RISING TO CHALLENGES

STAR Pharmaceutical Limited Annual Report 2014

STAR

VISION

To be a leader in the Pharmaceutical industry in The People's Republic of China.

MISSION

We are dedicated to creating healthier lives through medical innovations which enhance value for our customers, shareholders and employees by curing diseases, easing suffering, extending human life and improving the quality of life.

STAR Pharmaceutical (the "Company" or the "Group") was established in 2005 and was listed on the SGX mainboard in February 2006. The Company specialises in the manufacture and sales of both western and TCM-formulated prescription drugs and has a manufacturing facility based in Qionghai City, Hainan Province of People's Republic of China ("PRC").

The Group's broad range of pharmaceutical products include antibiotics, cerebrovascular drugs and cardiovascular drugs, and other specialised drugs manufactured inhouse in various dosages and administration forms from powder injections, lyophilized powder injections, liquid injections to tablets, capsules and granules.

The Group has a well-established, extensive distribution network which supports its sales in the growing China market. These include approximately 820 distributors to hospitals, clinics and pharmacies. The Group also operates 24 liaison offices established in major cities and provinces in the PRC. These liaison offices are responsible for supporting, managing and monitoring our distribution network, and help to control the way our products are handled along the distribution channels until they reach the end customers.

Our intensive Research and Development ("R&D") efforts are backed by an experienced R&D team, complemented by collaborations with research institutes in the PRC.

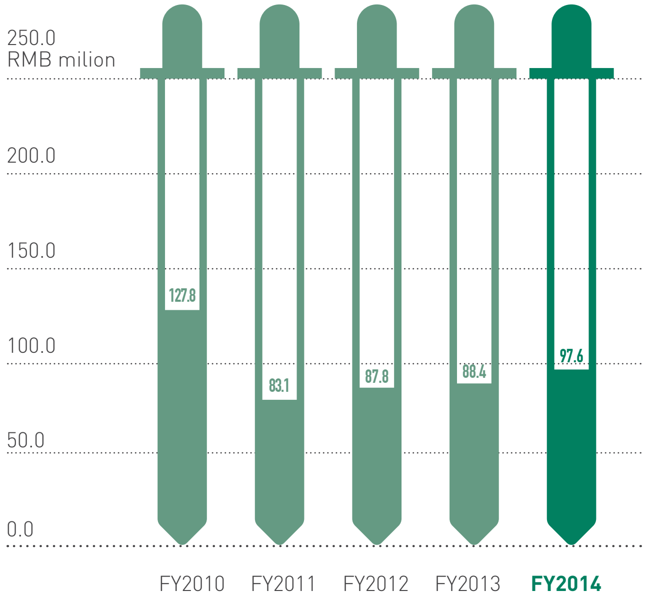
The Group enjoys a reputable standing in the pharmaceutical industry, as a State Level High Tech Enterprise. Over the years, it has received numerous industry awards which recognise the innovative, quality products that the Group brings to the pharmaceutical market.

FINANCIAL HIGHLIGHTS

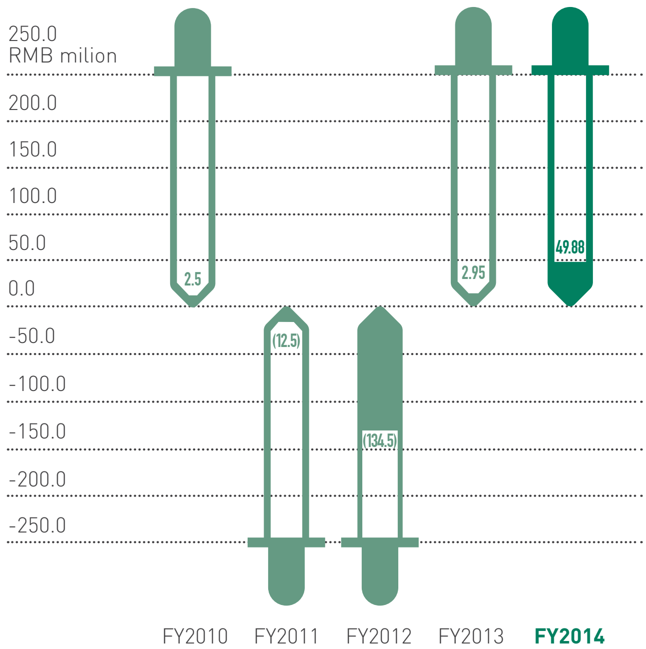
	31 December 2014 (RMB'000)	31 December 2013 (RMB'000)	Change
PROFIT & LOSS ACCOUNTS HIGHLIGHTS			
Revenue	97,570	88,367	10.4%
Gross profit	36,311	34,682	4.7%
Gross margin	37%	39%	-5.1%
Selling & distribution expenses	7,376	6,397	15.3%
Profit before income tax	47,447	4,714	906.5%
Profit for the year	49,880	2,945	1,593.7%
Net margin	51%	3%	
BALANCE SHEET HIGHLIGHTS			
Non-current assets	67,864	68,164	
Current assets	116,138	58,629	
Current liabilities	36,570	25,081	
Non-current liabilities	200	279	
Equity attributable to equity holders	147,232	97,352	
CASH FLOWS HIGHLIGHTS			
Cash flows from operating activities	19,489	11,746	
Cash flows from investing activities	16,144	18,037	
Cash flows used in financing activities	(111)	(40,614)	
Net increase / (decrease) in cash & cash equivalents	35,522	(10,831)	
Cash & cash equivalents at beginning of the year	20,807	31,638	
Cash & cash equivalents at end of the year	56,329	20,807	
OTHER KEY STATISTICS			
Profit per share basic (RMB cents)	21.30	1.58	
Net asset value per share (RMB cents)	62.9	41.6	
Weighted average number of shares (million)	234.1	234.1	
Return on equity	34%	4%	
Return on assets	27%	2%	
Current ratio (times)	3.18	2.34	
Net gearing ratio (times)	0.00	0.00	

FINANCIAL HIGHLIGHTS

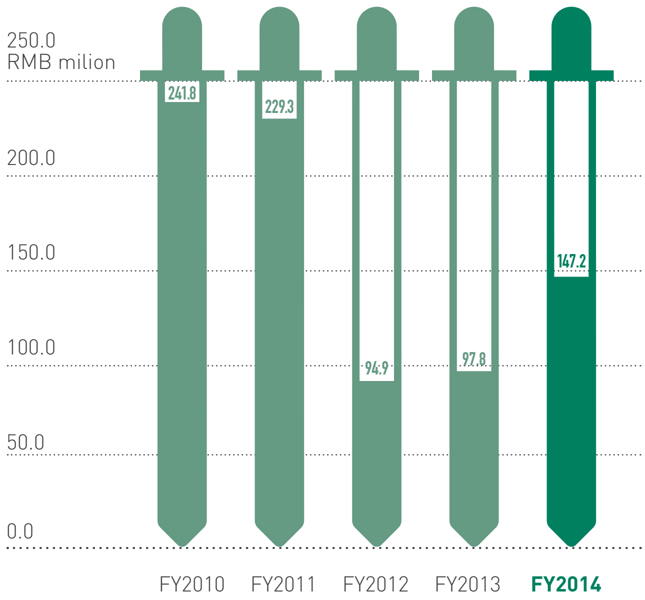
GROUP REVENUE



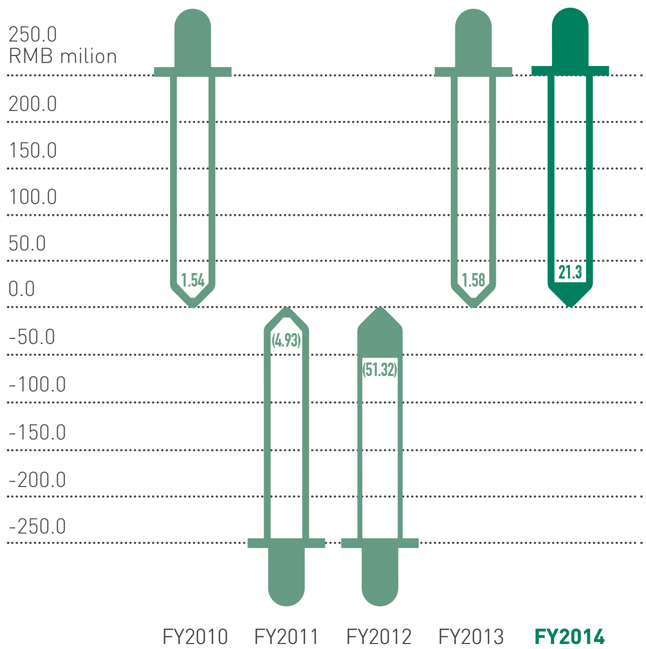
NET PROFIT/(LOSS)



NET ASSET



EARNINGS/(LOSS) PER SHARE



CORPORATE INFORMATION

BOARD OF DIRECTORS
Xu Zhi Bin (Executive Chairman)
Gu Yan (Executive Director)

Li Tak Tai Leada (Non-Executive Director)
Ng Poh Khoon (Lead Independent Director)
Meng Tao (Independent Director)

AUDIT COMMITTEE
Ng Poh Khoon (Chairman)
Meng Tao (Appointed on 1 January 2015)
Li Tak Tai Leada

NOMINATING COMMITTEE
Meng Tao (Chairman)
Ng Poh Khoon
Li Tak Tai Leada

REMUNERATION COMMITEE
Ng Poh Khoon (Chairman)
Li Tak Tai Leada
Meng Tao

COMPANY SECRETARY
Shirley Tan Sey Liy (ACIS)

REGISTERED OFFICE
Six Battery Road
#10-01 Singapore 049909
Tel: (65) 6381 6972
Fax: (65) 6381 6967

PRINCIPAL OFFICE
Dalu Town, Qionghai City,
Hainan Province 571425,
People's Republic of China

SHARE REGISTRAR
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

AUDITORS
Crowe Horwath First Trust LLP
Chartered Accountants
8 Shenton Way
#05-01/02, AXA Tower
Singapore 068811

AUDIT PARTNER-IN-CHARGE
Angeline Tan Lay Hong
(since Financial Year Ended
31 December 2012)

The Group's revenue increased 10% to RMB97.6 million as compared with RMB88.4 million in 2013 due to improved sales performance, which was a result of the Group's continuous efforts to enhance product quality and optimise production processes. Gross profit grew 5% to RMB36.3 million from RMB34.7 million in 2013 in line with the improved sales performance.

DEAR SHAREHOLDERS,

FOCUSING ON WESTERN MEDICINE BUSINESS

During the year, the Group disposed of its 80% interest in Beida Shijia Technology Development Co. Ltd ("Beida Shijia") and 46% interest in Beijing Shijia Jiu Sheng Yuan Pharmaceutical Technology Co., Ltd ("Jiu Sheng Yuan") to Jin Merchants Alliance Holding Co., Ltd. after shareholders' approval was obtained in an Extraordinary General Meeting (EGM) held in April, as well as 14% interest in Jiu Sheng Yuan to Mr Zhou Ya Wei. Both Beida Shijia and Jiu Sheng Yuan are involved in the development of pharmaceutical products with a focus on research and development of modern Chinese medicine.

The disposal of Beida Shijia and Jiu Sheng Yuan allowed the Group to eliminate risks in the Chinese medicine market due to unfavourable policies implemented by the Chinese Government, exit from loss-making businesses, as well as focus on its core strengths of developing, manufacturing and selling Western medicine. Upon announcement completion of the disposals, both Beida Shijia and Jiu Sheng Yuan ceased to be subsidiaries of the Group.

SIGNIFICANT SURGE IN PROFIT

The Group's revenue increased 10% to RMB97.6 million as compared with RMB88.4 million in 2013 due to improved sales performance, which was a result of the Group's continuous efforts to enhance product quality and optimise production processes. Gross profit grew 5% to RMB36.3 million from RMB34.7 million in 2013 in line with the improved sales performance. Other operating income rose 1,390% to RMB38.2 million due to a gain on disposal of approximately RMB31.3 million from the sale of Beida Shijia and Jiu Sheng Yuan. As a result, net profit attributable to equity holders surged 1,247% to RMB49.9 milion as compared with RMB3.7 million in 2013.

KEY DEVELOPMENTS

During the year, the Group received authentication of the new Good Manufacturing Practices (GMP) for its oral solid, capsule and tablet production lines, as well as obtained a provincial authentication certificate for high and new technical enterprise. The Group also refitted two old workshops into a packaging workshop and an end product workshop, and intends to introduce automatic packaging machinery to improve production efficiency.

In 2015, the Group will strive to reform its raw medicine workshop and create conditions for registering and declaring new approved raw medicine products.

BUILDING UP A PIPELINE OF NEW PRODUCTS

Sales of antibiotics, one of the Group's main products, is affected by the antibiotic limit policy imposed by the Chinese Government. In addition, competition is fierce with many other similar products in the market. The Group relied on sales of its existing products as it did not launch any new products in the year, and is unlikely to do so in 2015 as well due to the long time needed in research and development as well as obtaining approvals. Nonetheless, the Group will continue to invest in and build up a strong pipeline of new products by expanding domestic sales and capitalising on opportunities for growth. In addition, the Group will continue to improve sales and operational efficiency.

SHARE CONSOLIDATION

On 12 March 2015, the Group announced its proposal to consolidate every five existing ordinary shares in the capital of the Company into one ordinary share, bringing the Company's existing 234,125,000 ordinary shares to 46,825,000 consolidated shares. This is in response to the minimum trading price requirement of S$0.20 per share set by the Singapore Exchange Securities Trading Limited ("SGX-ST") for companies listed on the Mainboard of the SGX-ST. This share consolidation exercise is subject to shareholders' approval in an EGM to be convened at a later time, as well as approval from the SGX-ST. Details regarding the EGM and SGX-ST's approval will be disclosed in due course when they are available.

BOARD AND MANAGEMENT CHANGES

Mr Wu Man Ping ("Mr. Wu") resigned from his position as an Independent Director on 31 December 2014 and Mr Meng Tao ("Mr. Meng") was appointed as an Independent Director on 1 January 2015. Mr Meng also serves as Chairman of the Nominating Committee as well as a member of the Audit Committee and Remuneration Committees. On 1 February 2015, Mr Lui Che Kin ("Mr. Lui") was appointed as the Group's Chief Financial Officer following the resignation of Ms Chung Yim Ling ("Ms. Chung").

We would like to welcome Mr Meng and Mr Lui into their new roles, as well as thank Mr Wu and Ms Chung for their contributions to the Group and wish them all the best in their future endeavours.

Last but not least, we would like to express our gratitude to our business partners and associates as well as shareholders for their continued support for the Group.

Xu Zhi Bin
Executive Chairman

Sales performance

Antibiotics sales rose 6% to RMB38.7 million as compared with RMB36.5 million in 2013 mainly due to an increase in demand for Cefepime Hydrochloride for Injection and Cefoxitin Sodium for Injection products. Antibiotics sales accounted for 40% of the Group's revenue for the year, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales grew 19% to RMB3.7 million as compared with RMB3.1 million in 2013 due to an increase in demand for Vinpocetine for Injection products. Cardiovascular drugs and cerebrovascular drugs represented 4% of the Group's revenue for the year.

Other specialised drugs sales jumped 22% to RMB55.2 million as compared with RMB45.4 million in 2013 due to a higher demand for Potassium Sodium Dehydroandrographolide Succinate for Injection and Amoxicillin and Water-soluble Vitamin for Injection products. Other specialised drugs remained the largest revenue contributor for the year, accounting for 56% of the Group's revenue.

Business activities

During the year, the Group improved productivity by optimising production processes and refitting two old workshops into a packaging workshop and an end product workshop, as well as continued to enhance product quality.

For research and development activities, the Group engaged the third party vendor research and development companies to continue the development of the new drugs projects. The Group also registered for approval two new drugs: clinical Rocuronium Bromide for Injection and Azilsartan Tablets. In 2015, the Group will strive to register and declare some clinical new drugs as well as re-register some approved products.

Certifications

During the year, the Group received authentication of the new Good Manufacturing Practices (GMP) for its oral solid, capsule and tablet production lines, as well as obtained a provincial authentication certificate for high and new technical enterprise.

Corporate Social Responsibility

The Group carried out several Corporate Social Responsibility activities during the year. They included partnering with Disabled Persons Federation of QiongHai City to offer employment opportunities for disabled people, as well as offering donations for constructing infrastructure and upgrading existing infrastructure in villages near to the Group's factory.

Future plans

The Group will continue to improve productivity by upgrading production equipment and technology such as introducing automatic packaging machinery, as well as optimising workshop structures and human resources. In addition, the Group intends to relocate its factory to Haikou, the provincial capital of HaiNan to overcome the geographical and operational limitations of its current factory location.

Going forward, the Group will expand its sales team and into agency sales, self-sales, direct sales and subcontracting service, as well as strengthen bidding-invitation work for medicines to lay a strong foundation for sales and marketing. The Group will also take initiative to carry out subject selection and project approval for new products, explore business partnerships, and look for new subcontracting service business. In addition, the Group may resume selling products that have ceased production such as Guihuang Qingre Keli, Amoxicillin Capsules and Ampicillin Capsules to compensate the lack of new product launches.

Other efforts that the Group will undertake include continuing to improve product quality, reducing costs, strengthening research and development of new products, reforming its raw medicine workshop, as well as registering and declaring new raw medicine products which had been approved.

BOARD OF DIRECTORS

MR XU ZHI BIN

Executive Chairman

Mr. Xu Zhi Bin ("Mr. Xu") is the Executive Chairman of our Group and he was appointed as our Chairman on 19 November 2012. Mr. Xu has over 16 years' of experience in the pharmaceutical industry specializing in sales and marketing. He is responsible for the Group's operations in strategic planning, corporate daily management and business development. Between 2005 and 2012, he was the General Manager of Beijing Jiuzhou Jikang Pharmaceutical Co., Ltd., where he was responsible for overall strategic planning and direction of the company, including the day-to-day management, financial planning and budgeting, sales and marketing, product development and management, and long-term investment strategy of the company. Prior to that between 2000 and 2005, he was the Director of Sales of Hainan Tongyong Sanyang Pharmaceutical Co., Ltd., where he was responsible for all sales and marketing activities of the company. Between 1996 and 2000, he was the Sales Manager of Shenzhen Jianhua Pharmaceutical Co., Ltd. Mr. Xu graduated from the Capital University of Medical Sciences in 1996 with a Bachelor's Degree majoring in clinical medicine.

MR GU YAN

Executive Director

Mr. Gu Yan ("Mr. Gu") was appointed as our Director on 30 November 2012. Mr. Gu has over 14 years of experience in the pharmaceutical industry and he is currently in charge of the daily sales operation of the Group, overseeing operations as well as developing new sales and marketing networks. Prior to joining our Group, between 2009 to 2012, Mr. Gu was the general manager of Beijing Jikang Litong Pharmaceutical Technology Co., Ltd, responsible for the daily operations of the company. From 2005 to 2009, he was the Director of Sales of Beijing Jikang Litong Pharmaceutical Technology Co., Ltd, responsible for the company's nationwide marketing and sales activities, production investment, subcontracting activities as well as new products research and development. From 2003 to 2005, he was the sales manager for Kun Ming Pharmaceutical Group Sales Co., Ltd. From 1998 to 2003, he was the sales manager of Hainan Tongyong Sanyang Pharmaceutical Co., Ltd. Mr. Gu graduated from Huaibei Coal Industry Normal University with a Bachelor Degree of Education in History.

MS LI TAK TAI LEADA

Non-Executive Director

Ms. Li Tak Tai Leada ("Ms. Li") was appointed as our Non-Executive Director on 24 August 2009. She is currently, and has been since December 2006, the Chief Financial Officer of China Precision Steel, Inc., a company that is engaged in high value-add steel processing and listed on the Nasdaq Capital Market, where Ms. Li is responsible for overseeing the financial, accounting and administrative matters of the Company. From December 2006 to August 2009, Ms. Li was our part time investor relations consultant where she was responsible for the Company's investor relations and corporate communication matters. Prior to that, from June 2004 to November 2006, Ms. Li was Assistant to Chairman of our Company, in charge of the Group's Initial Public Offering on the SGX-ST and investor relations. From November 2003 to May 2004, Ms. Li was an audit assistant at KPMG, Hong Kong, where she assisted her seniors in carrying out commercial due diligence of target companies located in the PRC. Prior to that, from January 2002 to September 2002, Ms. Li was an Investment Analyst at Suez Asia Holdings (HK) Limited, where she assisted with the research work for various private equity deals. Ms. Li holds a Bachelor of Commerce Degree with dual major in Accounting and Finance from the University of Melbourne in Australia and a Master of Science Degree in Accounting and Finance from the Napier University in the United Kingdom.

MR NG POH KHOON

Lead Independent Director

Mr. Ng Poh Khoon ("Mr. Ng") was appointed as our Independent Director on 27 September 2005 and was appointed as Lead Independent Director on 26 March 2015. He is currently the Chief Financial Officer ("CFO") of Asia Fashion Holdings Limited, a Fujian based group primarily engaged in production, dyeing and post processing treatment of synthetic knitted fabrics listed on the mainboard of SGX-ST. From November 2012 to June 2013, he was the IR Director of Youbisheng Green Paper AG, a Quanzhou based linerboard producer listed on Frankfurt Prime Standard. Prior to that from January 2012 to October 2012, he was heading the export division for Passion Group which is based in Longyan City, Fuijan Province, and is involved in design, production and sale of handicrafts, furniture and home furnishings. From November 2008 to December 2011, he was the CFO of Passion Holdings Limited, formerly a listed company quoted on the mainboard of SGX-ST.

From October 2004 to October 2008, Mr. Ng was the CFO of the Sinoying Group of Companies, which is primarily

engaged in the business of shipping and oil trading. He oversaw the financial, accounting and taxation matters of the group's operations in Singapore, the PRC and Hong Kong. He was also the Deputy Managing Director of Sinoying Logistics Pte. Ltd., the shipping arm of the Sinoying Group and assisted in its daily operations during the same period. Prior to that, Mr. Ng had 11 years of experiences in various accounting firms, including KPMG Singapore.

He is currently the Independent Director and the Chairman of the Audit Committee of Lottvision Limited, a company listed on the mainboard of SGX-ST. Mr. Ng is a Chartered Accountant and a member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. Mr. Ng is also a fellow member of the Association of Chartered Certified Accountants, UK.

MR MENG TAO

Independent Director

Mr. Meng Tao ("Mr. Meng") was appointed as our Independent Director on 1 January 2015. He is currently the International Trade Consultant of Beijing Jiashi Hongrun Pharmaceutical Co., Ltd. Mr. Meng has over 10 years experience in the pharmaceutical industry. He was the International Trade Consultant of Haerbin Medisan Pharmaceutical Co., Ltd from September 2003 to October 2013. Prior to that, from July 2002 to August 2003, Mr. Meng was the Japanese department assistant sales director of Su Zhou HaoLiShi Cable Assembly Co., Ltd. From June 2000 to June 2002, Mr. Meng was the International Trade Sales Manager of Beijing Silver Sea Star Ltd. Prior to that, he was the International Trade Sales of Hainan Tongyong Sanyang Pharmaceutical Co., Ltd from June 1997 to May 2000. Mr. Meng graduated from TOKYO COMMUNICATION ARTS in 1996 majoring in International Relations.

EXECUTIVE OFFICERS

MR LUI CHE KIN

Chief Financial Officer

Mr. Lui Che Kin ("Mr. Lui") has more than 18 years of experience in corporate finance, taxation and accounting in various industries. He joined Star Pharmaceutical Limited as Chief Financial Officer ("CFO") on 1 February 2015. Prior to joining our Group, he was the financial controller of Poscelin Company Limited, which is principally engaged in the garment trading and manufacturing business. From April 2007 to September 2012, Mr. Lui was the CFO of Mirach Energy Limited, an energy company listed on mainboard of SGX-ST. Mr. Lui holds a Master's Degree in Business Administration from the University of Ballarat, Australia and is a member of Hong Kong Institute of Certified Public Accountants. He is also a fellow member of the Association of Chartered Certified Accountants, UK, an associate member of the Institute of Chartered Secretaries and Administrators, UK and an associate member of The Hong Kong Institute of Company Secretaries.

MR HU CHONG MING

Finance Manager

Mr. Hu Chong Ming is our Finance Manager and has been with our Group since February 2001. He is responsible for assisting our Financial Controller in the management of our Group's accounts and financial reporting. Prior to joining our Group, he was a principal staff member at Anhui Province Foreign Economic and Trade Commission from 1987 to 1991. From 1991 to 2001, he was the finance manager at Anhui Province Medicine and Health Products Import and Export Co., Ltd. He majored in International Trade from Shanghai University of Foreign Trade. He obtained the China Professional Technical Qualification Certificate in Accounting, as well as a Western Accounting Course Completion Certificate from Montreal University, New Jersey, in 1997, and was awarded the Anhui Province Advanced Individual Award in Liquidation and Asset Management in 1995.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

STAR Pharmaceutical Limited (the "Company") was listed on the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 15 February 2006. The Board of Directors (the "Board") is committed to maintaining high standards of corporate governance within the Company and its subsidiaries (the "Group") to advance its mission to create value for the Group's customers and shareholders.

This corporate governance statement reports the manner in which the Group has applied the principles and the extent of compliance with the guidelines as set out in the Code of Corporate Governance 2012 (the "Code") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met.

This report sets out the Group's main corporate governance practices that were in place throughout the financial year or which will be implemented and where appropriate, we have provided explanations for deviation from the Code.

BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The Board is accountable to the shareholders and oversees the Management of the business and affairs of the Group. Key role of the Board is to protect shareholders' interests and enhance long-term shareholders' value. It sets the overall strategy for the Company and its subsidiaries (the "Group") and supervises executive management. To fulfill this role, the Board is responsible for setting the strategic direction of the Group, establishing goals for Management, and monitoring the achievement of these goals.

Apart from its statutory responsibilities, the Board's principal functions include the following:

- Approve the Group's corporate and strategic directions;
- Approval of the Group's annual report, quarterly and full-year financial result announcements for release to the SGX-ST;
- Ensure management leadership of high quality, effectiveness and integrity;
- Approve investment and divestment proposals;
- Appointment of Board members and key managerial personnel;
- Ensuring an effective risk management framework is in place;
- Review financial performance and implement financial policies which incorporate risk management, internal controls and reporting compliance; and
- Assume responsibility for corporate governance of the Group.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries and take decisions in the interests of the Company.

The Board has overall responsibility for putting in place a framework of good corporate governance in the Group, including the processes for financial reporting and compliance. All Board members bring their independent judgment, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct.

To facilitate effective management, the Board has delegated certain specific responsibilities to three Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") each of which has its own written terms of reference which are reviewed on a regular basis. The Board accepts that while these Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and recommendations, the ultimate responsibility for the final decision on all matters lies with the entire Board.

Formal Board meetings are held at least four times a year to approve the quarterly and full year results announcements and to oversee the business affairs of the Group and approve any financial or business strategies or objectives. The schedule of all the Board Committees meetings for the calendar year is usually given to all the Directors well in advance. The Board is free to seek clarification and information from Management on all matters within their purview. Where necessary, additional Board meetings are held to deliberate on urgent substantive matters. The Company's Articles of Association provides for telegraphic and video conference meetings.

The attendances of the Directors at the Board meetings and Board Committees meetings held during the financial year ended 31 December 2014 ("FY 2014") are disclosed as follows:

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Xu Zhi Bin	4	4	4	4*	1	-	1	-
Gu Yan	4	1	4	1*	1	-	1	-
Ng Poh Khoon	4	4	4	4	1	1	1	1
Li Tak Tai Leada	4	4	4	4	1	1	1	1
Meng Tao [1]	-	-	-	-	-	-	-	-
Wu Man Ping [2]	4	3	4	3	1	1	1	1

* By invitation
[1] Mr. Meng Tao appointed as the Independent Director on 1 January 2015.
[2] Mr. Wu Man Ping resigned as the Independent Director on 31 December 2014.

The Board has adopted a set of Guidelines setting forth on matters that require their approval. Matters which are specifically reserved to the Board for decision are those involving a conflict of interest of a substantial shareholder of a Director, acquisitions, disposal of assets, operating budgets and capital expenditure, corporate or financial restructuring, share issuances, declaration of dividends and other matters which require Board's approval as specified under the Company's interested person transaction procedures.

The Directors are also updated regularly with changes to the SGX-ST listing rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effective discharge of their fiduciary duties as Board or Board Committees members.

New releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the Directors are circulated to the Board. The Company Secretary informed the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

Appropriate briefing and orientation to the Group's operational facilities in the People's Republic of China ("PRC") will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

The Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Manual of the SGX-ST that affect the Company and/or the Directors in discharging their duties.

Newly appointed Director receives appropriate training, if required. In addition, the Board is provided with regular updates with respect to new laws and regulations in order to adapt to the changing commercial risks relating to the business and operations of the Group. The Management regularly updates and familiarizes the Directors on the business activities of the Company during the Board meetings.

A formal letter of appointment would be furnished to every newly-appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as member of the Board.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises of two (2) Executive Directors, one (1) Non-Executive Director and two (2) Independent Directors:-

Director	Board	Date of First Appointment	Date of Last Re-Election	Audit Committee	Nominating Committee	Remuneration Committee
Xu Zhi Bin	Executive Chairman	19 November 2012	30 April 2013	-	-	-
Gu Yan	Executive Director	30 November 2012	30 April 2013	-	-	-
Li Tak Tai Leada	Non- Executive Director	24 August 2009	30 April 2013	Member	Member	Member
Ng Poh Khoon[1]	Lead Independent Director	27 September 2005	30 April 2014	Chairman	Member	Chairman
Meng Tao[2]	Independent Director	1 January 2015	-	Member	Chairman	Member

Note:
[1] Mr. Ng Poh Khoon appointed as the Lead Independent Director on 26 March 2015.
[2] Mr. Meng Tao appointed as the Independent Director on 1 January 2015.

Independent Directors

The NC reviews the independence of each Independent Director annually in accordance with the Code's definition of an Independent Director. The NC considers an "independent" Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The NC had reviewed the independence of each Independent Director and is of the view that these Directors are independent.

In line with Guideline 2.4 of the Code, the NC had performed a rigorous review to assess the independence of the Independent Director, Mr. Ng Poh Khoon and considers that Mr. Ng Poh Khoon is independent even though he has served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Mr. Ng Poh Khoon is set out under Principle 4 in page 18 of this Annual Report.

The Board recognizes the contribution of both Independent Directors who over time, have developed deep insights into the Group's businesses and operations and who are therefore able to provide valuable contributions to the Group.

The Non-Executive and Independent Directors participate actively during Board meetings. The Company has benefited from Management's access to its Directors for guidance and exchange of views both within and outside of the meetings of the Board and Board Committees. The Non-Executive and Independent Directors communicate amongst themselves and with the Company's auditors and Senior Management. When necessary, the Company co-ordinates informal meetings for Non-Executive and Independent Directors to meet without the presence of the Executive Directors and/or Management.

The Board is of the view that the present size and composition of the Board and Board Committees facilitate effective decision making are appropriate for the nature and scope of the Company's operations.

Each Director has been appointed on the strength of his caliber, experience and potential to contribute to the Company and its businesses. The Directors bring valuable insights from different perspectives vital to the strategic interests of the Company.

The Board is of the view that its Directors as a group possess the necessary competencies necessary to lead and govern the Company effectively.

Non-Executive Directors and Independent Directors exercise no management functions in the Group. Although all the Directors have equal responsibility for the performance of the Group, the role of the Non-Executive Directors and Independent Directors is particularly important in ensuring that the strategies proposed by the Management are fully discussed and rigorously examined and take into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the communities in which the Group conducts its business and reviewing the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers its Non-Executive Directors and Independent Directors to be of sufficient calibre and size and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

The Company co-ordinates informal meeting sessions for Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Chairman and Chief Executive Officer ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.

The Group's Executive Chairman is Mr. Xu Zhi Bin, who is responsible for the day-to-day operations of the Group, as well as monitoring the quality, quantity and timeliness of the flow of information between the Board and the management. He will ensure that procedures are put in place to comply with the Code.

The responsibilities of the Executive Chairman include:

(1) Scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
(2) Ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;
(3) Ensuring the Group's compliance with the Code;
(4) Monitors communications and relations between the Board and the Management; and
(5) Acting in the best interest of the Group and of the shareholders.

The Company Secretary may be called to assist the Executive Chairman in any of the above.

Although the position of the CEO is still vacant, the Board are responsible for overseeing the overall management and strategic development of the Group.

The Company has appointed Independent Directors, Mr. Ng Poh Khoon and Mr. Meng Tao as the Chairman of the Audit Committee and Nominating Committee, respectively. Their roles are to enhance the independence of the Board and to assist the Executive Chairman in the discharge of his duties when need arises. They are also available to address shareholders' concerns on the issues that cannot be appropriately dealt with by the Executive Chairman.

The Company is in compliance with the Guideline 3.3 of the Code, where Mr. Ng Poh Khoon has been appointed as the Lead Independent Director of the Company on 26 March 2015, to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and Executive Chairman. He is available to shareholders where they have concerns when contact through the normal channels of the Executive Chairman or Chief Financial Officer has failed to resolve or where such communication is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors, where necessary, and the Lead Independent Director will provide feedback to the Executive Chairman after such meetings.

The Board reviews all major decisions made by the Executive Chairman. The Board is of the view that the current leadership structure is in the best interests of the Group. The decision-making process of the Group would not be unnecessarily hindered as there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individuals exercising any considerable concentration of power or influence.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC, regulated by a set of written Terms of Reference, comprises two Independent Directors and one Non-Executive Director, including the Chairman who is not directly associated with, any substantial shareholder of the Company.

Nominating Committee

The NC comprises:-

Meng Tao[1]	(Chairman)
Ng Poh Khoon[2]	
Li Tak Tai Leada	

[1] Mr. Meng Tao appointed as the Independent Director and Chairman of the NC on 1 January 2015.
[2] Mr. Ng Poh Khoon appointed as the Lead Independent Director on 26 March 2015.

The Board has approved the written terms of reference of the NC, in which its principal functions are:-

(a) Make recommendations to the Board on the appointment of new executive and non-executive directors;
(b) Review the Board structure, size and composition, having regard the principles of the Code;
(c) Assess nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;
(d) Put in place plans for succession, in particular, for the Chairman of the Board and Chief Executive Officer of the Group;
(e) Determine, on an annual basis, whether a director is independent taking into account the circumstances set forth in Guideline 2.1 of the Code and any other salient factors;
(f) Make recommendations to the Board for the continuation in services of any director who has reached the age of seventy years;
(g) Recommend directors who are retiring by rotation to be put forward for re-election;
(h) Decide whether or not a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;
(i) Recommend to the Board internal guidelines to address the competing time commitments faced by directors who serve on multiple boards; and
(j) Assess the effectiveness of the Board as a whole and for assessing the contribution of each individual director to the effectiveness of the Board on an annual basis.

The NC is tasked with the responsibility for the evaluation of the performance of the Board and each individual director.

The NC is also responsible for determining annually, the independence of the Independent Directors.

In considering whether an Independent Director who has served on the Board for 9 years is still independent, the Board has taken into consideration the following factors:

(1) The considerable amount of experience and wealth of knowledge that the independent director brings to the Company;

(2) The attendance and active participation in the proceedings and decision making process of the Board and Committee Meetings;

(3) Provision of continuity and stability to the new Management at the Board level as the independent director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;

(4) The qualification and expertise provides reasonable checks and balances for the Management;

(5) The independent director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussions at the meeting;

(6) The independent director provides overall guidance to Management and act as safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC with the concurrence of the Board has reviewed the suitability of Mr. Ng Poh Khoon being Independent Director who have served on the Board for 9 years and has determined that Mr. Ng Poh Khoon remains independent. Mr. Ng Poh Khoon abstained from voting on any resolution in respect of his own appointment. In addition, the NC is of the view that Mr. Meng Tao is independent (as defined in the Code) and is able to exercise judgement on the corporate affairs of the Group independent of the Management.

Despite some of the Directors having other Board representations, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deemed fits.

There is no alternate director being appointed to the Board.

The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next Annual General Meeting ("AGM").

Pursuant to the Company's Articles of Association, one-third of the Directors (except for the Managing Director) to retire by rotation at every AGM, Each Director (except for the Managing Director) shall retire at least once every three years.

Each member of the NC shall abstain from voting on any resolutions in respect to his re-nomination as a Director.

The NC has recommended to the Board that Mr. Meng Tao and Ms. Li Tak Tai Leada, be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendations.

Mr. Meng Tao and Ms. Li Tak Tai Leada, being the Chairman and member of the NC respectively, who are retiring at the AGM are abstained from voting on the resolution in respect of their re-nomination as a Director of the Company.

In reviewing the nomination of the retiring Directors, the NC evaluates such Director's contribution and performance, such as his attendance at meetings of the Board or Board Committees, where applicable, participation, candour and any special contributions.

The key information regarding the Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out on page 29 of the Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

The NC acknowledges the importance of a formal assessment of Board performance and has adopted a formal system of evaluating Board performance as a whole and the contribution of each individual director. An evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The results of the evaluation exercise were considered by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively.
All Directors assess the Board as a whole on each of the following:

- Board composition and independence;
- Board role and functioning;
- Information management;
- Managing company performance;
- Managing risk and adversity;
- Developing company leadership;
- Corporate integrity and social responsibility; and
- Direction development and management

In assessing the Board's performance as a whole, both quantitative and qualitative criteria are considered. Such criteria include return on equity and the achievement of strategic objectives.
The Board and the NC have endeavored to ensure that the Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

Although the Directors are not evaluated individually, the contribution of each individual Director to the effectiveness of the Board is being assessed by their peers on the Board. The evaluation is based on the following:

- Contribution
- Knowledge and abilities
- Teamwork
- Integrity
- Personal commitment
- Overall effectiveness

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

From time to time, the Directors are furnished with detailed information concerning the Group to enable them to be fully aware and understand the decisions and actions of the Management of the Group. The Board has unrestricted access to the Group's records and information. Detailed Board papers are prepared for each Board and Board Committees meeting and are circulated at least three days in advance of each meeting. The Board and Board Committees papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board and Board Committees meetings.

All Directors will have separate and independent access to the Group's senior management and Company Secretary at all times. The Company Secretary or her representative administers attends and prepares minutes of all Board and Board Committees meetings and assists the Chairman of the Board and/or the AC, RC and NC in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and Board Committees function effectively.

The Company Secretary or her representatives' role is to advise the Board on all governance matters, ensuring that legal and regulatory requirements as well as Board policies and procedures are complied with so that the Board functions effectively, and the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Companies Act and SGX-ST, are complied with. She also acts as the primary channel of communication between the Company and the SGX-ST.

The appointment and removal of the Company Secretary is subject to the approval of the Board.

Each director has the right to seek independent legal and other professional advice concerning any aspect of the Group's operations and undertakings in order to fulfill their duties and responsibilities as directors. Any expenses incurred in this aspect shall be borne by the Group.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.

The RC, regulated by a set of written Terms of Reference, comprises of two Independent Directors and one Non-Executive Director as follows:

Remuneration Committee

Ng Poh Khoon[1]	(Chairman)
Meng Tao[2]	
Li Tak Tai Leada	

[1] Mr. Ng Poh Khoon appointed as the Lead Independent Director on 26 March 2015.
[2]Mr. Meng Tao appointed as the Independent Director and member of the RC on 1 January 2015.

The RC, which has written terms of reference approved by the Board, performs the following functions:

(a) Recommend to the Board a framework of remuneration and specific remuneration packages for all Directors of the Company;
(b) Review the service contracts of the Executive Directors;
(c) Carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time;
(d) Reviewing and enhancing on the compensation structure to incentive performance base for key executives; and
(e) Ensure that the remuneration packages are comparable within the industry and comparable companies and include a performance-related element coupled with appropriate and meaningful measures of assessing individual executive director's performance.

The annual review of the remuneration packages of all Directors are carried out by the RC to ensure that the remuneration of the Directors and key management personnel commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group.

Non-Executive Director and Independent Directors are paid at fixed fees as Directors' fees. The recommendation on the Directors' fees are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and is subject to shareholders' approval at the AGM.

No Director will be involved in determining his own remuneration.

All Executive Directors have service agreements valid for a period of three years commencing from 19 November 2012 and subsequently, are reviewed annually to be in line with the recommendations under the Code. The bonuses of the Executive Directors are based on the performance of the Company. In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements, to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than necessary for this purpose.

The Executive Director and key Senior Management remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Director and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance.

The Company does not have any employee share option scheme or any long-term incentive scheme in place.

Non-Executive Director and Independent Directors are paid Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent, and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for shareholders' approval at the Company's AGM.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The details of the remuneration paid/payable by the Company to the Directors for FY 2014 are approximately as follows:

Name of Director	FY 2014	Financial Year ended 31 December 2013
	S$	S$
Xu Zhi Bin	64,323	46,801
Gu Yan	27,925	25,169
Li Tak Tai Leada	36,000	36,000
Ng Poh Khoon	36,000	36,000
Meng Tao [1]	-	-
Wu Man Ping [2]	25,864	25,081

A breakdown summary of each individual Director's remuneration, in percentage terms showing the level and mix for FY 2014 is shown below:

Remuneration Band and Name of Director	Directors' Fees	Salary	Bonus	Incentive and benefits	Total
	%	%	%	%	%
Below S$250,000					
Xu Zhi Bin	-	100	-	-	100
Gu Yan	-	100	-	-	100
Li Tak Tai Leada	100	-	-	-	100
Ng Poh Khoon	100	-	-	-	100
Meng Tao [1]	-	-	-	-	-
Wu Man Ping [2]	100	-	-	-	100

Notes:
[1] Mr. Meng Tao appointed as the Independent Director on 1 January 2015.
[2] Mr. Wu Man Ping resigned as the Independent Director on 31 December 2014.

The remuneration of the top five key management personnel (who are not the Directors) for FY 2014 (in alphabetical order) are approximately as follows:

Remuneration below S$250,000	Salary (including CPF)	Bonus (including CPF)	Other Benefits	Total
Chung Yim Ling [1]	S$80,590	-	-	S$80,590
Hu Chong Ming	S$28,149	-	-	S$28,149
Lui Che Kin [2]	-	-	-	-
Zhu Ling Yong [3]	S$33,249	-	-	S$33,249

Notes:
[1] Ms. Chung Yim Ling resigned as the Chief Financial Officer on 31 January 2015.
[2] Mr. Lui Che Kin appointed as the Chief Financial Officer on 1 February 2015.
[3] Mr. Zhu Ling Yong resigned as the General Manager on 31 December 2014.

The aggregate amount of the total remuneration paid (including CPF contribution thereon and benefit) to the Key Management Personnel for FY 2014 was S$141,988. To maintain confidentiality of staff remuneration matters, and for competitive reasons only their remuneration mix is disclosed as per the table above.

For FY 2014, there were no terminations, retirement or post-employment benefits granted to Directors and relevant key management personnel other than the standard contractual notice period termination payment in lieu of service.

There were no employees of the Company who was an immediate family member of Directors or the CEO and whose remuneration exceeded S$50,000 during the financial year under review.

AUDIT COMMITTEE ("AC")

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to shareholders for the Management of the Group. The Board updates shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis when it releases its results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations.

In line with the Listing Manual of the SGX-ST, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the Executive Chairman and the Chief Financial Officer have provided assurance to the Board on the integrity of the Group's financial statements. The Board would take adequate steps to ensure the compliance with the legislative and regulatory requirements and establishing written policies where appropriate.

The Management is accountable to the Board by providing the Board with the necessary financial information, detailed management accounts of the Group's performance, position and prospects on a quarterly basis for the discharge of its duties.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interests and the Group's assets, and to manage risks. The Board recognizes that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information are reliable, and assets are safeguarded.

As the Group does not have a risk management committee, the Board and Management assume the responsibility of the risk management function. The Management is responsible for designing, implementing and monitoring the risk management and internal control systems within the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. Any significant matters are highlighted to the Board and the AC for their deliberation.

The Directors have received and considered the representation letter from the Executive Chairman and Chief Financial Officer in relation to the financial information for the year. The Executive Chairman and the Chief Financial Officer have assured the Board that:

(a) The financial records have been properly maintained and the financial statements for the FY2014 give a true and fair view in all material respects, of the Company's operations and finances; and

(b) The Company's risk management and internal controls systems are operating effectively in all material aspects given its current business environment.

Based on the discussion with and the reports submitted by the external auditors and internal auditors, the discussion with the Management, the Board, with the concurrence of the AC is of the opinion that, the system of risk management and internal controls addressing financial, operational, compliance and information technology risks maintained by the Company and in place throughout the financial year ended 31 December 2014 are adequate and effective, but warrants further adjustments and improvements.

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC, regulated by a set of written Terms of Reference, comprises of two Independent Directors and one Non-Executive Director as follows:

Audit Committee

Ng Poh Khoon[1]	(Chairman)
Meng Tao[2]	
Li Tak Tai Leada	

[1] Mr. Ng Poh Khoon appointed as the Lead Independent Director on 26 March 2015.
[2] Mr. Meng Tao appointed as the Independent Director on 1 January 2015.

The Board is of the opinion that the members of AC are appropriately qualified to discharge their responsibilities.

The AC has adopted and complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the AC.

The principal functions of the AC are:-

(a) review with the independent auditor on the audit plan, their evaluation of the system of internal accounting controls, audit report, management letter and the management's response;

(b) review the quarterly, half-year and annual financial statements to ensure integrity before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit on the going concern statement, compliance with accounting standards, compliance with Listing Manual of the SGX-ST and statutory and regulatory requirements;

(c) review annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the independent auditor. Where the auditors also provide non-audit services to the Company, to review the nature and extent of such services in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;

(d) review any formal announcements relating to the Company's financial performance;

(e) review the scope and effectiveness of the internal audit procedures;

(f) review the adequacy of the Company's internal controls;

(g) review interested person transactions;

(h) meet with the independent auditor without the presence of the management, at least annually;

(i) review and discuss with the independent auditor, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and management's response; and

(j) consider the appointment/re-appointment of the independent auditor, the audit fee and matters relating to the resignation or dismissal of the auditors.

The AC has explicit authority to investigate any matters within its terms of reference, full access to and cooperation by the management and full discretion to invite any director or executive officer to attend its meetings and have reasonable resources to enable it to discharge its functions properly.

In July 2010, SGX-ST and ACRA launched the "Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors" which aims to facilitate the AC in evaluating the external auditors.

Accordingly, the AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the said Guidance.

The AC has full access to and has the co-operation of the Management, and has been given the resources required for it to discharge its function properly. It has full discretion to invite any Director or Executive Officer to attend its meetings.

The AC recommends to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the independent auditors and approves the remuneration of the independent auditors. The AC had recommended to the Board the nomination of the independent auditor, Crowe Horwath First Trust LLP for re-appointment at the forthcoming AGM.

The AC will meet with the external auditors and internal auditors without the presence of the Management, as and when necessary, to review the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors and internal auditors.

For the year under review, the AC met with the independent auditor separately without the presence of Management and had undertaken a review of all non-audit services provided by the independent auditor and is satisfied with the independence and objectivity of the independent auditor.

The AC reviews the independence and objectivity of the independent auditor annually. During the financial year under review, the AC has reviewed the independence of the independent auditor including the volume of all non-audit services provided to the Group, and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor.

The AC constantly bears in mind the need to maintain a balance between the independence and objectivity of the independent auditor and the work carried out by the independent auditor based on value-for-money-consideration. During the year under review, the aggregate amount of fees paid to the independent auditor for the audit and non-audit services amounted to S$200,000 and S$2,500 respectively.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC have reviewed the appointment of different auditors for its subsidiaries and were satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the AC is satisfied that the Company has complied with the requirements of Rules 712 and 716 of the Listing Manual of the SGX-ST.

The Company has in place a whistle-blowing policy, which provides an avenue for the staff of the Company to gain access to the AC Chairman to raise concerns about improprieties and the independent investigation of such matters by the AC to ensure that:

(a) independent investigations are carried out in an appropriate and timely manner;

(b) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(c) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation to whistle blowing in good faith and without malice.

As of to-date, there were no reports received through the whistle blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the AC.

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group's internal controls and systems are designed to provide reasonable, but not absolute, assurance to the integrity and reliability of the financial information and to safeguard and maintain the accountability of the assets.

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interests of the shareholders and the Company's assets. To achieve this, the Company has appointed an internal auditor, UHY Lee Seng Chan & Co. ("Internal Auditor") and has implemented internal reviews, to ensure that the system of internal controls maintained by the Company is sufficient to provide reasonable assurance that the Company's assets are safeguarded against loss from unauthorised use or disposal; transactions are properly authorised and proper financial records are being maintained.

The role of the Internal Auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.

The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

The Internal Auditor is a member of the Institute of Internal Auditors Singapore ("IIA"). The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA.

The AC and the Board have reviewed the Company's risk assessment based on the reports of the Internal Auditor and independent auditors and are assured that adequate internal controls, including financial, operational, compliance and information technology control and risk management, are in place.

The AC would annually review the adequacy and effectiveness of the internal audit function of the Company.

COMMUNICATION WITH SHAREHOLDERS

Shareholders Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company does not practice selective disclosure. In line with the continuous obligations of the Company under the Listing Manual of the SGX-ST and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders of the Company are informed of general meetings through the announcement released to the SGXNet. Shareholders of the Company receive the annual report or circular and notice of general meetings sent to them. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings. At general meetings, the shareholders are given the opportunity to voice their views and ask the Directors or the Management questions regarding the Company's affairs. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms sent in advance. The Company's Articles of Association does not include the nominee or custodial services to appoint more than two proxies.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards of transparent corporate disclosure, where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:-

a) Annual reports are prepared and issued to all shareholders. The Board makes every effort to ensure that the annual report includes all relevant information about the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;

b) Quarterly, half yearly and full year announcements containing a summary of the financial information and affairs of the Group for the period are published through the SGXNet and news releases;

c) Notice and explanatory memorandums for annual general meetings and extraordinary general meetings;

d) Press releases on major developments of the Group; and

e) The Group's website at www.star-pharm.com at which shareholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases, annual reports, and profiles of the Group.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate.

CONDUCT OF SHAREHOLDER MEETING

Principle 16: Companies should encourage greater shareholder participation at general meeting of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

The Chairman of the AC, NC and RC are normally present and available to address questions relating to the matters under the purview of their respective Board Committees at general meetings. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

The Company will make available minutes of general meetings to shareholders upon their request.

The Company acknowledges that voting by poll in all its general meeting is integral in the enhancement of corporate governance. Currently, the Company has yet to implement poll voting in all its general meetings in view of higher costs involve in polling. The Company will adhere to the requirements of the Code where all resolutions are to be voted by poll for general meetings held on or after 1 August 2015.

DEALINGS IN SECURITIES

In compliance with Rule 1207(19) of the Listing Manual of the SGX-ST, the Company has adopted its own internal compliance code pursuant to the SGX-ST's best practices on dealings in securities and these are applicable to all its Officers in relation to their dealings in the Company's securities.

The Company and its Officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's quarterly results and one month before the announcement of the Company's full year results.

The Directors, Management and executives of the Group are also expected to observe insider trading laws at all times, even when dealing in securities within permitted trading period or they are in possession of unpublished price-sensitive information of the Company and they are not to deal in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Group has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Board and the AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Listing Manual of the SGX-ST are complied with.

There were no interested person transactions during the year under review.

MATERIAL CONTRACTS

There have not been contracts, not being contracts entered into in the ordinary course of business, entered into by the Company and its subsidiaries during the year under review.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Academic/ Professional Qualifications	Board Appointment Executive/ Non-executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Mr. Xu Zhi Bin	Bachelor's Degree major in clinical medicine from Capital University of Medical Sciences	Executive Chairman	Chairman of the Board	19 November 2012	30 April 2013	-	-
Mr. Gu Yan	Bachelor of Education in History from Huaibei Coal Industry Normal University.	Executive Director	Board member	30 November 2012	30 April 2013	-	-
Mr. Ng Poh Khoon	Chartered Accountant and a member of the Institute of Singapore Chartered Accountants and Singapore Institute of Directors. Fellow member of the Association of Chartered Certified Accountants, United Kingdom	Lead Independent Director (appointed on 26 March 2015)	Board member, Chairman of the Audit Committee and Remuneration Committee and member of the Nominating Committee	27 September 2005	30 April 2014	• Lottvision Limited	• CJ Capital Limited
Ms. Li Tak Tai Leada	Bachelor of Commerce Degree with dual major in Accounting and Finance from the University of Melbourne in Australia. Master of Science Degree in Accounting and Finance from the Napier University in the United Kingdom	Non-Executive Director	Board member, member of the Audit Committee, Nominating Committee and Remuneration Committee	24 August 2009	30 April 2013	-	-
Mr. Meng Tao	Diploma of International Relations from Tokyo Communication Arts.	Independent Director	Board member, Chairman of the Nominating Committee and member of Audit Committee and Remuneration Committee	1 January 2015	N/A	-	-

CONSOLIDATED FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors present their report to the members together with the audited financial statements of STAR Pharmaceutical Limited (the "Company") and subsidiaries (the "Group") for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are as follows:

Xu Zhi Bin	Executive Chairman
Gu Yan	Executive Director
Ng Poh Khoon	Lead Independent Non-Executive Director
Meng Tao	Independent Non-Executive Director (appointed on 1 January 2015)
Li Tak Tai Leada	Non-Executive Director

Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Directors' interests in shares or debentures

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Direct interests			Deemed interests		
	At 1 January 2014	At 31 December 2014	At 21 January 2015	At 1 January 2014	At 31 December 2014	At 21 January 2015
Company						
Ordinary shares						
Li Tak Tai Leada	250,000	250,000	250,000	180,000	180,000	180,000
Xu Zhi Bin	-	-	-	70,000,000	70,000,000	70,000,000
Gu Yan	-	-	-	52,000,000	52,000,000	52,000,000

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Li Tak Tai Leada, Xu Zhi Bin and Gu Yan are deemed to have an interest in the shares of the Company and of the subsidiaries of the Company to the extent the Company has an interest.

DIRECTORS' REPORT (Continued)

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member or with a company in which the director has a substantial financial interest, except for short-term employee benefits received and as disclosed in the accompanying financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiaries were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiaries. There were no unissued shares of the Company or any subsidiaries under option at the end of the financial year.

Audit committee

The members of the Audit Committee at the end of the financial year and at the date of this report are as follows:

Ng Poh Khoon	(Chairman, Lead Independent non-executive director)
Meng Tao	(Independent non-executive director)
Li Tak Tai Leada	(Non-executive director)

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of the Singapore Exchange Securities Trading Limited and the Code of Corporate Governance.

In performing those functions, the Audit Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditors and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditors;
- the periodic results announcements prior to their submission to the Board for approval;
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 prior to their submission to the Board of Directors, as well as the independent auditors' report on the balance sheet of the Company and the consolidated financial statements of the Group; and
- interested person transactions (as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer to attend its meetings.

The Audit Committee convened four meetings during the year with full attendance from all members and has also met with independent auditors, without the presence of the Company's management, at least once a year.

DIRECTORS' REPORT (Continued)

Audit committee (Continued)

The Audit Committee has recommended to the Board of Directors that the independent auditors, Crowe Horwath First Trust LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. The Audit Committee has conducted an annual review of non-audit services to satisfy itself that the nature and extent of such services will not affect the independence and objectivity of the external auditors before confirming their re-nomination.

In appointing the external auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance in the Annual Report.

Independent auditors

The independent auditors, Crowe Horwath First Trust LLP, have expressed their willingness to accept the re-appointment as auditors of the Company.

On behalf of the Board of Directors

XU ZHI BIN
Executive Chairman

GU YAN
Executive Director

27 March 2015

STATEMENT BY DIRECTORS

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 37 to 88 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

XU ZHI BIN
Executive Chairman

GU YAN
Executive Director

27 March 2015

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF STAR PHARMACEUTICAL LIMITED

We have audited the accompanying financial statements of STAR Pharmaceutical Limited (the "Company") and subsidiaries (the "Group") set out on pages 37 to 88, which comprise the consolidated balance sheet and the balance sheet of the Company as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and that transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Crowe Horwath First Trust LLP (UEN: T08LL1312H) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A).

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF STAR PHARMACEUTICAL LIMITED

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Crowe Horwath First Trust LLP
Public Accountants and
Chartered Accountants
Singapore

27 March 2015

BALANCE SHEETS
AS AT 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	3	144,975	144,975	144,975	144,975
Statutory reserves	4(a)	19,910	19,910	-	-
Accumulated losses	4(b)	(17,653)	(67,533)	(31,195)	(27,656)
		147,232	97,352	113,780	117,319
Non-controlling interests		-	470	-	-
TOTAL EQUITY		147,232	97,822	113,780	117,319
ASSETS					
Non-current assets					
Property, plant and equipment	5	52,160	55,487	-	-
Investment property	6	2,825	3,055	-	-
Investment in subsidiary	7	-	-	76,607	76,607
Lease prepayments	8	842	916	-	-
Intangible assets	9	8,092	6,720	-	-
Deferred tax assets	17	3,945	1,986	-	-
		67,864	68,164	76,607	76,607
Current assets					
Inventories	10	32,770	15,168	-	-
Trade receivables	11	461	3,202	-	-
Other receivables, prepayments and deposits	12	25,615	19,713	19	25
Income tax recoverable		963	-	-	-
Due from subsidiary (non-trade)	13	-	-	35,850	42,850
Cash and bank balances	14	56,329	20,546	2,565	588
		116,138	58,629	38,434	43,463
Assets of a disposal group classified as held for sale	15	-	29,705	-	-
TOTAL ASSETS		184,002	156,498	115,041	120,070

The accompanying notes are an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

	Note	Group		Company	
		2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
LIABILITIES					
Current liabilities					
Trade and other payables	16	36,570	23,436	1,261	2,751
Income tax payable		-	1,645	-	-
		36,570	25,081	1,261	2,751
Liabilities directly associated with the disposal group classified as held for sale	15	-	33,316	-	-
Non-current liability					
Deferred tax liabilities	17	200	279	-	-
TOTAL LIABILITIES		36,770	58,676	1,261	2,751
NET ASSETS		147,232	97,822	113,780	117,319

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

	Note	Group	
		2014	2013
		RMB'000	RMB'000
Revenue	18	97,570	88,367
Cost of sales		(61,259)	(53,685)
Gross profit		36,311	34,682
Other operating income	19	38,167	2,561
Selling and distribution expenses		(7,376)	(6,397)
Administrative expenses	20	(17,945)	(24,211)
Other operating expenses	22	(2,342)	(1,251)
Finance income	23	925	218
Finance costs	24	(293)	(888)
Profit before tax		47,447	4,714
Income tax credit / (expense)	25	2,433	(1,769)
Profit for the year, representing total comprehensive income for the year		49,880	2,945
Total comprehensive income attributable to:			
Equity holders of the Company		49,880	3,704
Non-controlling interests		-	(759)
		49,880	2,945
Earnings per share (RMB cents)	26		
Basic and diluted		21.30	1.58

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

Group	Attributable to equity holders of the Company					
	Share capital	Statutory reserves	Accumulated (losses)	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2013	144,975	18,810	(70,137)	93,648	1,229	94,877
Profit for the year, representing total comprehensive income for the year	-	-	3,704	3,704	(759)	2,945
Transfer to statutory reserves	-	1,100	(1,100)	-	-	-
As at 31 December 2013	144,975	19,910	(67,533)	97,352	470	97,822
As at 1 January 2014	144,975	19,910	(67,533)	97,352	470	97,822
Profit for the year, representing total comprehensive income for the year	-	-	49,880	49,880	-	49,880
Disposal of subsidiaries (Note 15)	-	-	-	-	(470)	(470)
As at 31 December 2014	144,975	19,910	(17,653)	147,232	-	147,232

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

	Note	2014 RMB'000	2013 RMB'000
Cash flows from operating activities			
Profit before tax		47,447	4,714
Adjustments for:			
Amortisation of deferred development costs		2,390	2,407
Amortisation of lease prepayments		74	74
Government grants, net		-	700
Depreciation of property, plant and equipment		6,250	9,217
Depreciation of investment property		230	230
Loss / (Gain) on disposal of property, plant and equipment		17	(4)
Allowance for impairment of deferred development cost		472	-
Reversal of impairment on product development cost in progress		(2,704)	-
Gain on disposal of subsidiaries	15	(31,269)	-
Interest expense		111	855
Interest income		(925)	(218)
Operating profit before working capital changes		22,093	17,975
Inventories		(17,610)	(4,432)
Trade and other receivables		258	(2,607)
Trade and other payables		16,961	3,385
Cash generated from operations		21,702	14,321
Income tax paid		(2,213)	(2,575)
Net cash from operating activities		19,489	11,746
Cash flows from investing activities			
Payments for product development in progress		(1,530)	(1,295)
Purchase of property, plant and equipment		(2,895)	(5,906)
Prepayments for plant and equipment	12	(267)	-
Proceeds from disposal of property, plant and equipment		10	20
Advances for product manufacturing rights and technical know-how		(3,200)	(11,000)
Refund of deposits from potential investments		-	36,000
Proceeds from disposal of subsidiaries, net of cash disposed of	15	38,101	-
Payment of introducer fee related to the disposal of subsidiaries	15	(15,000)	-
Interest received		925	218
Net cash from investing activities		16,144	18,037

The accompanying notes are an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

	Note	2014 RMB'000	2013 RMB'000
Cash flows from financing activities			
Advances from related parties		-	21
Repayment of bank loans		-	(40,000)
Drawdown of bank loan		-	220
Interest paid		(111)	(855)
Net cash used in financing activities		(111)	(40,614)
Net increase / (decrease) in cash and cash equivalents		35,522	(10,831)
Cash and cash equivalents at beginning of year		20,807	31,638
Cash and cash equivalents at end of year	14	56,329	20,807

The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014
(AMOUNTS IN THOUSANDS OF CHINESE RENMINBI ("RMB'000"))

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

STAR Pharmaceutical Limited (the "Company") is a limited company domiciled and incorporated in Singapore. The Company was admitted to the official list on the mainboard of the Singapore Exchange Securities Trading Limited on 15 February 2006. The address of the Company's registered office is 6 Battery Road, #10-01, Singapore 049909. The Group's principal place of business is Dalu Town, Qionghai City, Hainan Province 571425, People's Republic of China ("PRC").

The principal activities of the Company are those relating to investment holding. The principal activities of the subsidiaries are those relating to the development, manufacturing and trading of pharmaceutical products.

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution by the Board of Directors on 27 March 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below and are drawn up in accordance with the provisions of the Singapore Companies Acts, and Singapore Financial Reporting Standards ("FRS"). The financial statements are presented in Chinese Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB"000") as indicated.

The preparation of the financial statements in conformity with FRS requires management to exercise its judgements in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Critical accounting estimates and assumptions used that are significant to the financial statements and areas involving a higher degree of judgement or complexity, are disclosed in this Note.

Adoption of new and revised standards

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to FRS 19: *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
- Amendment to FRS 102 *Share-based Payment*	1 July 2014*
- Amendment to FRS 103 *Business Combinations*	1 July 2014^
- Amendment to FRS 108 *Operating Segments*	1 July 2014
- Amendment to FRS 16 *Property, Plant and Equipment*	1 July 2014
- Amendment to FRS 24 *Related Party Disclosures*	1 July 2014
- Amendment to FRS 38 *Intangible Assets*	1 July 2014
Improvements to FRSs (February 2014)	
- Amendment to FRS 103 *Business Combinations*	1 July 2014
- Amendment to FRS 113 *Fair Value Measurement*	1 July 2014
- Amendment to FRS 40 *Investment Property*	1 July 2014
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 16 and FRS 41: *Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Improvements to FRSs (November 2014)	
- Amendment to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
- Amendment to FRS 107 Financial Instruments: *Disclosures*	1 January 2016
- Amendment to FRS 19 *Employee Benefits*	1 January 2016
- Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

* The amendment applies prospectively to share-based payment transactions with a grant date on or after 1 July 2014
^ The amendment applies prospectively to business combination for which the acquisition date is on or after 1 July 2014

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

Except for the Amendment to FRS 103, Amendment to FRS 24, Amendments to FRS 1, FRS 115 and FRS 109, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of Amendment to FRS 103, Amendment to FRS 24, Amendments to FRS 1, FRS 115 and FRS 109 are described below.

Improvements to FRSs (January 2014): Amendment to FRS 103 *Business Combinations*

The amendment clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit or loss.

The Group will apply these amendments to the future business combination from 1 January 2015 onwards.

Improvements to FRSs (January 2014): Amendment to FRS 24 *Related Party Disclosures*

The amendments clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as a related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, the breakdown of the components of such compensation is not required to be disclosed.

The management expects the adoption of the amendment will not result in additional parties being identified as related to the Group. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group.

Amendments to FRS 1: *Disclosure Initiative*

FRS 1 *Presentation of Financial Statements* is amended as part of the initiatives by the standard-setters to improve presentation and disclosure in financial reports. The amendments clarify materiality guidance in FRS 1 and clarify on aggregating and disaggregating line items on the balance sheet and statement of comprehensive income, including added guidance on presenting sub-totals. The amendments also give examples on systematic ordering or grouping of the structure of the notes to financial statements. In addition, following the amendments, the share of Other Comprehensive Income (OCI) of the equity-accounted investments shall be presented separately from the other OCI on the statement of changes in equity. The Group will apply these amendments in 2016.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a single comprehensive model in accounting for revenue arising from contracts with customers, and will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective in 2017.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under FRS 115, an entity recognises revenue when (or as) a performance obligations is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers.

The application of FRS 115 may have a material impact on the amounts reported and disclosures in the Group's consolidated financial statements. The Group is in the process of assessing the impact of the new standard for the future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Standards issued but not yet effective (Continued)

FRS 109 *Financial Instruments*

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement, and introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of FRS 109 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities. FRS 109 also introduces a new expected loss impairment model, and adds detailed guidance on impairment-related presentation and disclosures. FRS 109 also contains new requirements on hedge accounting, which adopts a more principle-based approach, and allows entities to choose between applying hedge accounting requirements of FRS 109 or continue to apply the existing hedge accounting requirements in FRS 39 for all hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. The Company is in the process of assessing the impact of the new standard for the future periods.

Group accounting

(i) Subsidiaries

(a) Basis of consolidation

From 1 January 2010

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(a) Basis of consolidation (Continued)

Prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these losses. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the equity holders of the Company.

(b) Acquisition of businesses

From 1 January 2010

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to recognise them either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, at the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group accounting (Continued)

(i) Subsidiaries (Continued)

(b) Acquisition of businesses (Continued)

Prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied:

- Transactions costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interests were measured at the proportionate share of the acquiree's identifiable net assets.
- Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.
- Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

(c) Disposals of subsidiaries or businesses

The assets and liabilities of the subsidiary, including any goodwill, are derecognised when a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss. Subsequently, the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Transactions with non-controlling interests

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

Subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Currency translation

(i) Functional and presentation currency

The individual financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements are presented in Chinese Renminbi ("RMB"), which is also the functional currency of the Company.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Share capital

Proceeds from issuance of ordinary shares are classified as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital.

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of property, plant and equipment including subsequent expenditure is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. When significant parts of property, plant and equipment is required to be replaced in intervals, the Group recognises such parts as individual assets with specific lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance expenses are recognised in profit or loss when incurred.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss.

Construction in progress ("CIP") includes all cost of construction and other direct costs. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. CIP is reclassified to the appropriate category of property, plant and equipment when complete and ready to use.

CIP is not depreciated. All other items of property, plant and equipment are depreciated using the straight-line method to write off the cost of assets less estimated residual value over their estimated useful lives as follows:

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Leasehold buildings	20	5% to 10%
Leasehold improvements	1 to 5	10%
Machinery and equipment	8	5% to 10%
Motor vehicles	8	5% to 10%
Office equipment	5	5% to 10%

The residual value, estimated useful life and depreciation method are reviewed periodically to ensure that the amount, method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Fully depreciated assets are retained in the financial statements until they are no longer in use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the statement of comprehensive income within other operating income (expenses).

Lease prepayments

Leases of land under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases. Lease prepayments for land use rights are stated at cost less accumulated amortisation and accumulated impairment loss. Amortisation is charged to the statement of comprehensive income on a straight-line basis over the terms of the respective leases ranging from 48 years to 50 years.

Intangible assets

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised as an expense in the period in which it is incurred.

Expenditure on development activities (relating to the design and testing of new or improved products) is capitalised under the category of "product development in progress" if the product or process is technically and commercially feasible, the Group has sufficient resources and the intention to complete development, and if the costs can be measured reliably. Upon commencement of the commercial production of a product, the expenditure on development activities is transferred to "deferred development costs" and amortised on a straight-line basis over the period of its expected benefit. Development costs comprise of costs that are directly attributable to development activities or that can be allocated on a reasonable basis to such activities.

Deferred development costs that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation and impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Subsequent expenditure on development activities after its purchase or its completion is recognised as an expense when it is incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. If these conditions are met, the subsequent expenditure is added to the cost of the intangible asset.

Amortisation of deferred development costs is charged to the consolidated statement of comprehensive income on a straight-line basis over the estimated useful life of 5 years.

Product development in progress are tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying amounts may be impaired either individually or at the cash-generating unit level. Product development in progress is not amortised.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using straight-line method to write off the cost of the assets less estimated residual value over the estimated useful lives as follows:

	Useful lives (Years)	Estimated residual value as a percentage of cost (%)
Investment property	20	10%

The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the income statement when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to the income statement. The cost of maintenance, repairs and minor improvement is charged to the income statement when incurred. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The gain or loss on the retirement or disposal of an investment property is determined as the difference between any sales proceeds and the carrying amounts of the asset and is recognised in profit or loss in the year of retirement or disposal within "Other income (expenses)".

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely dependent on those from other assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecasts calculations are generally covering a period of ten years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the tenth year.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the profit and loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-current assets held-for-sale and discontinued operations

Non-current assets (or disposal groups) is classified as assets held for sale when the sale is highly probable and the assets or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell, if their carrying amount is recovered principally through a sale transaction rather than through continuing use. These non-current assets are not depreciated or amortised while they are classified as held for sale.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and represents a separate major line of business or geographical area of operations or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale.

Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

Financial assets

(i) Initial recognition and measurement

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of financial assets classified as held-to-maturity, directly attributable transaction costs.

(ii) Subsequent measurement

The Group classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets. The classification depends on the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and for held-to-maturity investments, re-evaluates this designation at every balance sheet date. As at the balance sheet date, the Group did not have other categories of financial assets except for loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents, trade and other receivables, including amount due from a related party.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest rate method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

(iii) Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace concerned.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

<u>Financial assets carried at amortised cost</u>

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials comprise purchase cost accounted for on a weighted average basis. Finished goods comprise cost of direct materials, direct labour and an attributable proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs to completion and estimated costs to be incurred for selling and distribution.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. As at the balance sheet date, the Group did not have financial liabilities in the categories of the financial liabilities at fair value through profit or loss.

(ii) Subsequent measurement

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when liabilities are derecognised, and through the amortisation process.

(iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Value-added-tax (“VAT”)

The Group’s sales of medical products and service income in the PRC are subject to VAT at the applicable tax rate of 17% for PRC domestic sales. Input tax on purchases can be deducted from output VAT. The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Trade receivables” or “Trade payables” in the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when the Group has a present obligation, legal or constructive, as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements with the exception of subcontracting service whereby it acts as a manufacturing agent. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from sale of goods is recognised upon the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and title has passed. Revenue excludes VAT or other sales taxes and is after deduction of any trade discounts. Revenue is recognised to the extent of probable recovery where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Subcontracting service income is recognised when the services are rendered which generally coincides with the time when the pharmaceutical products manufactured on behalf of the buyer are delivered and title has passed. This revenue is included in "other operating income" on the consolidated statement of comprehensive income.

Revenue from the Traditional Chinese Medicine ("TCM") research services is recognised as and when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable.

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all terms and conditions relating to the grants have been complied with. When the grant relates to an expense item, it is recognised in the profit or loss over the periods necessary to match them on a systematic basis to the costs, which it is intended to compensate. Government grants relating to the research and development of drugs are included in the balance sheet as deferred income and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

(i) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in this Note. Contingent rents are recognised as revenue in the period in which they are earned.

(ii) As lessee

Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Employees' benefits

(i) Retirement benefits

People's Republic of China ("PRC")

The subsidiaries, incorporated and operating in the PRC, are required to provide certain retirement plan contribution to their employees under the existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the period in which the related service is performed.

Hong Kong

The Group's contributions to the defined contribution schemes (including the Mandatory Provident Fund) for certain key management personnel are recognised as an expense in the income statement in the period the contributions relate.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees' benefits (Continued)

(iii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using tax rates and tax laws that have been substantively enacted by the balance sheet date in the countries where the Group operates and generates taxable income. Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also dealt with in other comprehensive income or equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalent comprises cash on hand, deposits with financial institutions, and short term, highly liquid investments readily convertible to known amounts of cash and subjected to an insignificant risk of changes in value and have a short maturity of generally within three months when acquired.

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or the Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Executive Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(i) Critical accounting estimates and assumptions (Continued)

(a) Impairment of intangible assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The net carrying value of intangible assets as at 31 December 2014 is RMB 8.1 million (2013: RMB 6.7 million). Please see Note 9 for details of the key assumptions used in the impairment testing.

(b) Depreciation of property, plant and equipment

The depreciable costs of assets are allocated on a straight-line basis over their estimated useful lives. Changes in the expected level of usage and regulatory requirement could impact the economic useful lives and residual value of these plant and equipment. Therefore, future depreciation charges could be revised. The net carrying value of the Group's property, plant and equipment as at 31 December 2014 were RMB 52.2 million (2013: RMB 55.5 million).

(c) Income tax

The Group is subject to income taxes in Singapore and PRC. Significant judgement is required in determining the group-wide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profit together with future tax planning strategies.

The carrying amount of the income tax recoverable and deferred tax assets of Group as at 31 December 2014 is RMB 1 million and RMB 3.9 million respectively (2013: income tax payable of RMB 1.6 million and RMB 2 million).

(ii) Critical judgements in applying the entity's accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Refundable deposits

The Group actively sources for suitable development projects marketed by third party vendor companies and enters into collaboration arrangements with them to provide funding with the objective of eventual acquisition of these identified technical know-hows. Under such investing arrangements, the Group is typically required to make upfront deposit payments to fund these third party vendor companies so as to enable them to continue to complete the development of the technical know-how. The completion of the technical know-how development and the completion of the acquisition by the Group are often evident by the successful registration of the manufacturing rights with the relevant regulatory bodies. To safeguard the interest of the Group and to mitigate the research and development risk, the Group enters into acquisition contracts that provide for refund options should the Group or the vendor companies fail to meet the contractual obligations and allow for early termination on mutual agreement.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Critical accounting estimates, assumptions and judgements (Continued)

(ii) Critical judgements in applying the entity's accounting policies (Continued)

Refundable deposits (Continued)

As at the end of the balance sheet date, the Group placed several deposits to various third party vendor companies for the potential acquisition of the technical know-how developed based on collaborative efforts between the Group and those treated vendors. These deposits have been classified as refundable deposits within the current asset category and included as financial assets.

In making this judgement, management considered the overall rationale for the placement of these deposits and the detailed criteria for the recognition of intangible assets as set out in FRS 38 Intangible Assets as well as the classification of assets criteria as set out in FRS 1 Presentation of Financial Statements. In particular, management has also considered the salient contractual features of the agreements as well as the status of the acquisition as at each reporting date for each of the projects.

Specific considerations by management when exercising its judgement are as set out below:

(a) The underlying intangible asset is in the process of being developed by the vendor companies and the criteria for recognition of intangible assets has not yet been met as the acquisition is conditional on the successful transfer to the Group the registered manufacturing rights. It is therefore premature to include these as intangible assets or to classify them as prepayments for acquisitions of non-financial assets.

(b) Based on the salient contractual features of the deposits, the Group is entitled to enforce its contractual rights for full refund if the contractual milestone towards the completion of the development phase is not achieved. As at balance sheet date, the vendor companies have yet to fulfill their contractual obligations and the Group is therefore entitled to the refund of the deposits although management did not exercise such an option. Management is also of the view that these deposits carry credit risk arising from the funding extended to enable the development of these projects and have accordingly classified them as financial assets.

(c) Management evaluates the status of each of these refundable deposits within the typical investment evaluation cycle of such projects of between 12 and 18 months and further determines its course of actions thereafter. Accordingly, management expect to realise the assets, with either the acquisition or refund of deposits within its typical operating cycle of such acquisitions and have therefore classified them as current assets.

The carrying amounts and details of the salient contractual terms of these refundable deposits in the Group's financial statements as at 31 December 2014 are disclosed in Note 12.

3. SHARE CAPITAL

	Group and Company			
	2014	2014	2013	2013
	RMB'000	No. of shares '000	RMB'000	No. of shares '000
Issued and paid up capital				
Ordinary shares, at beginning and end of the year	144,975	234,125	144,975	234,125

3. SHARE CAPITAL (Continued)

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets. The ordinary shares have no par value.

On 12 March 2015, the Board of Directors announced that the Company is proposing to undertake a share consolidation exercise to consolidate every 5 existing ordinary shares in the capital of the Company into 1 ordinary share ("Consolidated Share"), fractional entitlements to be disregarded ("Share Consolidation"). The share consolidation exercise is subject to approval by the shareholders during the Extraordinary General Meeting on 30 April 2015. The number of shares after the Share Consolidation will be accordingly reduced to 46,825,000 Consolidated Shares.

4(a). STATUTORY RESERVES

	Group	
	2014	2013
	RMB'000	RMB'000
Statutory reserves	19,910	19,910

According to the relevant PRC laws and regulations and Articles of Association of the subsidiaries, the subsidiaries are required to transfer 10% of profit after tax, as determined by PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of the respective subsidiary's registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners of the subsidiaries. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners of the subsidiaries.

4(b). ACCUMULATED LOSSES

	Company	
	2014	2013
	RMB'000	RMB'000
At the beginning of the year	(27,656)	(23,753)
Loss for the year	(3,539)	(3,903)
At the end of the year	(31,195)	(27,656)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Office equipment	Construction in progress (CIP)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost							
As at 1 January 2013	42,165	6,916	43,318	1,533	2,720	-	96,652
Additions	648	-	1,800	-	31	3,426	5,905
Disposals	-	-	-	(139)	(9)	-	(148)
Transfers from CIP	34	-	803	-	-	(837)	-
Reclassified to disposal group (Note 15)	-	(791)	(4,753)	(696)	(347)	-	(6,587)
As at 31 December 2013	42,847	6,125	41,168	698	2,395	2,589	95,822
Additions	-	520	2,085	227	63	-	2,895
Disposals	-	-	(5,020)	-	(93)	-	(5,113)
Transfer from CIP	-	-	2,589	-	-	(2,589)	-
Reclassified to disposal group (Note 15)	-	-	(7)	-	-	-	(7)
As at 31 December 2014	42,847	6,645	40,815	925	2,365	-	93,597
Accumulated depreciation							
As at 1 January 2013	10,414	3,903	20,892	427	1,673	-	37,309
Charge for the year	2,848	598	5,424	193	154	-	9,217
Disposals	-	-	(1)	(125)	(7)	-	(133)
Reclassified to disposal group (Note 15)	-	(791)	(4,522)	(448)	(297)	-	(6,058)
As at 31 December 2013	13,262	3,710	21,793	47	1,523	-	40,335
Charge for the year	2,738	395	2,919	121	77	-	6,250
Disposals	-	-	(4,930)	-	(156)	-	(5,086)
Reclassified to disposal group (Note 15)	-	-	(50)	(11)	(1)	-	(62)
As at 31 December 2014	16,000	4,105	19,732	157	1,443	-	41,437
Net carrying value							
As at 31 December 2013	29,585	2,415	19,375	651	872	2,589	55,487
As at 31 December 2014	26,847	2,540	21,083	768	922	-	52,160

During the financial year, depreciation amounting to RMB 5,195,000 (2013: RMB 4,495,000) was charged to 'cost of sales' and RMB 1,055,000 (2013: RMB 4,722,000) was charged to 'administrative expenses'.

5. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company	Office equipment
	RMB'000
Cost	
As at 1 January 2013 and 31 December 2013	90
Disposals	(76)
As at 31 December 2014	14
Accumulated depreciation	
As at 1 January 2013	86
Charge for the year	4
As at 31 December 2013	90
Charge for the year	-
Disposals	(76)
As at 31 December 2014	14
Net carrying value	
As at 31 December 2013	-
As at 31 December 2014	-

6. INVESTMENT PROPERTY

	Group	
	2014	2013
	RMB'000	RMB'000
Cost		
As at beginning and end of year	5,057	5,057
Accumulated depreciation		
As at beginning of year	2,002	1,772
Charge for the year	230	230
As at end of year	2,232	2,002
Net carrying value	2,825	3,055
Fair value	9,347	10,080

6. INVESTMENT PROPERTY (Continued)

Valuation of investment property

Investment property is stated at cost less accumulated depreciation and accumulated impairment losses as the Group has elected to adopt the cost model method to measure its investment property.

The fair value of the investment property at 31 December 2014 was based on an independent valuation performed in year 2014 by an independent valuer with a recognised and relevant professional qualification. The valuation is based on comparable market transactions that considered the sales of similar properties that have been transacted in the open market during the year. In estimating the fair value for disclosure, the level of fair value hierarchy is Level 2 (significant other observable inputs) which is based on highest and best use of the property. Investment property is leased to a related party under an operating lease as it is held for future capital appreciation and rental income (Note 27).

During the financial year, total depreciation amounting to RMB 230,000 (2013: RMB 230,000) was charged to administrative expenses.

At the balance sheet date, the detail of the Group's investment property is as follows:

Location	Description/existing use	Tenure
Haikou, Hainan Province, PRC	Office building	Leasehold (unexpired lease term of 44 years)

7. INVESTMENT IN SUBSIDIARY

	Company	
	2014	2013
	RMB'000	RMB'000
Unquoted equity interest, at cost	76,607	76,607

7. INVESTMENT IN SUBSIDIARY (Continued)

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2014	2013
			%	%
Held by the Company				
Hainan STAR Pharmaceutical Co., Ltd. ("Hainan STAR") [1] 海南斯达制药有限公司	Development, manufacturing and trading of pharmaceutical products	People's Republic of China	100	100
Held by subsidiaries				
Beida Shijia Technology Development Co., Ltd. ("Beida Shijia") 北大世佳科技开发有限公司	Development of pharmaceutical products	People's Republic of China	- [2]	80
Beijing Shijia JiuShengYuan Pharmaceutical Technology Co. Ltd ("JiuShengYuan") 北京世佳九生源药业科技有限公司	Development of pharmaceutical products	People's Republic of China	- [2]	60
Tianjin Shijia Weikang Co. Ltd. 天津世佳伟康科技开发有限公司	Development of pharmaceutical products	People's Republic of China	- [2]	80

[1] Audited by Hainan Haixin Accountant Affairs Office (海南海信会计事务所), a firm of Certified Public Accountants registered in the PRC for statutory purpose and by Crowe Horwath First Trust LLP for consolidation purpose.

[2] On 30 April 2014, the shareholders approved the disposal of Beida Shijia and JiuShengYuan ("collectively known as Disposal Group") at the Extraordinary General Meeting convened on the even date. Thus, the Group deconsolidated the Disposal Group from that date, which resulted in a gain on disposal amounting to approximately RMB 31,269,000 as disclosed in Note 15. The disposal was completed on 10 June 2014.

8. LEASE PREPAYMENTS

	Group
	RMB'000
Cost	
As at 1 January 2013	2,070
Written off	(500)
As at 31 December 2013 and 2014	1,570
Accumulated amortisation	
As at 1 January 2013	1,080
Charge for the year	74
Written off	(500)
As at 31 December 2013	654
Charge for the year	74
As at 31 December 2014	728
Net carrying value	
As at 31 December 2013	916
As at 31 December 2014	842

Lease prepayments represent payments for land use rights on three plots of land. The leases run for initial periods of 48, 50 and 50 years commencing on 30 March 1998, 10 September 1999 and 1 October 2002, respectively. The leases do not include contingent rentals.

9. INTANGIBLE ASSETS

Group	Deferred development costs	Product development in progress	Total
	RMB'000	RMB'000	RMB'000
Cost			
As at 1 January 2013	34,826	159,036	193,862
Additions	-	1,295	1,295
Transfer from prepayment	-	2,910	2,910
Disposal	-	(80)	(80)
Reclassified as disposal group (Note 15)	-	(111,107)	(111,107)
As at 31 December 2013	34,826	52,054	86,880
Additions	-	1,530	1,530
As at 31 December 2014	34,826	53,584	88,410
Accumulated amortisation and impairment			
As at 1 January 2013	29,537	131,968	161,505
Amortisation charge for the year	2,407	-	2,407
Reclassified as disposal group (Note 15)	-	(83,752)	(83,752)
As at 31 December 2013	31,944	48,216	80,160
Amortisation charge for the year	2,390	-	2,390
Write back of impairment (Note 19)	-	(2,704)	(2,704)
Impairment charge (Note 22)	472	-	472
As at 31 December 2014	34,806	45,512	80,318
Net carrying value			
As at 31 December 2013	2,882	3,838	6,720
As at 31 December 2014	20	8,072	8,092

Amortisation expenses are all included in 'cost of sales'.

<u>Product development in progress</u>

For the purpose of impairment testing at the balance sheet date, the recoverable amount of the product development in progress was determined based on a value-in-use calculation except for an amount of RMB 2,704,000 and was determined by discounting future cash flows to be generated from the continuing use of the cash-generating unit with the assistance of an independent valuer. Cash flow projections used in these calculations were based on financial budgets approved by management covering a ten-year period. As at 31 December 2014, the value-in-use estimated is higher than the carrying value.

9. INTANGIBLE ASSETS (Continued)

Product development in progress (Continued)

On 29 November 2013, the Group had successfully entered into a Sale and Purchase Agreement ("Agreement") with a third party for a sale and transfer of an intangible asset with carrying amount of RMB 2,704,000 for a consideration of RMB 3,500,000. At the end of the current financial year, the Group has received partial considerations of RMB 2,000,000. Given that the Agreement is in progress and the sale is probable subject to regulatory approval, the impairment indication is resolved and the previously made impairment charge of RMB 2,704,000 is no longer required. Accordingly, a reversal of impairment is recognised in other operating income in (Note 19).

The individual product development in progress of which net carrying value is more than 10% of the total intangible assets are as follows:

	Group	
	2014	2013
	Net carrying value	Net carrying value
	RMB'000	RMB'000
Product development in progress:		
Product 1	4,000	3,838
Product 2	1,120	-
Product 3	2,784	-

The above product development in progress belong to the category of "other specialised drugs" and are expected to be completed within 3 to 6 years.

Deferred development costs

Due to a new regulation imposed by the government, the production of one of the intangible assets was affected and the production was ceased during the financial year. The Group has made a full impairment charge on this intangible asset amounting to RMB 472,000. The charge is recognised in other operating expenses, as disclosed in Note 22.

As at 31 December 2014, there is no deferred development costs with net carrying value more than 10% of the total intangible assets.

10. INVENTORIES

	Group	
	2014	2013
	RMB'000	RMB'000
Raw materials	23,428	8,125
Finished goods	9,342	7,043
	32,770	15,168

The cost of inventories recognised as expense and included in 'cost of sales' amounted to RMB 43,896,000 (2013: RMB 38,311,000). An amount of RMB 1,065,000 (2013: RMB 97,000) was written off and recognised as expense during the year.

11. TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Trade receivables	36	83
Bills receivable	425	3,119
	461	3,202

12. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Refundable deposits (Note A)	19,200	16,000	-	-
Other receivables – net of allowance of RMB 6,917,000 (2013: RMB 6,917,000) (Note B)	1,866	1,080	-	-
Other deposits	-	4	-	4
Prepayments:				
- Plant and machinery	267	-	-	-
- Raw material	2,961	310	-	-
- Others	1,321	2,319	19	21
	25,615	19,713	19	25

Note A

Refundable deposits comprised the following:

	2014	2013
	RMB'000	RMB'000
Refundable deposit I	2,000	-
Refundable deposit II	6,200	5,000
Refundable deposit III	11,000	11,000
	19,200	16,000

As at 31 December 2014, there are 6 deposits (2013: 3 deposits) made in respect of 6 separate projects. Each of these 6 deposits represents the initial deposit placed to engage the third party research and development ("R&D") vendors to continue the development of the respective drugs.

There are 3 key contractual milestones for all of these projects as follows:

- 1st milestone – The third party vendors are required to submit all research reports and supporting documents for the Group's in-house R&D team to assess the technical feasibility of developing the selected drugs before the initial deposits can be approved for disbursement. These deposits will serve to fund the development phase of the selected drugs.
- 2nd milestone – The third party vendors are required to complete the conduct of clinical trial tests and prepare all submission documents. The third party vendors will be required to hand over and co-ordinate with the Group's R&D team to enable the submission for regulatory review and approval.
- 3rd milestone – The third party vendors are required to transfer approved patents and manufacturing rights to the Group to complete registration requirements with the relevant authority.

12. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS (Continued)

Note A (Continued)

The realisation of the above refundable deposits is dependent on the successful outcome of the development and/or eventual acquisition of the drugs and medical know-how. Management is of the view that as at 31 December 2014, all refundable deposits represent initial deposits at the stage whereby the 2nd milestone has yet to be achieved and that the Group is entitled to enforce its contractual rights for full refund if the 2nd milestone is not achieved within the stipulated timeline as stated in the contracts.

The salient contractual terms relating to the refundability of these deposits are summarised as follows:

Refundable deposit I

This pertains to the new deposit made during the current financial year to a third party vendor. The third party vendor is required to complete the R&D and hand over to the Group the necessary documents and materials for the purpose of submission to the regulatory authority within 21 months of entering into the contract. This contract provides for full refund if the medical know-how and the manufactured quality and process do not fulfil the required level of standards specified in the contract. It is also stated that the third party is to bear 100% of any loss suffered arising from failure in R&D due to technology constraints as indicated by the rejection from the regulatory authority.

Refundable deposit II

This group of deposits comprises of 3 deposits made to 2 third party vendors. The third party vendors are required to complete the R&D and hand over to the Group the necessary documents and materials for the purpose of submission to the regulatory authority within 12 months of entering into the contract. Failure to do so is a breach of contract which entitles the Group to a full refund of the amount paid so far. After submission, any technological issue with the medical know-how supplied by the third party vendors that has caused the failure of obtaining approval is deemed to be a breach of contract by the third party vendors which entitles the Group to a full refund.

Refundable deposit III

This group of deposits comprises of 2 deposits made to the same third party vendor. The third party vendor is required to complete the R&D and hand over to the Group the necessary documents and materials for the purpose of submission to the regulatory authority within 21 months of entering into the contract. These contracts provide for full refund if the medical know-how and the manufactured quality and process do not fulfil the required level of standards specified in the contracts. It is also stated that for any loss suffered as a result of failure in R&D due to technology constraints as indicated by the rejection from the regulatory authority, the third party vendor bears 90% of the loss and the Group is only liable for 10%.

Note B

Except for the amount of allowance of RMB 6,917,000, all other receivable and deposit balances are neither past due nor impaired.

13. DUE FROM SUBSIDIARY (NON-TRADE)

The non-trade balances are unsecured, interest-free and repayable on demand. An amount of RMB 17,850,000 (2013: RMB 24,850,000) pertains to dividend receivable from the subsidiary.

14. CASH AND BANK BALANCES

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	56,325	20,535	2,565	588
Cash in hand	4	11	-	-
Cash and bank balances per consolidated balance sheet	56,329	20,546	2,565	588

As at 31 December 2014, the Group has cash at bank balances of RMB 53,760,000 (2013: RMB 19,958,000) deposited with banks in the PRC that are denominated in RMB. The RMB is not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control Regulations and Administration of settlement, sale and payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December 2014:

	Group	
	2014	2013
	RMB'000	RMB'000
Cash at bank	56,325	20,535
Cash in hand	4	11
Cash in hand and cash at bank attributable to disposal group classified as held for sale (Note 15)	-	261
Cash and cash equivalents per consolidated statement of cash flows	56,329	20,807

15. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE

On 30 April 2014, the company's wholly owned subsidiary, Hainan STAR disposed of its entire equity interest in Beida Shijia and JiuShengYuan ("Disposal Group") for a cash consideration of RMB 25,000,001. This resulted in a gain on disposal amounting to approximately RMB 31,269,000, included in other operating income (Note 19).

15. DISPOSAL GROUP CLASSIFIED AS HELD-FOR-SALE (Continued)

Assets and liabilities of the Disposal Group as at the date on which control was lost were as follow:-

	Group
	2014
	RMB'000
Total assets	31,344
Total liabilities	37,143
Net liabilities derecognised	(5,799)
Non-controlling interests	(470)
	(6,269)
The aggregate gain and the net cash inflow on disposal were as follows:	
Net liabilities disposed of	(6,269)
Gain on disposal of subsidiaries (Note 19)	31,269
Net consideration received in cash	25,000
Less: Cash and cash equivalent disposed	(1,899)
Net cash inflow on disposal	23,101
Representing:	
- Proceeds from disposal, net of cash and cash equivalent disposed	38,101
- Payment of introducer fee related to the disposal of subsidiaries	(15,000)
	23,101

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	19,426	5,647	-	-
Other payables	6,967	8,787	-	-
Deferred income (Note A)	3,000	1,500	-	-
Accruals	3,559	4,720	1,261	2,751
VAT payable	1,417	2,125	-	-
Advances from customers	2,201	657	-	-
	36,570	23,436	1,261	2,751

16. TRADE AND OTHER PAYABLES (Continued)

Note A

As disclosed in Note 9, the Group had successfully entered into a Sale and Purchase Agreement with a third party for a sale and transfer of an intangible asset for a consideration of RMB 3,500,000. At the end of the current financial year, the Group has received proceeds of RMB 2,000,000. Given that the sale and transfer is not yet completed, the amount billed according to the contract milestones of RMB 3,000,000 is recognised as deferred income.

17. DEFERRED TAX

The components and movement of deferred tax liabilities and assets during the financial year are as follows:

Deferred tax liabilities of the Group	Accelerated tax depreciation on property, plant and equipment	Product development in progress	Total
	RMB'000	RMB'000	RMB'000
2014			
At beginning of the year	279	-	279
Recognised in profit or loss	(79)	-	(79)
At end of the year	200	-	200
2013			
At beginning of the year	358	2,096	2,454
Recognised in profit or loss	(79)	-	(79)
Reclassified as disposal group held for sale (Note 15)	-	(2,096)	(2,096)
At end of the year	279	-	279

The deferred tax liabilities are not expected to be settled within one year.

Deferred tax assets of the Group	Book over tax depreciation on intangible assets and property, plant and equipment	Unutilised tax losses	Total
	RMB'000	RMB'000	RMB'000
2014			
At beginning of year	1,986	-	1,986
Recognised in profit or loss	(75)	2,034	1,959
At end of year	1,911	2,034	3,945

17. DEFERRED TAX (Continued)

Deferred tax assets of the Group	Book over tax depreciation on intangible assets and property, plant and equipment	Unutilised tax losses	Total
	RMB'000	RMB'000	RMB'000
2013			
At beginning of year	1,352	-	1,352
Recognised in profit or loss	634	-	634
At end of year	1,986	-	1,986

	Group	
	2014	2013
	RMB'000	RMB'000
Deferred tax assets of the Group		
to be recovered within one year	2,356	1,044
to be recovered after one year	1,589	942
	3,945	1,986

18. REVENUE

Revenue comprises mainly sales of pharmaceutical products and research services, net of VAT.

	Group	
	2014	2013
	RMB'000	RMB'000
Sale of antibiotics	38,693	36,489
Sale of cardiovascular drugs and cerebrovascular drugs	3,696	3,107
Sale of other specialised drugs	55,181	45,387
TCM research service fee income	-	3,384
	97,570	88,367

19. OTHER OPERATING INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Gain on disposal of subsidiaries	31,269	-
Subcontracting service income	2,675	656
Write back of impairment on an intangible asset (Note 9)	2,704	-
Government grants	700	700
Rental income (Note 27)	721	735
Others	98	470
	38,167	2,561

20. ADMINISTRATIVE EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Audit fees	1,269	1,576
Depreciation of property, plant and equipment	1,055	4,722
Directors' fee (Note 27)	470	473
Key management remuneration other than directors' fee (Note 27)	1,337	1,732
Entertainment	445	438
Insurance	702	749
Professional fees	453	292
Rental expenses	1,003	1,329
Repair and maintenance	884	68
Research and development expenses	2,428	5,012
Salaries, wages and bonus	2,862	3,494
Travelling expenses	1,132	1,236
Transportation expenses	585	571
Inventory written off	1,065	-
Others	2,255	2,519
	17,945	24,211

21. PERSONNEL EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Salaries, wages and bonus *	12,386	15,611
Defined contribution retirement plans *	3,805	3,405
	16,191	19,016

* Includes key management personnel remuneration as disclosed in Note 27.

22. OTHER OPERATING EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Donations	5	35
Loss on disposal of property, plant and equipment	17	-
Allowance for impairment of intangible assets (Note 9)	472	-
New product research cost	1,806	1,180
Others	42	36
	2,342	1,251

23. FINANCE INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Interest income on bank balances	925	218

24. FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expense on:		
- Secured bank loan	10	855
- Unsecured borrowings	101	-
Foreign exchange loss	145	-
Bank charges	37	33
	293	888

25. INCOME TAX (CREDIT) / EXPENSE

	Group	
	2014	2013
	RMB'000	RMB'000
Current tax		
- Current year	-	2,483
- Over provision in prior years	(395)	-
Deferred tax		
- Current year	(2,038)	(714)
	(2,433)	1,769

The reconciliation of the tax (credit) / expense and the product of accounting profit multiplied by the applicable rate is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Accounting profit before tax	47,447	4,714
Income tax based on applicable tax rate of 15% (2013: 15%) in PRC	7,117	707
Tax effect of non-deductible expenses	1,001	519
Income not subject to tax	(5,096)	-
Adjustment of net loss on disposal of subsidiaries recognised by a subsidiary	(4,650)	-
Deferred tax assets not recognised	-	569
Tax incentives	(410)	-
Utilisation of previously unrecognised tax losses to reduce current tax	-	(26)
Over provision in prior years	(395)	-
Income tax (credit) / expense	(2,433)	1,769

The subsidiary, Hainan STAR, is entitled to a reduced tax rate of 15% as it is located in the Hainan Special Economic Zone in the PRC.

26. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
Net profit attributable to equity holders of the Company (RMB'000)	49,880	3,704
Weighted average number of ordinary shares (in '000) outstanding for basic earnings per share	234,125	234,125
Basic earnings per share (RMB cents)	21.30	1.58

As at 31 December 2014 and 2013, there is no dilutive or anti-dilutive instrument outstanding. The diluted earnings per share is the same as the basic earnings per share.

27. RELATED PARTY INFORMATION

In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

	Group	
	2014	2013
	RMB'000	RMB'000
Subcontracting expenses to a related party	378	462
Rental income from a related party (Note A)	721	735
Rental paid to a related party (Note A)	(721)	(735)

Related party refers to an entity controlled by a Director who is also a shareholder of the Company.

Note A

The investment property was rented out to a related party and earned notional rental income amounting to RMB 721,000 (2013: RMB 735,000), in exchange for rental of office space and storage from the same related party of the same notional value.

27. RELATED PARTY INFORMATION (Continued)

	Group	
	2014	2013
	RMB'000	RMB'000
Key management personnel remuneration		
Directors of the Company:		
- Short-term employee benefits	429	344
- Directors' fees	470	473
	899	817
Other key management personnel:		
- Short-term employee benefits	908	1,388
	1,807	2,205

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of the Company.

28. COMMITMENTS

(i) Future capital commitments

Capital expenditure contracted for as at 31 December 2014 but not recognised in the financial statements are as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
In respect of:		
- product development in progress	22,870	13,670
- acquisition of property, plant and equipment and development costs	623	150
	23,493	13,820

(ii) Non-cancellable operating lease commitments

As at the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Within 1 year	50	497
After 1 year but within 5 years	-	191
	50	688

29. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principal changes in interest rates and currency exchange rates. Generally, management continuously monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved.

As the Group's exposure to market risk is kept at a minimum, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

Exposure to credit, interest rate, liquidity and foreign exchange risks arises in the normal course of the Group's business. The Group does not have a hedging policy.

The categories of financial instruments are loan and receivables for financial assets and financial liabilities at amortised cost.

(i) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group has established credit limits for customers and monitors their balances regularly. Most of the Group's cash and bank balances are deposited with reputable banks in the PRC, Hong Kong and Singapore.

The Group performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The impairment allowance for trade debts is based upon a review of the expected collectability of all trade receivable which includes assessing the current credit worthiness and past collection history of the customers.

As the Group and Company does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

(ii) Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(ii) Liquidity risk (Continued)

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

Group	On demand or within 1 year
	RMB'000
As at 31 December 2014	
Trade payables	19,426
Other payables and accruals	10,526
	29,952
As at 31 December 2013	
Trade payables	5,647
Other payables and accruals	13,507
	19,154

Company	On demand or within 1 year
	RMB'000
As at 31 December 2014	
Accruals	1,261
As at 31 December 2013	
Accruals	2,751

(iii) Foreign exchange risk

Most of the Group's transactions are denominated in RMB. The Group's exposure to market risk resulting from changes in foreign currency exchange rates relates primarily to its bank balances and accounts payable in currencies other than the functional currency. The Group reviews its foreign currency exposures regularly and does not consider its present foreign exchange risk to be significant. The Group has no other significant foreign exchange risk and does not use derivative financial instruments to hedge this risk.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Foreign exchange risk (Continued)

The following table set out the amounts denominated in currencies of the entities within the Group for the respective financial year:

Group 2014	Chinese Renminbi	Singapore Dollar	Hong Kong Dollar	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Trade receivables	461	-	-	461
Other receivables and deposits	21,066	-	-	21,066
Cash and bank balances	53,764	2,536	29	56,329
	75,291	2,536	29	77,856
Financial liabilities				
Trade and other payables	28,811	1,061	80	29,952
Net financial assets / (liabilities)	46,480	1,475	(51)	47,904
Less: Net financial assets denominated in the respective entities' functional currency	(46,480)	-	-	(46,480)
Foreign currency exposure	-	1,475	(51)	1,424

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Foreign exchange risk (Continued)

Group 2013	Chinese Renminbi	Singapore Dollar	Hong Kong Dollar	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Trade receivables	3,202	-	-	3,202
Other receivables and deposits	17,080	-	4	17,084
Cash and bank balances	19,958	359	229	20,546
	40,240	359	233	40,832
Financial liabilities				
Trade and other payables	17,336	1,674	144	19,154
Net financial assets / (liabilities)	22,904	(1,315)	89	21,678
Less: Net financial assets denominated in the respective entities' functional currency	(22,904)	-	-	(22,904)
Foreign currency exposure	-	(1,315)	89	(1,226)

As the financial assets and financial liabilities of the Disposal Group are denominated in RMB, which is the functional currency of the Disposal Group, the Disposal Group is not subject to material foreign exchange risk.

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Foreign exchange risk (Continued)

Company 2014	Chinese Renminbi	Singapore Dollar	Hong Kong Dollar	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Due from subsidiaries (non-trade)	35,850	-	-	35,850
Cash and bank balances	-	2,536	29	2,565
	35,850	2,536	29	38,415
Financial liabilities				
Trade and other payables	120	1,061	80	1,261
Net financial assets / (liabilities)	35,730	1,475	(51)	37,154
Less: Net financial assets denominated in the Company's functional currency	(35,730)	-	-	(35,730)
Foreign currency exposure	-	1,475	(51)	1,424

Company 2013	Chinese Renminbi	Singapore Dollar	Hong Kong Dollar	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Other receivables and deposits	-	-	4	4
Due from subsidiaries (non-trade)	42,850	-	-	42,850
Cash and bank balances	-	359	229	588
	42,850	359	233	43,442
Financial liabilities				
Trade and other payables	933	1,674	144	2,751
Net financial assets / (liabilities)	41,917	(1,315)	89	40,691
Less: Net financial assets denominated in the Company's functional currency	(41,917)	-	-	(41,917)
Foreign currency exposure	-	(1,315)	89	(1,226)

29. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

(iii) Foreign exchange risk (Continued)

Foreign exchange risk sensitivity

The following table demonstrates a 5% (2013: 5%) strengthening of RMB against the following currencies at the reporting date. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of a reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% (2013: 5%) change in foreign currency rates.

If the Chinese Renminbi strengthens by 5% (2013: 5%) against the relevant foreign currency with all other variables held constant, profit or loss and net assets will increase / (decrease) by:

	2014 Profit net of tax RMB'000	2013 Profit net of tax RMB'000
Group		
Singapore Dollar	63	(56)
Hong Kong Dollar	(2)	4

	2014 Profit net of tax RMB'000	2013 Profit net of tax RMB'000
Company		
Singapore Dollar	63	(56)
Hong Kong Dollar	(2)	4

A weakening of the Chinese Renminbi against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

(iv) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Loans and receivables	77,856	40,832	38,415	43,442
Financial liabilities at amortised cost	29,952	19,154	1,261	2,751

29. FINANCIAL INSTRUMENTS (Continued)

Capital risk management policies and objectives

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued capital, statutory reserves and revenue reserves as disclosed in Notes 4(a) and 4(b).

The Board of Directors reviews the capital structure on an annual basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital.

The Group's overall strategy remains unchanged from 2013.

30. FAIR VALUES DISCLOSURE

Fair value hierarchy

The Group classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy have the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Except for the determination of fair value of the investment property for disclosure as shown in Note 6, the Group and the Company does not have financial assets and financial liabilities stated at fair value.

The carrying amounts of other financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and bank balances, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

31. SEGMENTAL INFORMATION

The Group's Executive Directors consider the development, manufacturing and trading of pharmaceutical products as a single reportable segment. The Group's sole business segment operates in one main geographic area, which is in the PRC. Revenue of approximately RMB 13,423,000 (2013 : RMB 12,328,000) is derived from a single external customer in PRC. Details and breakdown of the Group's revenue by products are as disclosed in Note 18.

STATISTICS OF SHAREHOLDINGS
AS AT 23 MARCH 2015

Issues and fully paid-up cap	: S$31,372,977
Number of Ordinary Shares	: 234,125,000
Class of shares	: Ordinary share
Voting rights	: One vote per share

There are no treasury shares held in the issued capital of the Company.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.09	30	0.00
100 - 1,000	39	3.29	38,397	0.01
1,001 - 10,000	457	38.53	3,298,180	1.41
10,001 - 1,000,000	675	56.91	61,730,900	26.37
1,000,001 AND ABOVE	14	1.18	169,057,493	72.21
TOTAL	**1,186**	**100.00**	**234,125,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
ORDINARY SHARES				
Xu Zhi bin	-	-	70,000,000 (1)	29.90
Gu Yan	-	-	52,000,000 (2)	22.21

Notes :-

(1) Mr Xu Zhi Bin is deemed to have an interest in the 70,000,000 shares which is held by DB Nominees (Singapore) Pte Ltd for EFG Bank on his behalf.

(2) Mr Gu Yan is deemed to have an interest in the 52,000,000 shares which is held by DB Nominees (Singapore) Pte Ltd for EFG Bank on his behalf.

STATISTICS OF SHAREHOLDINGS
AS AT 23 MARCH 2015

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DB NOMINEES (SINGAPORE) PTE LTD	122,193,250	52.19
2	OCBC SECURITIES PRIVATE LIMITED	10,305,100	4.40
3	DBS NOMINEES (PRIVATE) LIMITED	9,703,500	4.14
4	CHENG YE	6,294,000	2.69
5	TAN KIM CHIANG	3,864,000	1.65
6	ANG KONG BENG @ ANG KONG ENG	3,300,000	1.41
7	RAFFLES NOMINEES (PTE) LIMITED	3,182,143	1.36
8	PHILLIP SECURITIES PTE LTD	3,124,000	1.33
9	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,536,000	0.66
10	UOB KAY HIAN PRIVATE LIMITED	1,204,000	0.51
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,173,500	0.50
12	HEN TICK COLDSTORAGE PTE LTD	1,121,000	0.48
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,043,000	0.45
14	CITIBANK NOMINEES SINGAPORE PTE LTD	1,014,000	0.43
15	CHOW WING WAH	1,000,000	0.43
16	YEO KHENG LONG	1,000,000	0.43
17	FOO WILLIAM	950,000	0.41
18	YAP MAY IMM GILLIAN	930,000	0.40
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	927,000	0.40
20	TAN BOON KIM	900,000	0.38
	TOTAL	**174,764,493**	**74.65**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 23 March 2015, 47.70% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE OF 10TH ANNUAL GENERAL MEETING

STAR PHARMACEUTICAL LIMITED

(Company Registration No. 200500429W)
(Incorporated in Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of STAR Pharmaceutical Limited (the "**Company**") will be held at Six Battery Road #10-01 Singapore 049909 on Thursday, 30 April 2015 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company who retire pursuant to Article 88 and Article 89 of the Articles of Association of the Company:

Mr. Meng Tao	(Retiring under Article 88)	**(Resolution 2)**
Ms. Li Tak Tai Leada	(Retiring under Article 89)	**(Resolution 3)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$97,864 (equivalent to RMB470,125) for the financial year ended 31 December 2014. [2013: S$97,081 (equivalent to RMB472,841)] **(Resolution 4)**

4. To re-appoint Messrs Crowe Horwath First Trust LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

a. (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(iii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

b. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolutions waste in force,

(the "Share Issue Mandate")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (ii)] **(Resolution 6)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary

Singapore, 14 April 2015

Explanatory Notes:

(i) Mr. Meng Tao will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Ms. Li Tak Lai Leada will, upon re-election as Director of the Company, remain as a member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered non-independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Resolution 6, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the AGM (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

IMPORTANT:

1. Former investors who have used their CPF monies to buy STAR Pharmaceutical Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

STAR PHARMACEUTICAL LIMITED

(Company Registration No. 200500429W)
(Incorporated in Singapore)

ANNUAL GENERAL MEETING
PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ... (Name)

of .... (Address)

being a member/members of **STAR PHARMACEUTICAL LIMITED** (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Six Battery Road #10-01 Singapore 049909 on Thursday, 30 April 2015 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
	Ordinary Business		
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr. Meng Tao as a Director		
3	Re-election of Ms. Li Tak Tai Leada as a Director		
4	Approval of Directors' fees amounting to S$97,864 (equivalent to RMB470,125) for the financial year ended 31 December 2014		
5	Re-appointment of Messrs Crowe Horwath First Trust LLP as Auditors and to authorised the Directors of the Company to fix their remuneration		
	Special Business		
6	Authority to allot and issue shares		

Dated this .... day of 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

....

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Chapter 50), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at Six Battery Road #10-01 Singapore 049909 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

STAR Pharmaceutical Limited

Co. Reg. No. 200500429W
Six Battery Road
#10-01 Singapore 049909

http://www.star-pharm.com
http://www.hnstar.com.cn