



STAR PHARMACEUTICAL LIMITED
Registration No. 200500429W

**UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND
ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2015**

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

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

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2015	3 months ended 30 June 2014	Increase/ (decrease) +/(–)	6 months ended 30 June 2015	6 months ended 30 June 2014	Increase/ (decrease) +/(–)
	(a)	(b)	(a) – (b)	(a)	(b)	(a) – (b)
	(Unaudited)	(Unaudited)		(Unaudited)	(Unaudited)	
Revenue	20,017	23,437	(15)	43,377	45,846	(5)
Cost of sales	(14,032)	(14,812)	(5)	(27,130)	(27,126)	0
Gross Profit	5,985	8,625	(31)	16,247	18,720	(13)
Other operating income	764	32,168	(98)	2,052	33,897	(94)
Selling and distribution expenses	(1,609)	(2,021)	(20)	(3,282)	(3,529)	(7)
Administrative expenses	(4,795)	(4,304)	11	(8,465)	(9,069)	(7)
Other operating expenses	(98)	(821)	(88)	(124)	(969)	(87)
Profit from operations	247	33,647	(99)	6,428	39,050	(84)
Financial income	630	2	31,400	975	136	617
Financial expenses	(31)	(47)	(34)	(91)	(66)	38
Profit before income tax	846	33,602	(97)	7,312	39,120	(81)
Income tax	(227)	(679)	(67)	(1,091)	(1,594)	(32)
Profit for the period	619	32,923	(98)	6,221	37,526	(83)
Attributable to:						
Equity holders of the parent	619	32,605	(98)	6,221	37,526	(83)
Minority interest	-	318	(100)	-	-	-
Profit for the period	619	32,923	(98)	6,221	37,526	(83)
Earnings per share (RMB cents)						
- Basic (weighted average)	1.32	69.63*		13.29	80.14*	
- Fully diluted	1.32	69.63*		13.29	80.14*	

n.m – not meaningful.

* Restated to reflect the effects of Share Consolidation during the current financial year.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2015 (Unaudited)	3 months ended 30 June 2014 (Unaudited)	Increase/ (decrease) +/(−)	6 months ended 30 June 2015 (Unaudited)	6 months ended 30 June 2014 (Unaudited)	Increase/ (decrease) +/(−)
Profit for the period	619	32,923	(98)	6,221	37,526	(83)
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
Other comprehensive income for the period, net of tax	619	32,923	(98)	6,221	37,526	(83)
Total comprehensive income attributable to :						
Equity holders of the period	619	32,605	(98)	6,221	37,526	(83)
Minority interest	-	318	(100)	-	-	
	619	32,923	(98)	6,221	37,526	(83)

Notes to Income Statement:

1.	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 June 2015 (Unaudited)	3 months ended 30 June 2014 (Unaudited)	6 months ended 30 June 2015 (Unaudited)	6 months ended 30 June 2014 (Unaudited)
Profit before tax is arrived at after charging / (crediting) :				
Interest income	630	6	975	134
Interest on borrowings	-	25	-	33
Foreign exchange loss	21	12	72	6
Depreciation of property, plant and equipment	1,322	1,254	2,623	2,607
Depreciation of investment property	58	57	116	115
Amortization of deferred development costs	5	598	10	1,195
Amortization of lease prepayment	18	19	38	38
Loss on disposal of property, plant and equipment	-	-	1	-

2. On 30 April 2014, the Group disposed all equity interests in Beida Shijia Technology Development Co., Ltd (“Beida Shijia”) and Beijing Shijia JiuShengYuan Pharmaceutical Technology Development Co., Ltd (“Jiu Sheng Yuan”) to Jin Merchants Alliance Holding Co., Ltd for the net consideration of RMB 25,000,001. This resulted in a gain on disposal amounting to approximately RMB31,269,000, included in other operating income in 2Q2014.

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 Jun 2015 RMB'000 (Unaudited)	31 Dec 2014 RMB'000 (Audited)	30 Jun 2015 RMB'000 (Unaudited)	31 Dec 2014 RMB'000 (Audited)
Non-current assets					
Property, plant and equipment		51,715	52,160	481	-
Investment property		2,709	2,825	-	-
Investment in subsidiary		-	-	76,607	76,607
Lease prepayments		804	842	-	-
Intangible assets	(a)	8,922	8,092	-	-
Deferred tax assets		2,815	3,945	-	-
		66,965	67,864	77,088	76,607
Current assets					
Inventories		17,202	32,770	-	-
Trade and bills receivables		1,963	461	-	-
Other receivables, prepayments and deposits		35,785	25,615	30	19
Income tax recoverable		963	963	-	-
Due from subsidiary (non-trade)		-	-	31,850	35,850
Cash and bank balances		65,182	56,329	3,177	2,565
		121,095	116,138	35,057	38,434
Total assets		188,060	184,002	112,145	115,041
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		19,910	19,910	-	-
Accumulated losses		(11,432)	(17,653)	(33,656)	(31,195)
Total equity		153,453	147,232	111,319	113,780
Non-current liabilities					
Deferred tax liabilities		161	200	-	-
		161	200	-	-
Current liabilities					
Trade and other payables		34,446	36,570	826	1,261
		34,446	36,570	826	1,261
Total liabilities		34,607	36,770	826	1,261
Total equity and liabilities		188,060	184,002	112,145	115,041

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB10,000. (At 31/12/2014: RMB20,000) and Product Development in Progress of RMB8,912,000 (At 31/12/2014: RMB8,072,000).

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

	As at 30 June 2015		As at 31 December 2014	
	Secured	Unsecured	Secured	Unsecured
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
(a) Amount repayable in one year or less, or on demand	-	-	-	-
(b) Amount repayable after one year	-	-	-	-

1(c) 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 June

<u>Group</u>	RMB'000		RMB'000	
	3 months ended 30 June 2015	3 months ended 30 June 2014	6 months ended 30 June 2015	6 months ended 30 June 2014
Cash flow from operating activities				
Profit before income tax	846	33,602	7,312	39,120
Adjustments for:				
Amortisation of deferred development costs	5	598	10	1,195
Amortisation of lease prepayment	18	19	38	38
Depreciation of property, plant and equipment	1,322	1,254	2,623	2,607
Depreciation of investment property	58	57	116	115
Gain on disposal of subsidiaries	-	(31,269)	-	(31,269)
Loss on disposal of property, plant and equipment	-	-	1	-
Interest expense	-	25	-	33
Interest income	(630)	(6)	(975)	(134)
Operating profit before working capital changes	1,619	4,280	9,125	11,705
Changes in working capital:				
Inventories	7,275	10,345	15,568	(5,398)

Trade and bills receivables	(571)	4,114	(1,502)	670
Other receivables, prepayments and deposits	(928)	6,299	(285)	3,140
Trade and other payables	6,416	(4,285)	(2,124)	9,960
Cash generated from operations	13,811	20,753	20,782	20,077
Income tax paid	-	(1,756)	-	(1,874)
Net cash generated from operating activities	13,811	18,997	20,782	18,203
Cash flows from investing activities				
Payments for product development in progress	-	-	(840)	-
Purchase of property, plant and equipment	(2,176)	(46)	(2,179)	(307)
Prepayment for plant and equipment	(1,100)	(753)	(1,579)	(1,070)
Advances for product manufacturing rights and technical know-how	(396)	(1,200)	(8,306)	(2,320)
Proceeds from disposal of subsidiaries, net of cash disposed of	-	5,601	-	5,601
Interest received	630	6	975	134
Net cash (used in) / generated from investing activities	(3,042)	3,608	(11,929)	2,038
Cash flows from financing activities				
Interest paid	-	(25)	-	(33)
Net cash used in financing activities	-	(25)	-	(33)
Net increase in cash and cash equivalents	10,769	22,580	8,853	20,208
Cash and cash equivalents at beginning of the period	54,413	18,174	56,329	20,546
Cash and cash equivalents at end of the period	65,182	40,754	65,182	40,754

- 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 June

<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
At 1 January 2014	144,975	19,910	(67,533)	97,352	470	97,822
Total comprehensive income for the period	-	-	37,526	37,526	-	37,526
Disposal of subsidiaries	-	-	-	-	(470)	(470)
At 30 June 2014	144,975	19,910	(30,007)	134,878	-	134,878
At 1 January 2015	144,975	19,910	(17,653)	147,232	-	147,232
Total comprehensive income for the period	-	-	6,221	6,221	-	6,221
At 30 June 2015	144,975	19,910	(11,432)	153,453	-	153,453

<u>Company</u>	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2014	144,975	(27,656)	117,319
Total comprehensive loss for the period	-	(1,221)	(1,221)
At 30 June 2014	144,975	(28,877)	116,098
At 1 January 2015	144,975	(31,195)	113,780
Total comprehensive loss for the period	-	(2,461)	(2,461)
At 30 June 2015	144,975	(33,656)	111,319

- 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.**

Issued and Paid-Up Capital	Number of Shares	Share Capital (RMB)
As at 31 December 2014 (audited)	234,125,000	144,974,729
As at 30 June 2015 (unaudited)	46,824,999	144,974,729

On 30 April 2015 during an Extraordinary General Meeting, the shareholders of the Company approved the consolidation of every five (5) existing ordinary shares of the Company into one (1) ordinary share ("Share Consolidation"). The Share Consolidation was completed on 26 May 2015 when 234,125,000 existing ordinary shares were consolidated into 46,824,999 ordinary shares.

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.**

	6 months ended 30 June 2015	Year ended 31 December 2014
Total number of issued shares excluding treasury shares	46,824,999 [#]	234,125,000

[#] After the completion of share consolidation of five (5) existing issued ordinary shares into one (1) ordinary share on 26 May 2015.

- 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. There were no treasury shares during and as at end of the current financial period reported on.

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

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

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

Not applicable.

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

The accounting policies and methods of computation applied in the financial statements for the current financial year are consistent with those of the audited financial statements for the year ended 31 December 2014.

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

The adoption of certain new/revised accounting standards effected on 1 January 2015 have no significant impact on the Group's result of operations.

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

	Group		Group	
	3 months ended 30 June 2015	3 months ended 30 June 2014	6 months ended 30 June 2015	6 months ended 30 June 2014
		(Restated)*		(Restated)*
Net Amount attributable to equity shareholders for the period (RMB'000)	619	32,605	6,221	37,526
No. of ordinary shares used in calculation of basic earning per share	46,824,999	46,824,999	46,824,999	46,824,999
Earnings per ordinary share of the group, based on net profit attributable to the shareholders of the Company (in RMB cents):				
(a) Based on weighted average number of ordinary share on issue: and (in RMB cents)	1.32	69.63	13.29	80.14
(b) On a fully diluted basis (in RMB cents)	1.32	69.63	13.29	80.14

*Comparative weighted average number of ordinary shares and basic and diluted earning per ordinary share has been adjusted to reflect the effects of Share Consolidation during the current financial year.

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

	Group		Company	
	6 months ended 30 June 2015	Year ended 31 December 2014	6 months ended 30 June 2015	Year ended 31 December 2014
Net asset value per ordinary share capital at the end of the period (in RMB cents)	327.72	62.89	237.73	48.60
Number of shares (in issued)	46,824,999	234,125,000	46,824,999	234,125,000

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 posted a 15% drop in revenue to RMB20.0 million in 2Q2015 mainly due to lower demand for the Group's other specialized drug as well as continues face the price pressure due to price - cap regulation from the drug prices intervention by PRC government. The Group ended the quarter with a net profit attributable to equity holders of RMB0.6 million in 2Q2015.

Revenue

Group revenue fell 15% to RMB20.0 million in 2Q2015 owing to lower antibiotics and other specialized drug sales.

	3 months ended 30 June 2015	3 months ended 30 June 2014	Change		6 months ended 30 June 2015	6 months ended 30 June 2014	Change	
	RMB'000	RMB'000	%	RMB'000	RMB'000	RMB'000	%	RMB'000
Antibiotics	8,391	9,795	(14)	(1,404)	18,518	18,301	1	217
Cardiovascular drugs and cerebrovascular drugs	931	1,061	(12)	(130)	1,876	1,675	12	201
Other specialized drugs	10,695	12,581	(15)	(1,886)	22,983	25,870	(11)	(2,887)
Total	20,017	23,437	(15)	(3,420)	43,377	45,846	(5)	(2,469)

Antibiotics sales fell 14% to RMB8.4 million in 2Q2015 on lower demand for Azithromycin Aspartate for Injection and Cefoxitin Sodium for Injection. Antibiotics accounted for 42% of Group revenue in 2Q2015, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales softened 12% to RMB0.9 million by decreases in the sales of Aceglutamide for Injection. Cardiovascular drugs and cerebrovascular drugs represented 5% of Group revenue in 2Q2015.

Other specialized drugs dipped 15% to RMB10.7 million in 2Q2015. This is mainly due to weaker demand for the Group's Potassium Sodium Dehydroandrographolide Succinate for Injection and Vecuronium Bromide for Injection. Despite the softening demand, other specialized drugs still remained the largest revenue contributor constituting 53% of Group revenue in 2Q2015.

Profitability

Gross profit decreased 31% to RMB6.0 million in 2Q2015 mainly on lower demand for the other specialized drug and government's price intervention pressures in a wide range of pharmaceutical products.

Other operating income fell 98% from RMB32.2 million in 2Q2014 to RMB0.8 million in 2Q2015 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 in 2Q2014.

Selling and distribution expenses declined 20% to RMB1.6 million as staff travelling and meeting expenses lower in 2Q2015.

Administrative expenses increased 11% to RMB4.8 million due to RMB0.1 million stock obsolescence recorded in 2Q2015.

Other expenses drop to 88% to RMB0.1 million in 2Q2015 on lower R&D expenditure.

Finance income plunged 31.4 times to RMB0.6 million mainly due to higher deposits balance generated more interest income.

Finance expenses fell 33% to RMB0.03 million results from mitigate the expenses incurred from disposal subsidiaries.

Tax expenses decreased due to lower taxable income for the period.

As a result, the Group posted net profit attributable to equity holders of RMB0.6 million in 2Q2015 compared with RMB32.9 million in 2Q2014.

Financial Position

(30 June 2015 vs. 31 December 2014)

Non-current assets slight fell from RMB67.9 million to RMB67.0 million. Property, plant and equipment decreased from RMB52.2 million to RMB51.7 million due to depreciation. Intangibles assets rose from RMB8.1 million to RMB8.9 million due to capitalization of a product development in progress which is approximately RMB0.8 million.

Current assets increased from RMB116.1 million to RMB121.1 million. Inventories level fell from RMB32.8 million to RMB17.2 million due to the completion of some subcontracting manufacturing services. Trade & bills receivables increased from RMB0.5 million to RMB2.0 million on higher bills receivables from daily operations. Other receivables, prepayments and deposits increased from RMB25.6 million to RMB35.8 million mainly due to advance payments of RMB8.3 million to third party research and development vendors to develop 5 new medical products. Cash and bank balances increased from RMB56.3 million to RMB65.2 million at the end of 2Q2015.

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

Current liabilities dropped from RMB36.6 million to RMB34.4 million. Trade and other payables fell from RMB36.6 million to RMB34.4 million on settlement of most of the long outstanding debt due to raw materials purchases in FY2014.

Cash Flow Statement

The Group's net cash inflow from operating activities in 1H2015 was RMB20.8 million. This was mainly due to the Group's usual operating business. The net cash inflow of RMB 13.8 million in 2Q2015 was mainly due reduces the material purchase for subcontracting manufacturing service.

Net cash used in investing activities in 1H2015 amounted to RMB 11.9 million and 2Q2015 amounted to RMB3.0 million. This was primarily due to the advance payments of RMB8.3 million in 1H2015 and RMB0.4 million in 2Q2015 to third party research and development vendors to develop new medical products on behalf of the Group as well as some additional purchase of property, plant and equipment.

No cash flow from financing activities in 1H2015 and 2Q2015.

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 expects business conditions to remain challenging in 2015 due to ongoing healthcare reforms, pricing pressure and market competition in the People's Republic of China continue to pose challenges for the growth of the Group.

In order to drive revenue expansion, the Group will continue to focus on diversifying sales strategies and improve its operations as well as continuous investments to ensure roll out of new products.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Ordinary Shares:

No.

(b) Corresponding Period of the immediately preceding financial year

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

Ordinary Shares:

No.

(c) Date payable

Ordinary Shares:

Not applicable.

(d) Book Closure Date

Ordinary Shares:

Not applicable.

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

No dividend has been declared or recommended for the current period reported on.

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Hainan Selection Pharmaceutical Co., Ltd.	RMB722,000	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 30 June 2015.

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

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

To the best of our knowledge and belief, nothing has come to the attention of the Directors of the Company which may render the Second Quarter Results of the Group for the financial period ended 30 June 2015 to be false or misleading in any material aspect.

By Order of the Board

Xu Zhi Bin
Executive Chairman
11 August 2015