



STAR PHARMACEUTICAL LIMITED
(Company Registration No. 200500429W)
(Incorporated in Singapore)

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 30 JUNE 2016

The Board of Directors (the “**Board**”) of STAR Pharmaceutical Limited (the “**Company**”, and together with its subsidiaries, collectively the “**Group**”) refers to the Company’s results announcement for the half year ended 30 June 2016 released on 11 August 2016. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 16 August 2016 (each, a “**SGX Query**”) as follows:

SGX Query 1

Please elaborate with reasons and details on order book for the 35% increase to RMB 21.6 million in inventory due to raw material purchases, when sales for 2Q2016 and 1H2016 have decreased by 32%.

Company’s Response to SGX Query 1

In view of the inflation trend and increasing the price of raw materials in PRC, the Group re-assessed the inventory level cycle from 3-4 months production usage volume to 4-6 months in order to moderate and minimize the impact of the cost of raw materials inflation.

SGX Query 2

Please disclose what the “investments placed with several banks in PRC” are. As the amounts of RMB 33.8 million (“Purchase of available-for-sale financial assets”) and RMB 43.7 million (“Proceeds from disposal of available-for-sale assets”) are material compared to the net asset value of RMB 154.1 million, please provide details of these investments.

Company’s Response to SGX Query 2

The Group’s available-for-sale financial assets primarily a portfolio of low-risk investment scope of non principal-protected financial products invested with several banks in PRC. Such investments have a tenure ranging from 3 months to 3 years with an option to early terminate or redeem.

During the first half year in 2016, the Group has redeemed investments of the financial products with total amount of RMB 43.7 million, which recorded and classified as "Proceeds from disposal of available-for-sale assets". The new invested financial products with banks in PRC of total amount of RMB 33.8 million has recorded and classified as "Purchase of available-for-sale financial assets".

BY ORDER OF THE BOARD

Xu Zhi Bin
Executive Chairman
18 August 2016