



**STAR**

**STAR PHARMACEUTICAL LIMITED**

Registration No. 200500429W

**UNAUDITED THIRD QUARTER FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2014**

**PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**

**1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2014 (a)	3 months ended 30 September 2013 (a)	Increase/ (decrease) +/(–) (a) – (b)	9 months ended 30 September 2014 (a)	9 months ended 30 September 2013 (a)	Increase/ (decrease) +/(–) (a) – (b)
<b>Revenue</b>	24,096	20,502	18	69,942	61,169	14
Cost of sales	(14,573)	(14,504)	0	(41,699)	(40,746)	2
<b>Gross Profit</b>	<b>9,523</b>	<b>5,998</b>	59	<b>28,243</b>	<b>20,423</b>	38
Other operating income (Note A)	742	452	64	34,639	1,557	2,125
Selling and distribution expenses	(2,659)	(1,391)	91	(6,188)	(4,007)	54
Administrative expenses	(3,899)	(5,126)	(24)	(12,968)	(15,756)	(18)
Other operating expenses	(243)	540	n.a	(1,212)	(802)	51
<b>Profit from operations</b>	<b>3,464</b>	<b>473</b>	632	<b>42,514</b>	<b>1,415</b>	2,905
Financial income	239	80	199	375	158	137
Financial expenses	(138)	(178)	(22)	(204)	(811)	(75)
<b>Profit before income tax</b>	<b>3,565</b>	<b>375</b>	851	<b>42,685</b>	<b>762</b>	5,502
Income tax	(319)	(343)	(7)	(1,913)	(706)	171
<b>Profit for the period</b>	<b>3,246</b>	<b>32</b>	10,044	<b>40,772</b>	<b>56</b>	72,707
<b>Attributable to:</b>						
Equity holders of the parent	3,246	383	748	40,772	1,023	3,886
Minority interest	-	(351)	(100)	-	(967)	(100)
<b>Profit for the period</b>	<b>3,246</b>	<b>32</b>	10,044	<b>40,772</b>	<b>56</b>	72,707
<b>Earnings per share (RMB cents)</b>						
- Basic (weighted average)	1.39	0.16		17.41	0.44	
- Fully diluted	1.39	0.16		17.41	0.44	

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 September 2014	3 months ended 30 September 2013	Increase/ (decrease) +/(-)	9 months ended 30 September 2014	9 months ended 30 September 2013	Increase/ (decrease) +/(-)
<b>Profit for the period</b>	<b>3,246</b>	<b>32</b>	10,044	<b>40,772</b>	<b>56</b>	72,707
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
<b>Other comprehensive income for the period, net of tax</b>	<b>3,246</b>	<b>32</b>	10,044	<b>40,772</b>	<b>56</b>	72,707
<b>Total comprehensive income attributable to :</b>						
Equity holders of the parent, net of tax	3,246	383	748	40,772	1,023	3,886
Minority interest, net of tax	-	(351)	(100)	-	(967)	(100)
	<b>3,246</b>	<b>32</b>	10,044	<b>40,772</b>	<b>56</b>	72,707

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 September 2014	3 months ended 30 September 2013	9 months ended 30 September 2014	9 months ended 30 September 2013
<b>Profit before tax is arrived at after charging / (crediting) :</b>				
Interest income	240	70	375	135
Interest on borrowings	66	171	111	786
Depreciation of property, plant and equipment	1,359	2,451	3,966	7,344
Amortization of deferred development costs	598	601	1,793	1,804
Amortization of lease prepayment	19	15	57	43
(Gain) / Loss on disposal of fixed assets and intangible assets	-	(6)	-	(4)

The presentation method applied in the third quarter financial statements have been amended from that adopted in the second quarter and half-year announcement. The Board, after reconsideration of the scope of application of FRS 105, concluded that it was not appropriate to present the disposal group as a discontinued operation as defined in FRS 105 pursuant to the completion of the disposal in the second quarter of 2014. The oversight also stems from the initial intention of the Group in highlighting that the material gain on the disposal of subsidiaries was not generated out of the usual operating activities of the group business.

In view of this, the presentation method adopted in this set of financial information have been amended to be consistent with that of the full year audited financial statements in 2013 as well as the first quarter results announcement.

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

	Note	Group		Company	
		30 Sep 2014 RMB'000	31 Dec 2013 RMB'000	30 Sep 2014 RMB'000	31 Dec 2013 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment		52,883	55,487	-	-
Investment property		2,882	3,055	-	-
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		859	916	-	-
Intangible assets	(a)	4,927	6,720	-	-
Deferred tax assets		1,986	1,986	-	-
		<b>63,537</b>	<b>68,164</b>	<b>76,607</b>	<b>76,607</b>
<b>Assets held for sale</b>					
	Note A	-	<b>29,705</b>	-	-
<b>Current assets</b>					
Inventories		19,890	15,168	-	-
Trade and bills receivables		446	3,202	-	-
Other receivables, prepayments and deposits		23,860	19,713	40	25
Due from subsidiary (non-trade)		-	-	37,850	42,850
Cash and bank balances		56,062	20,546	1,300	588
		<b>100,258</b>	<b>58,629</b>	<b>39,190</b>	<b>43,463</b>
<b>Total assets</b>					
		<b>163,795</b>	<b>156,498</b>	<b>115,797</b>	<b>120,070</b>
<b>Equity</b>					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		19,910	19,910	-	-
Accumulated losses		(26,761)	(67,533)	(29,533)	(27,656)
		<b>138,124</b>	<b>97,352</b>	<b>115,442</b>	<b>117,319</b>
Minority interests		-	470	-	-
<b>Total equity</b>					
		<b>138,124</b>	<b>97,822</b>	<b>115,442</b>	<b>117,319</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities		220	279	-	-
		220	279	-	-
<b>Liabilities held for sale</b>					
	Note A	-	<b>33,316</b>	-	-
<b>Current liabilities</b>					
Trade and other payables		23,709	23,436	355	2,751
Income tax payable		1,742	1,645	-	-
		25,451	25,081	355	2,751
<b>Total liabilities</b>					
		<b>25,671</b>	<b>58,676</b>	<b>355</b>	<b>2,751</b>
<b>Total equity and liabilities</b>					
		<b>163,795</b>	<b>156,498</b>	<b>115,797</b>	<b>120,070</b>

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB1,518,000. (At 31/12/2013: RMB2,882,000) and Product Development in Progress of RMB3,409,000 (At 31/12/2013: RMB3,838,000).

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

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

	As at 30 September 2014		As at 31 December 2013	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
Secured bank loan	-	-	-	-

**1(c) Consolidated Statement of Cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Consolidated cash flow statement for the period ended 30 September**

<u>Group</u>	RMB'000		RMB'000	
	3 months ended 30 September 2014	3 months ended 30 September 2013	9 months ended 30 September 2014	9 months ended 30 September 2013
<b>Cash flow from operating activities</b>				
<b>Profit before income tax</b>	<b>3,565</b>	<b>375</b>	<b>42,685</b>	<b>762</b>
Adjustments for:				
Amortisation of deferred development costs	598	601	1,793	1,804
Amortisation of lease prepayment	19	15	57	43
Government grants, net	-	105	-	979
Depreciation of property, plant and equipment	1,359	2,451	3,966	7,344
Depreciation of investment property	58	57	173	172
Gain on disposal of subsidiaries (Note A)	-	-	(31,269)	-
Loss on disposal of property, plant and equipment	-	(6)	-	(4)
Interest expense	66	171	111	786
Interest income	(240)	(70)	(375)	(135)
<b>Operating profit before working capital changes</b>	<b>5,425</b>	<b>3,699</b>	<b>17,141</b>	<b>11,751</b>
<b>Changes in working capital:</b>				
Inventories	668	(1,178)	(4,730)	(2,542)
Trade and bills receivables	2,086	(593)	2,756	(621)

Other receivables, prepayments and deposits	(4,240)	(4,951)	(1,100)	(4,646)
Trade and other payables	(5,860)	3,264	4,100	110
<b>Cash used in / generated from operations</b>	<b>(1,921)</b>	<b>241</b>	<b>18,167</b>	<b>4,052</b>
Income tax paid	(1)	(391)	(1,875)	(2,079)
<b>Net cash used in / generated from operating activities</b>	<b>(1,922)</b>	<b>(150)</b>	<b>16,292</b>	<b>1,973</b>
<b>Cash flows from investing activities</b>				
Payments for product development in progress	-	(700)	-	(1,214)
Purchase of property, plant and equipment	(1,000)	(1,644)	(1,307)	(5,524)
Prepayment for plant and equipment	556	407	(514)	-
Proceeds from disposal of property, plant and equipment	-	20	-	20
Advances for product manufacturing rights and technical know-how	-	-	(2,320)	(11,000)
Refund of deposit from potential investment	-	3,000	-	30,000
Proceeds from disposal of subsidiaries, net of cash disposed of	17,500	-	23,101	-
Interest received	240	70	375	135
<b>Net cash generated from investing activities</b>	<b>17,296</b>	<b>1,153</b>	<b>19,335</b>	<b>12,417</b>
<b>Cash flows from financing activities</b>				
Advances from related parties	-	889	-	924
Advance from bank loan	-	220	-	220
Repayment of bank loan	-	-	-	(30,000)
Interest paid	(66)	(171)	(111)	(786)
<b>Net cash used in / generated from financing activities</b>	<b>(66)</b>	<b>938</b>	<b>(111)</b>	<b>(29,642)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of the period	40,754	14,445	20,546	31,638
<b>Cash and cash equivalents at end of the period</b>	<b>56,062</b>	<b>16,386</b>	<b>56,062</b>	<b>16,386</b>

## Note A

On 12 March 2014, the Company announced that the Company's wholly-owned subsidiary, Hainan STAR Pharmaceutical Co., Ltd ("Hainan STAR") had entered into the sale and purchase agreements on 11 March 2014 with Mr. Zhou Ya Wei (director for disposal group) for the disposal of its 14% equity interesting in Jiu Sheng Yuan at consideration of RMB 1 in cash; and with Jin Merchants Alliance Holding Co., Ltd (the Purchaser") for the net consideration of RMB 25,000,001 for:

- (i) The sale of 80% of the equity interest in Beida Shijia, being the entire equity interest in Beida Shijia held by Hainan Star;
- (ii) The sale of 46% of the equity interest in Jiu Sheng Yuan, being the remaining equity interest in Jiu Sheng Yuan held by Hainan Star after the disposal to Mr. Zhou Ya Wei as disclosed above.

As at 31 December 2013, all the assets and liabilities in Beida Shijia and JiuShengYuan ("Disposal Group") were reclassified to assets and liabilities held for sale.

On 30 April 2014, the shareholders approved the disposal of the Disposal Group at the Extraordinary General Meeting ("EGM") convened on the even date. Thus, the Group deconsolidated the Disposal Group from that date, which has resulted in a gain on disposal amounting to approximately RMB 31,269,000. Completion of the disposal agreements are completed on 10 June 2014.

The major classes of assets and liabilities of the Disposal Group classified as held for sale as at 31 December 2013 were as follows:-

Analysis of the net liabilities disposal of:	31 December 2013
	RMB'000
<b><u>Assets:</u></b>	
Property, plant and equipment	529
Intangible assets	27,355
Inventories	123
Trade receivables	734
Other receivables, prepayments and deposits	703
Cash and bank balances	261
<b>Assets classified as held for sale</b>	<b>29,705</b>
<b><u>Liabilities:</u></b>	
Trade and other payables	25,628
Due to related parties (non-trade)	5,372
Deferred tax liabilities	2,096
Secured bank loan	220
<b>Liabilities classified as held for sale</b>	<b>33,316</b>
<b>Net liabilities directly associated with the Disposed Group</b>	<b>3,611</b>

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

Analysis of the net liabilities disposal of:	As at date of disposal
	RMB'000
<b><u>Assets:</u></b>	
Property, plant and equipment	475
Intangible assets	27,355

Inventories	132
Trade receivables	734
Other receivables, prepayments and deposits	750
Cash and bank balances	1,899
	<b>31,345</b>
<b><u>Liabilities:</u></b>	
Trade and other payables	29,455
Due to related parties (non-trade)	5,372
Deferred tax liabilities	2,096
Secured bank loan	220
	<b>37,143</b>
Net liabilities derecognised	(5,798)
Less: Non-controlling interest	(471)
	(6,269)
<b>Gain on disposal of subsidiaries</b>	<b>31,269</b>
<b>Net consideration received and receivable</b>	<b>25,000</b>
	<b>RMB'000</b>
<b><u>Net cash inflow on disposal</u></b>	
Net consideration received in cash	25,000
Less: Cash and cash equivalent disposal	(1,899)
	<b>23,101</b>

1d(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) change in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediate preceding financial year.

**Consolidated Statement of Changes in Shareholders' Equity for the period ended 30 September**

<u>Group</u>	Share capital	Statutory reserves	Accumulated profits	Total attributable to equity holders of the parents	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 1 January 2013</b>	<b>144,975</b>	<b>18,810</b>	<b>(70,137)</b>	<b>93,648</b>	<b>1,229</b>	<b>94,877</b>
Total comprehensive income/(loss) for the period	-	-	1,023	1,023	(967)	56
<b>At 30 September 2013</b>	<b>144,975</b>	<b>18,810</b>	<b>(69,114)</b>	<b>94,671</b>	<b>262</b>	<b>94,933</b>
<b>At 1 January 2014</b>	<b>144,975</b>	<b>19,910</b>	<b>(67,533)</b>	<b>97,352</b>	<b>470</b>	<b>97,822</b>
Total comprehensive income/(loss) for the period	-	-	40,772	40,772	-	40,772
Disposal of subsidiaries	-	-	-	-	(470)	(470)
<b>At 30 September 2014</b>	<b>144,975</b>	<b>19,910</b>	<b>(26,761)</b>	<b>138,124</b>	<b>-</b>	<b>138,124</b>

<u>Company</u>	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
<b>At 1 January 2013</b>	<b>144,975</b>	<b>(23,753)</b>	<b>121,222</b>
Total comprehensive loss for the period	-	(2,131)	(2,131)
<b>At 30 September 2013</b>	<b>144,975</b>	<b>(25,884)</b>	<b>119,091</b>
<b>At 1 January 2014</b>	<b>144,975</b>	<b>(27,656)</b>	<b>117,319</b>
Total comprehensive loss for the period	-	(1,877)	(1,877)
<b>At 30 September 2014</b>	<b>144,975</b>	<b>(29,533)</b>	<b>115,442</b>



**1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no movements in the Company's share capital for the financial period ended 30 September 2014.

The Company did not have any outstanding convertibles and treasury shares as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

Total number of issued shares excluding treasury shares: 234,125,000 (31 December 2013: 234,125,000)

**1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of the treasury shares at the end of the current financial period reported on.**

Not applicable.

**2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited nor reviewed by the Group's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation applied in the financial statements for the current financial year are consistent with those of the audited financial statements for the year ended 31 December 2013.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed as well as the reasons for, and the effect of, the change.**

The adoption of certain new/revised accounting standards effected on 1 January 2014 have no significant impact on the Group's result of operations.

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

	Group		Group	
	3 months ended 30 September 2014	3 months ended 30 September 2013	9 months ended 30 September 2014	9 months ended 30 September 2013
Net profit attributable to equity shareholders for the period (RMB'000)	3,246	383	40,772	1,023
No. of ordinary shares used in calculation of basic earning per share	234,125,000	234,125,000	234,125,000	234,125,000
<b>Earnings per ordinary share of the group, based on net profit attributable to the shareholders of the Company (in RMB cents):</b>				
(a) Based on weighted average number of ordinary share on issue: and (in RMB cents)	1.39	0.16	17.41	0.44
(b) On a fully diluted basis (in RMB cents)	1.39	0.16	17.41	0.44

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued share excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial year reported on ; and**  
**(b) immediate preceding financial year.**

	Group		Company	
	9 months ended 30 September 2014	Year ended 31 December 2013	9 months ended 30 September 2014	Year ended 31 December 2013
Net asset value per ordinary share capital at the end of the period (in RMB cents)	59.00	41.78	49.31	50.11

8. A review of the performance for the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the followings :-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for current financial period reported on, including ( where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

### Overview

The Group achieved a 748% jump in profit attributable to equity holders to RMB3.2 million in 3Q2014 from RMB0.4 million in 3Q2013. This was mainly due to improved sales performance from other specialized drugs and antibiotics in 3Q2014 and the result of disposal of 80% of the equity interest in Beida Shijia and 60% equity interesting in Jiu Sheng Yuan.

### Revenue

Group revenue increased 18% to RMB24.1 million in 3Q2014 supported by stronger sales team as well as shored up by higher other specialized drugs and improved sales performance of antibiotics.

	3 months ended 30 September 2014	3 months ended 30 September 2013	Change		9 months ended 30 September 2014	9 months ended 30 September 2013	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	8,911	7,709	16	1,202	27,212	26,225	4	987
Cardiovascular drugs and cerebrovascular drugs	959	1,082	(11)	(123)	2,634	2,251	17	383
Other specialized drugs	14,226	11,711	21	2,515	40,096	32,315	24	7,781
TCM R&D	-	-	-	-	-	378	(100)	(378)
<b>Total</b>	<b>24,096</b>	<b>20,502</b>	<b>18</b>	<b>3,594</b>	<b>69,942</b>	<b>61,169</b>	<b>14</b>	<b>8,773</b>

Antibiotics sales rose 16% to RMB8.9 million in 3Q2014. This is mainly due to increase in demand for the Group's Cefepime hydrochloride for Injection and Cefoxitin Sodium for Injection accounted for 37% of Group revenue in 3Q2014, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales dipped 11% to RMB1.0 million on weaker demand for Aceglutamide for Injection. Cardiovascular drugs and cerebrovascular drugs represented 4% of Group revenue in 3Q2014.

The main impetus, other specialized drugs, rose 21% to RMB14.2 million in 3Q2014 on higher demand for Potassium Sodium Dehydroandrographolide Succinate for Injection

and Amoxicillin and Water-soluble Vitamin for Injection. Other specialized drugs remained the largest revenue contributor, accounting for 59% of Group revenue in 3Q2014.

### **Profitability**

Gross profit surged 59% to RMB9.5 million in 3Q2014 mainly on higher revenue and the continuous efforts in reviewing its production processes also yielded improvements in product quality and sales performance.

Other operating income increased 64% to RMB0.7 million due to the RMB0.5 million earned from subcontracting service provided for the manufacturing pharmaceutical products in 3Q2014. 9M2014 plunged 2,125% to RMB34.6 million was resulted in a gain on disposal of 80% of the equity interest in Beida Shijia and 60% equity interesting in Jiu Sheng Yuan from the Group amounting to approximately RMB 31.3 million.

Selling and distribution expenses rose 91% to RMB2.7 million on strengthening of sales force and marketing and branding activities. Administrative expenses decreased 24% to RMB3.9 million results from mitigate the expenses incurred from disposal subsidiaries.

Other expenses increased to RMB0.2 million in 3Q2014 from an income amount of RMB0.5 million in 3Q2013 due to raise the R&D expenditure while in 3Q2013 incurred write-back of over provision

Finance income plunged 199% from RMB 80k in 3Q13 to RMB0.2 million in 3Q14 as higher fixed deposit balance generated more interest income.

Finance expenses decreased 22% to RMB0.1million in 3Q2014 as compared to RMB0.2million in 3Q2013, mainly due to the bank loan was fully paid off in November 2013 from RMB10 million as of 30 September 2013 to nil as of 30 September 2014.

Tax expense remained at approximately RMB0.3 million levels in 3Q14.

As a result, the Group achieved a 748% increase in net profit attributable to equity holders from RMB0.4 million in 3Q2013 to RMB3.2 million in 3Q2014.

### **Financial Position**

*(30 September 2014 vs. 31 December 2013)*

Non-current assets fell from RMB68.2 million to RMB63.5 million. Property, plant and equipment decreased from RMB55.5 million to RMB52.9 million due to depreciation. Intangibles assets dropped from RMB6.7 million to RMB4.9 million due to amortization.

Assets held for sales comprise the assets of Beida Shijia Technology Development Co.,Ltd (“Beida Shijia”) and Beijing Shijia JiuShengYuan Pharmaceutical Technology Co.Ltd (“JiuShengYuan”) which the Group intends to dispose of in 2013 and completed the disposal agreements on 10 June 2014.

Current assets increased from RMB58.6 million to RMB100.3 million. Inventories level rose from RMB15.2 million to RMB19.9 million due to additional raw material purchases to support higher demand and subcontracting manufacturing services. Trade & bills receivables decreased from RMB3.2 million to RMB0.4 million on bills receivables from daily operations have been collected. Other receivables, prepayments and deposits increased from RMB19.7 million to RMB23.9 million due to an advance payment to a third party company to develop the new medical product. Cash and bank balances increased from RMB20.5 million to RMB56.1 million mainly due the receipts from subcontracting service for manufacture pharmaceutical products and the proceeds from disposal of 80% of the equity interest in Beida Shijia and 60% equity interest in Jiu Sheng Yuan in FY2014.

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

Liabilities held for sales comprise the liabilities of Beida Shijia Technology Development Co.,Ltd (“Beida Shijia”) and Beijing Shijia JiuShengYuan Pharmaceutical Technology Co.Ltd (“JiuShengYuan”) which the Group intends to dispose of in 2013 and completed the disposal agreements on 10 June 2014.

Current liabilities increased from RMB25.1 million to RMB25.5 million. Trade and other payables rose from RMB23.4 million to RMB23.7 million due to additional purchases of raw materials.

### **Cash Flow Statement**

The Group’s net cash inflow from operating activities in 9M2014 amounted to RMB16.3 million and 3Q2014 used in amounted to RMB1.9 million. The net cash outflow of RMB1.9 million in 3Q2014 was mainly due to the receipts of trade receivable from subcontracting manufacturing services, offset by the repayment of trade payables from Group’s usual operating business.

Net cash generated from investing activities in 9M2014 amounted to RMB 19.3 million and 3Q2014 amounted to RMB17.3 million. This was primarily due to the proceeds from disposal of subsidiaries of RMB17.5 million partially offset by the purchase of property, plan and equipment in 3Q2014.

The Group’s net cash outflow from financing activities in 9M2014 amounted to RMB0.1 million and 3Q2014 amounted to RMB 66k. This was primarily due the bank loan has been fully repaid in November 2013.

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

Not applicable.

**10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.**

The Group remains cautious about its business prospects for the rest of 2014 due to regulatory and market uncertainties.

To sustain long term growth, the Group will continue to drive revenue expansion and operational efficiency. The Group will also maintain continuous investments in its strong Research and Development efforts to roll out new products. These initiatives are well-supported by the Group's ramping up of its business development engine aimed at further expanding domestic sales and capturing opportunities to grow both internally and externally. The Chinese government's industry-stimulus package and ongoing health care reform extending health insurance coverage to the rural population will provide impetus for the growth of the Chinese pharmaceutical market.

**11. Dividend**

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

Any dividend declared for the current financial period reported on?

**Ordinary Shares:**

No.

**(b) Corresponding Period of the immediately preceding financial year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

**Ordinary Shares:**

NIL

**(c) Date payable**

**Ordinary Shares:**

Not applicable.

**(d) Book Closure Date**

**Ordinary Shares:**

Not applicable.

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

No dividend has been declared.

**13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

Not applicable.

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

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Third Quarter Results of the Group for the financial period ended 30 September 2014 to be false or misleading in any material aspect.

**By Order of the Board**

**Xu Zhi Bin**  
**Executive Chairman**  
**14 November 2014**