015.

Other specialized drugs softened 8% to RMB12.3 million in 1Q2015. This is mainly due to lower demand for the Group's Potassium Sodium Dehydroandrographolide Succinate for Injection and Amoxicillin and Dicloxacillin Sodium Tablets. Despite the softening demand, other specialized drugs still remained the largest revenue contributor constituting 53% of Group revenue in 1Q2015.

Profitability

Gross profit lightly increased 2% to RMB10.3 million in 1Q2015 primarily due to the growth of revenue offset by the inflationary cost pressures from cost of sales.

Other operating income fell 26% to RMB1.3 million due to lower amount of income earned from subcontracting service provided for the manufacturing pharmaceutical products in 1Q2015.

Selling and distribution expenses rose 11% to RMB1.7 million on strengthening of sales force and marketing promotion and branding activities. Administrative expenses dropped 23% to RMB3.7 million as the Group managed to keep operating expenses in check.

Other expenses declined 82% to RMB0.03 million in 1Q2015 on lower R&D expenditure.

Finance income jumped 157% to RMB0.3 million as higher fixed deposit balance generated more interest income.

Finance expenses raised 216% to RMB0.06 million results from higher foreign exchange loss in 1Q2015.

Overall, the Group posted net profit attributable to equity holders of RMB5.6 million in 1Q2015 compared with RMB4.9 million in 1Q2014.

Financial Position

(31 March 2015 vs. 31 December 2014)

Non-current assets slight fell from RMB67.9 million to RMB67.3 million. Property, plant and equipment decreased from RMB52.2 million to RMB50.9 million due to depreciation. Intangibles assets rose from RMB8.1 million to RMB8.9 million due to capitalization of a product development in progress which is approximately RMB0.8 million.

Current assets decreased from RMB116.1 million to RMB114.6 million. Inventories level fell from RMB32.8 million to RMB24.5 million due to the completion of some subcontracting manufacturing services. Trade & bills receivables increased from RMB0.5 million to RMB1.4 million on higher bills receivables from daily operations. Other receivables, prepayments and deposits increased from RMB25.6 million to RMB33.4

million due to advance payments of RMB7.9 million to third party research and development vendors to develop 4 new medical products. Cash and bank balances decreased from RMB56.3 million to RMB54.4 million mainly due to the advance deposits for medical know-how.

Non-current liabilities comprise of deferred tax liabilities remained at approximately RMB0.2million level.

Current liabilities dropped from RMB36.6 million to RMB28.9 million. Trade and other payables fell from RMB36.6 million to RMB28.0 million on settlement of most of the long outstanding debt due to raw materials purchases in FY2014.

Cash Flow Statement

The Group's net cash inflow from operating activities in 1Q2015 was RMB7.0 million. This was mainly due to the operating profit of RMB 6.5 million from Group's usual operating business and reduces the additional material purchase for subcontracting manufacturing service.

Net cash used in investing activities in 1Q2015 amounted to RMB 8.9 million. This was primarily due to the advance payments of RMB7.9 million to third party research and development vendors to develop new medical products on behalf of the Group.

No cash flow from financing activities in 1Q2015.

- 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 2015 due to ongoing healthcare reforms and market competition in the People's Republic of China continue to pose challenges for the growth of the Group.

The cornerstone of the Group's strategic efforts continues to be sustainable long term growth, the Group will continue to focuses on diversifying sales strategies and improving its operations as well as continuous investments to ensure roll out of new products.

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.

The Company has no general mandate from shareholders for interested person transactions.

14. Negative Assurance Confirmation pursuant to SGX Listing Rule 705(4)

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the First Quarter Results of the Group for the financial period ended 31 March 2015 to be materially false or misleading in any material aspect.

By Order of the Board

Xu Zhi Bin
Executive Chairman
12 May 2015