



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

RESPONSE TO QUERIES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 Annual Report for the financial year ended 31 December 2014 released on 14 April 2015. The Board would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 28 April 2015 (each, a “**SGX Query**”) as follows:

SGX Query 1

On page 24, it was disclosed that “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.”

Please elaborate on the internal controls that may warrant further adjustments and need to be strengthened or where the Board and/or the Audit Committee has concerns over and how the Board seeks to address and monitor the areas of concern

Company’s Response to SGX Query 1

The Company recognizes that no system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk and can provide only reasonable and not absolute assurance against material misstatement or loss. To ensure that internal controls are adequate and effective, the Company 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. The AC is assisted by independent internal auditors to enable AC to carry out assessments on the effectiveness of key internal controls. Any material non-compliance or weaknesses in internal controls or recommendations from the internal auditors and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management on the recommendations made by the internal auditors and external auditors.

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.

SGX Query 2

In its Annual Report on “Interested Person Transactions” (“IPTs”) (page 28), the Company stated that “There were no interested person transactions during the year under review.” However, we note the Company’s disclosure in paragraph 27 of the Notes to the Financial Statements on three “Related Party Transactions” where “[r]elated party refers to an entity controlled by a Director who is also a shareholder of the Company”:-

- (a) Subcontracting expenses to a related party of RMB 378,000;
- (b) Rental income from a related party* of RMB 721,000; and
- (c) Rental paid to a related party* of RMB 721,000.

Please reconcile the amounts under both sections and account for the differences. Furthermore, please note that IPT disclosure must be made in the table format prescribed under Listing Rule 907, if any.

Company’s Response to SGX Query 2

The Company wishes to clarify that saved for the transactions disclosed under the Related Party Information on page 80 of the Annual Report for the financial year ended 31 December 2014, there were no IPTs entered between the Company or its subsidiaries and any of its interested persons subsisting at the end of the financial year ended 31 December 2014.

The aggregate value of the interested person transactions entered into during the financial year ended 31 December 2014 is as follows:-

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.	RMB1,820,000	Nil

The value of IPT of the Group is below 3% of the Group's latest net tangible assets as at 31 December 2014.

The Company has no IPT shareholders' mandate.

BY ORDER OF THE BOARD

Xu Zhi Bin
Executive Chairman
29 April 2015