



STAR

STAR PHARMACEUTICAL LIMITED

Registration No. 200500429W

UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 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 June 2014 (a)	3 months ended 30 June 2013 (a)	Increase/ (decrease) +/(–) (a) – (b)	6 months ended 30 June 2014 (a)	6 months ended 30 June 2013 (a)	Increase/ (decrease) +/(–) (a) – (b)
<u>CONTINUING OPERATIONS</u>						
Revenue	23,437	20,075	17	45,846	40,289	14
Cost of sales	(14,812)	(14,139)	5	(27,126)	(26,242)	3
Gross Profit	8,625	5,936	45	18,720	14,047	33
Other operating income	899	209	330	2,628	1,105	138
Selling and distribution expenses	(2,021)	(1,499)	35	(3,529)	(2,616)	35
Administrative expenses	(3,722)	(3,775)	(1)	(6,892)	(7,366)	(6)
Other operating expenses	(821)	(865)	(5)	(969)	(1,348)	(28)
Profit from operations	2,960	6	49,233	9,958	3,822	161
Financial income	1	64	(98)	134	78	72
Financial expenses	(45)	(214)	(79)	(54)	(629)	(91)
Profit/ (Loss) before income tax	2,916	(144)	n.m	10,038	3,271	207
Income tax	(679)	(120)	466	(1,594)	(363)	339
Profit/ (Loss) for the period from continuing operations	2,237	(264)	n.m	8,444	2,908	190
<u>DISCONTINUED OPERATIONS</u>						
Profit/ (Loss) for the period from discontinued operations (Note A)	30,686	(1,233)	n.m	29,082	(2,884)	n.m
Profit/ (Loss) for the period	32,923	(1,497)	n.m	37,526	24	156,258
Attributable to:						
Equity holders of the parent	32,605	(1,211)	n.m	37,526	640	5,763
Minority interest	318	(286)	n.m	-	(616)	(100)
Profit/(Loss) for the period	32,923	(1,497)	n.m	37,526	24	156,258

Basic earnings per share (RMB cents)					
- continuing operations	0.96	(0.12)		3.61	1.24
- discontinued operations	12.97	(0.40)		12.42	(0.97)
Diluted earnings per share (RMB cents)					
- continuing operations	0.96	(0.12)		3.61	1.24
- discontinued operations	12.97	(0.40)		12.42	(0.97)

n.m – not meaningful.

Consolidation statement of Comprehensive income for the period

	Group			Group		
	RMB'000		(%)	RMB'000		(%)
	3 months ended 30 June 2014	3 months ended 30 June 2013	Increase/ (decrease) +/(–)	6 months ended 30 June 2013	6 months ended 30 June 2013	Increase/ (decrease) +/(–)
Profit/(Loss) for the period	32,923	(1,497)	n.m	37,526	24	156,258
Other comprehensive income:						
Exchange difference on consolidation	-	-		-	-	
Other comprehensive income for the period, net of tax	32,923	(1,497)	n.m	37,526	24	156,258
Total comprehensive income attributable to :						
Equity holders of the parent, net of tax	32,605	(1,211)	n.m	37,526	640	5,763
Minority interest, net of tax	318	(286)	n.m	-	(616)	(100)
	32,923	(1,497)	n.m	37,526	24	156,258

Notes to Income Statement:

	Group		Group	
	RMB'000		RMB'000	
	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013
Profit/(Loss) before tax is arrived at after charging / (crediting) :				
Interest income	6	51	134	65
Interest on borrowings	25	207	33	615
Depreciation of property, plant and equipment	1,254	2,455	2,607	4,893
Amortization of deferred development costs	598	554	1,195	1,203
Amortization of lease prepayment	19	14	38	28
Loss on disposal of property, plant and equipment	-	2	-	2

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 2014	31 Dec 2013	30 Jun 2014	31 Dec 2013
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment		53,243	55,487	-	-
Investment property		2,940	3,055	-	-
Investment in subsidiaries		-	-	76,607	76,607
Lease prepayments		878	916	-	-
Intangible assets	(a)	5,525	6,720	-	-
Deferred tax assets		1,986	1,986	-	-
		64,572	68,164	76,607	76,607
Assets held for sale					
	Note A	-	29,705	-	-
Current assets					
Inventories		20,558	15,168	-	-
Trade and bills receivables		2,500	3,202	-	-
Other receivables, prepayments and deposits		52,707	19,713	16	25
Due from subsidiary (non-trade)		-	-	40,350	42,850
Cash and bank balances		40,754	20,546	201	588
		116,519	58,629	40,567	43,463
Total assets					
		181,091	156,498	117,174	120,070
Equity					
Share capital		144,975	144,975	144,975	144,975
Statutory reserves		19,910	19,910	-	-
Accumulated losses		(30,007)	(67,533)	(28,877)	(27,656)
		134,878	97,352	116,098	117,319
Minority interests		-	470	-	-
Total equity		134,878	97,822	116,098	117,319
Non-current liabilities					
Deferred tax liabilities		240	279	-	-
		240	279	-	-
Liabilities held for sale					
	Note A	-	33,316	-	-
Current liabilities					
Trade and other payables		44,569	23,436	1,076	2,751
Income tax payable		1,404	1,645	-	-
		45,973	25,081	1,076	2,751
Total liabilities					
		46,213	58,676	1,076	2,751
Total equity and liabilities					
		181,091	156,498	117,174	120,070

Notes:

- (a) Intangible assets comprise mainly of Deferred Development Cost with carrying value of RMB1,687,000. (At 31/12/2013: RMB2,882,000) and Product Development in Progress of RMB3,838,000 (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 June 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 June

<u>Group</u>	RMB'000		RMB'000	
	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013
Cash flow from operating activities				
Profit/ (Loss) before income tax				
- Continuing operations	2,916	(144)	10,038	3,271
- Discontinued operations (Note A)	30,686	(1,233)	29,082	(2,884)
	33,602	(1,377)	39,120	387
Adjustments for:				
Amortisation of deferred development costs	598	554	1,195	1,203
Amortisation of lease prepayment	19	14	38	28
Government grants, net	-	1,177	-	874
Depreciation of property, plant and equipment	1,254	2,455	2,607	4,893
Depreciation of investment property	57	58	115	115
Gain on disposal of subsidiaries (Note A)	(31,269)	-	(31,269)	-
Loss on disposal of property, plant and equipment	-	2	-	2
Interest expense	25	207	33	615
Interest income	(6)	(51)	(134)	(65)
Operating profit before working capital changes	4,280	3,039	11,705	8,052

Changes in working capital:				
Inventories	10,345	(1,813)	(5,398)	(1,364)
Trade and bills receivables	4,114	13	670	(28)
Other receivables, prepayments and deposits	6,299	1,863	3,140	305
Trade and other payables	(4,285)	(633)	9,960	(3,154)
Cash generated from operations	20,753	2,469	20,077	3,811
Income tax paid	(1,756)	(1,688)	(1,874)	(1,688)
Net cash generated from operating activities	18,997	781	18,203	2,123
Cash flows from investing activities				
Payments for product development in progress	-	(514)	-	(514)
Purchase of property, plant and equipment	(46)	(3,699)	(307)	(3,880)
Prepayment for plant and equipment	(753)	619	(1,070)	(407)
Advances for product manufacturing rights and technical know-how	(1,200)	-	(2,320)	(11,000)
Refund of deposit from potential investment	-	9,000	-	27,000
Proceeds from disposal of subsidiaries, net of cash disposed of	5,601	-	5,601	-
Interest received	6	51	134	65
Net cash generated from investing activities	3,608	5,457	2,038	11,264
Cash flows from financing activities				
Advances from related parties	-	35	-	35
Repayment of bank loan	-	(10,000)	-	(30,000)
Interest paid	(25)	(207)	(33)	(615)
Net cash used in financing activities	(25)	(10,172)	(33)	(30,580)
Net increase/(decrease) in cash and cash equivalents	22,580	(3,934)	20,208	(17,193)
Cash and cash equivalents at beginning of the period	18,174	18,379	20,546	31,638
Cash and cash equivalents at end of the period	40,754	14,445	40,754	14,445

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
<u>Assets:</u>	
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
Assets classified as held for sale	29,705
<u>Liabilities:</u>	
Trade and other payables	25,628
Due to related parties (non-trade)	5,372
Deferred tax liabilities	2,096
Secured bank loan	220
Liabilities classified as held for sale	33,316
Net liabilities directly associated with the Disposed Group	3,611

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
<u>Assets:</u>	
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
	31,345
Liabilities:	
Trade and other payables	29,455
Due to related parties (non-trade)	5,372
Deferred tax liabilities	2,096
Secured bank loan	220
	37,143
Net liabilities derecognised	(5,798)
Less: Non-controlling interest	(471)
	(6,269)
Gain on disposal of subsidiaries	31,269
Net consideration received and receivable	25,000
	RMB'000
Net cash inflow on disposal	
Net consideration received in cash	7,500
Less: Cash and cash equivalent disposal	(1,899)
	5,601

The results from the Disposal Group before the date of disposal are presented separately on the statement of comprehensive income as discontinued operations as follows:-

	Group	
	1 January 2014 to 30 April 2014	1 January 2013 to 30 June 2013
	RMB'000	RMB'000
Revenue and other income	-	378
Expenses	(2,177)	(3,258)
Loss from operations	(2,177)	(2,880)
Net finance costs	(10)	(4)
Loss before income tax from discontinued operations	(2,187)	(2,884)
Income tax	-	-
Loss after income tax from discontinued operations	(2,187)	(2,884)
Gain on disposal of operations (Note A)	31,269	-
Profit/(Loss) for the period from discontinued operations	29,082	(2,884)

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 2013	144,975	18,810	(70,137)	93,648	1,229	94,877
Total comprehensive income/(loss) for the period	-	-	640	640	(616)	24
At 30 June 2013	144,975	18,810	(69,497)	94,288	613	94,901
At 1 January 2014	144,975	19,910	(67,533)	97,352	470	97,822
Total comprehensive income/(loss) 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

<u>Company</u>	Share capital	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2013	144,975	(23,753)	121,222
Total comprehensive loss for the period	-	(1,677)	(1,677)
At 30 June 2013	144,975	(25,430)	119,545
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

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 June 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			
	Continuing operations		Discontinued operations		Continuing operations		Discontinued operations	
	3 months ended 30 June 2014	3 months ended 30 June 2013	3 months ended 30 June 2014	3 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013	6 months ended 30 June 2014	6 months ended 30 June 2013
Net profit / (loss) attributable to equity shareholders for the period (RMB'000)	2,237	(264)	30,368	(947)	8,444	2,908	29,082	(2,268)
No. of ordinary shares used in calculation of basic earning per share	234,125,000	234,125,000	234,125,000	234,125,000	234,125,000	234,125,000	234,125,000	234,125,000
Earnings per ordinary share of the group, based on net profit attributable to the shareholders of the Company (in RMB cents):								
(a) Based on weighted average number of ordinary share on issue: and (in RMB cents)	0.96	(0.12)	12.97	(0.40)	3.61	1.24	12.42	(0.97)
(b) On a fully diluted basis (in RMB cents)	0.96	(0.12)	12.97	(0.40)	3.61	1.24	12.42	(0.97)

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	
	6 months ended 30 June 2014	Year ended 31 December 2013	6 months ended 30 June 2014	Year ended 31 December 2013
Net asset value per ordinary share capital at the end of the period (in RMB cents)	57.61	41.78	49.59	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 turned around with net profit attributable to equity holder of RMB32.6 million in 2Q2014 from net loss attributable to equity holder of RMB1.2 million in 2Q2013. This was mainly due to continuing operational improvement made in 2014 and the result from gain on disposal of 80% of the equity interest in Beida Shijia and 60% equity interesting in Jiu Sheng Yuan.

Revenue

Group revenue increased 17% to RMB23.4 million in 2Q2014 supported by stronger sales team and higher sales of cardiovascular drugs and cerebrovascular drugs as well as other specialized drugs.

	3 months ended	3 months ended	Change		6 months ended	6 months ended	Change	
	30 June 2014	30 June 2013	%	RMB'000	30 June 2014	30 June 2013	%	RMB'000
	RMB'000	RMB'000			RMB'000	RMB'000		
Antibiotics	9,795	9,189	7	606	18,301	18,516	(1)	(215)
Cardiovascular drugs and cerebrovascular drugs	1,061	728	46	333	1,675	1,169	43	506
Other specialized drugs	12,581	10,158	24	2,423	25,870	20,604	26	5,266
Total	23,437	20,075	17	3,362	45,846	40,289	14	5,557

Antibiotics sales rose 7% to RMB9.8 million in 2Q2014. This is mainly due increase in demand for the Group's Cefoxitin Sodium for Injection and Azithromycin Aspartate for Injection accounted for 42% of Group revenue in 2Q2014, making it the second largest revenue contributor.

Cardiovascular drugs and cerebrovascular drugs sales jumped 46% to RMB1.1 million boosted by increases in the sales of Vinpocetine for Injection. Cardiovascular drugs and cerebrovascular drugs represented 4% of Group revenue in 2Q2014.

Other specialized drugs sales rose 24% to RMB12.6 million in 2Q2014 on higher demand for Potassium Sodium Dehydroandrographolide Succinate for Injection and Amoxicillin and Dicloxacillin Sodium Tablets. Other specialized drugs remained the largest revenue contributor constituting 54% of Group revenue in 2Q2014.

Profitability

Gross profit increased 45% to RMB8.6 million in 2Q2014 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 330% to RMB0.9 million due to the RMB0.7 million earned from subcontracting service provided for the manufacturing pharmaceutical products in 2Q2014.

Selling and distribution expenses rose 35% to RMB2.0 million on strengthening of sales force and marketing and branding activities. Administrative expenses slightly dropped 1% to RMB3.7 million as the Group managed to keep operating expenses in check.

Other expenses decreased 5% to RMB0.8 million in 2Q2014 on lower R&D expenditure.

Finance income dived 98% to RMB1k due to interest income has already been recognized in 1Q2014.

Finance expenses fell 79% to RMB45k in 2Q2014 as compared to RMB0.2million in 2Q2013, mainly due to the bank loan was fully paid off in November 2013 from RMB10 million as of 30 June 2013 to nil as of 30 June 2014.

Tax expense increased to RMB0.7 million in 2Q2014 in line with higher profit for the financial year.

Gain on disposal of subsidiaries in 2Q2014 was resulted from the disposal of 80% of the equity interest in Beida Shijia and 60% equity interesting in Jiu Sheng Yuan from the Group. 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 31.3 million in 2Q2014.

On these, the Group turned around with net profit attributable to equity holder of RMB32.6 million in 2Q2014 from net loss attributable to equity holder of RMB1.2 million in 2Q2013.

Financial Position

(30 June 2014 vs. 31 December 2013)

Non-current assets fell from RMB68.2 million to RMB64.6 million. Property, plant and equipment decreased from RMB55.5 million to RMB53.2 million due to depreciation. Intangibles assets dropped from RMB6.7 million to RMB5.5 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 RMB116.5 million. Inventories level rose from RMB15.2 million to RMB20.6 million due to additional raw material purchases to support higher demand and subcontracting manufacturing services. Trade & bills receivables decreased from RMB3.2 million to RMB2.5 million on bills receivables from daily operations have been collected. Other receivables, prepayments and deposits increased from RMB19.7 million to RMB52.7 million due to an advance payment to a third party company to develop the new medical product and consideration receivables from disposal of 80% of the equity interest in Beida Shijia and 60% equity interesting in Jiu Sheng Yuan in FY2014. Cash and bank balances increased from RMB20.5 million to RMB40.7 million mainly due the receipts from subcontracting service for manufacture pharmaceutical products and the proceeds from disposal of subsidiaries.

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 fell from RMB58.7 million to RMB46.2 million. Trade and other payables rose from RMB23.4 million to RMB44.6 million due to additional purchases of raw materials and the introducer fee for disposal of subsidiaries.

Cash Flow Statement

The Group’s net cash inflow from operating activities in1H2014 amounted to RMB18.2 million and 2Q2014 amounted to RMB19.0 million. This was mainly due to the receipts from subcontracting manufacturing services and bill receivable from Group’s usual operating business.

Net cash generated from investing activities in 1H2014 amounted to RMB 2.0 million and 2Q2014 amounted to RMB3.6 million. This was primarily due to the proceeds from disposal of subsidiaries of RMB5.6 million partially offset by an advance deposit of RMB2.3 million to the third party research company to develop new medical product on behalf of the Group in 1H2014.

The Group’s net cash outflow from financing activities in 1H2014 amounted to RMB 33k and 2Q2014 amounted to RMB 25k. 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 Second Quarter Results of the Group for the financial period ended 30 June 2014 to be false or misleading in any material aspect.

By Order of the Board

Xu Zhi Bin
Executive Chairman
14 August 2014